

MAYBANK INVESTMENT BANK BERHAD
(15938-H)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

<u>Group</u>	<u>Note</u>	<u>30 September 2019 RM'000</u>	<u>31 December 2018 RM'000</u>
ASSETS			
Cash and short-term funds	14	877,095	834,236
Deposits and placements with a financial institution	15	537,409	858,974
Financial investments portfolio	16	872,825	373,034
Loans and advances	17	367,311	368,646
Derivative assets	21 (i)	56,853	251,224
Other assets	18	415,573	827,135
Tax recoverable		36,859	25,250
Statutory deposit with Bank Negara Malaysia		105	105
Investment in a joint venture		1,606	2,813
Property, plant and equipment		6,778	9,632
Intangible assets		12,949	15,021
Right-of-use assets		16,088	-
Deferred tax assets		6,129	16,378
TOTAL ASSETS		<u>3,207,580</u>	<u>3,582,448</u>
LIABILITIES			
Deposits and placements from a financial institution	19	1,189,075	1,003,316
Derivative liabilities	21 (i)	249,085	228,382
Other liabilities	20	1,174,274	1,749,769
Provision for zakat		555	656
TOTAL LIABILITIES		<u>2,612,989</u>	<u>2,982,123</u>
SHAREHOLDER'S EQUITY			
Share capital		222,785	222,785
Reserves		371,806	377,540
TOTAL EQUITY		<u>594,591</u>	<u>600,325</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>3,207,580</u>	<u>3,582,448</u>
COMMITMENTS AND CONTINGENCIES	29	<u>2,162,726</u>	<u>1,692,394</u>

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

<u>Bank</u>	Note	30 September 2019 RM'000	31 December 2018 RM'000
ASSETS			
Cash and short-term funds	14	840,543	795,242
Deposits and placements with a financial institution	15	537,389	858,954
Financial investments portfolio	16	872,825	373,034
Loans and advances	17	367,311	368,646
Derivative assets	21 (i)	56,853	251,224
Other assets	18	414,998	823,930
Tax recoverable		35,128	23,362
Statutory deposit with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,259	203,259
Property, plant and equipment		6,763	9,617
Intangible assets		12,949	15,021
Right-of-use assets		16,088	-
Deferred tax assets		6,129	16,378
TOTAL ASSETS		3,370,340	3,738,772
LIABILITIES			
Deposits and placements from a financial institution	19	1,189,075	1,003,316
Derivative liabilities	21 (i)	249,085	228,382
Other liabilities	20	1,344,945	1,916,880
Provision for zakat		555	656
TOTAL LIABILITIES		2,783,660	3,149,234
SHAREHOLDER'S EQUITY			
Share capital		222,785	222,785
Reserves		363,895	366,753
TOTAL EQUITY		586,680	589,538
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		3,370,340	3,738,772
COMMITMENTS AND CONTINGENCIES	29	2,162,726	1,692,394

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
(15938-H)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

Group	Notes	Third Quarter Ended		Cumulative 9 Months Ended	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
		RM'000	RM'000	RM'000	RM'000
Interest income	22	14,341	19,426	48,821	54,972
Interest expense	23	(9,753)	(13,602)	(34,010)	(37,332)
Net interest income		4,588	5,824	14,811	17,640
Income from Islamic Banking Scheme operations	31	8,105	7,045	41,541	37,177
Non-interest income	24	59,325	65,842	212,662	236,111
Direct costs	25	(6,200)	(6,386)	(17,758)	(23,337)
Net income		65,818	72,325	251,256	267,591
Overhead expenses	26	(61,082)	(59,921)	(204,095)	(204,502)
Operating profit		4,736	12,404	47,161	63,089
(Allowance for)/writeback of impairment on loans and advances and other assets, net	27	(1,703)	771	(292)	211
Provision for contingent liability		(4,500)	-	(4,500)	-
		(1,467)	13,175	42,369	63,300
Share of results of a joint venture		(381)	(540)	(1,247)	(2,158)
(Loss)/profit before taxation and zakat		(1,848)	12,635	41,122	61,142
Taxation and zakat		(605)	(3,596)	(12,772)	(16,115)
(Loss)/profit for the period, attributable to equity holder of the Bank		(2,453)	9,039	28,350	45,027
Basic and diluted (loss)/earnings per share (sen), attributable to equity holder of the Bank		(5)	18	57	90
Other comprehensive income/(loss):					
Item that will not be reclassified subsequently to profit or loss:					
Net loss on revaluation of financial assets at fair value through other comprehensive income		(14)	-	(14)	-
Item that may be reclassified subsequently to profit or loss:					
Net gain/(loss) on foreign exchange translation		44	194	168	(152)
Other comprehensive income/(loss) for the period, net of tax		30	194	154	(152)
Total comprehensive (loss)/income for the period, attributable to equity holder of the Bank		(2,423)	9,233	28,504	44,875

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

<u>Bank</u>	Notes	Third Quarter Ended		Cumulative 9 Months Ended	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Interest income	22	14,092	19,152	48,017	54,139
Interest expense	23	(9,753)	(13,602)	(34,010)	(37,332)
Net interest income		4,339	5,550	14,007	16,807
Income from Islamic Banking Scheme operations	31	8,105	7,045	41,541	37,177
Non-interest income	24	59,325	65,842	216,022	236,069
Direct costs	25	(6,200)	(6,386)	(17,758)	(23,337)
Net income		65,569	72,051	253,812	266,716
Overhead expenses	26	(61,044)	(59,879)	(203,979)	(202,922)
Operating profit		4,525	12,172	49,833	63,794
Allowance for impairment on investment in a joint venture		-	-	-	(3,400)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	27	(1,928)	546	(1,092)	111
Provision for contingent liability		(4,500)	-	(4,500)	-
(Loss)/profit before taxation and zakat		(1,903)	12,718	44,241	60,505
Taxation and zakat		(941)	(3,541)	(12,847)	(15,958)
(Loss)/Profit for the period		(2,844)	9,177	31,394	44,547
Other comprehensive loss:					
Item that will not be reclassified subsequently to profit or loss:					
Net loss on revaluation of financial assets at fair value through other comprehensive income		(14)	-	(14)	-
Other comprehensive loss for the period, net of tax		(14)	-	(14)	-
Total comprehensive (loss)/income for the period, attributable to equity holder of the Bank		(2,858)	9,177	31,380	44,547

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

<u>Group</u>	<-----Non-distributable----->				Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Fair value through other comprehensive income reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019	222,785	34,777	930	(396)	342,229	600,325
Profit for the period	-	-	-	-	28,350	28,350
Other comprehensive (loss)/income	-	-	(14)	168	-	154
Total comprehensive (loss)/income for the period	-	-	(14)	168	28,350	28,504
Transfer from regulatory reserve	-	(7,118)	-	-	7,118	-
Dividends	-	-	-	-	(34,238)	(34,238)
At 30 September 2019	222,785	27,659	916	(228)	343,459	594,591
At 1 January 2018						
- as previously stated	222,785	5,022	-	(380)	416,961	644,388
- effect of adopting MFRS 9	-	28,378	918	-	(28,159)	1,137
At 1 January 2018, as restated	222,785	33,400	918	(380)	388,802	645,525
Profit for the period	-	-	-	-	45,027	45,027
Other comprehensive loss	-	-	-	(152)	-	(152)
Total comprehensive (loss)/income for the period	-	-	-	(152)	45,027	44,875
Transfer to retained earnings	-	(3,925)	-	-	3,925	-
Dividend	-	-	-	-	(78,400)	(78,400)
At 30 September 2018	222,785	29,475	918	(532)	359,354	612,000

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

	<-----Non-distributable----->			Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Fair value through other comprehensive income reserve RM'000	Retained earnings RM'000	Total RM'000
Bank					
At 1 January 2019	222,785	34,777	930	331,046	589,538
Profit for the period	-	-	-	31,394	31,394
Other comprehensive loss	-	-	(14)	-	(14)
Total comprehensive (loss)/income for the period	-	-	(14)	31,394	31,380
Transfer from regulatory reserve	-	(7,118)	-	7,118	-
Dividends	-	-	-	(34,238)	(34,238)
At 30 September 2019	222,785	27,659	916	335,320	586,680
At 1 January 2018					
- as previously stated	222,785	5,022	-	407,457	635,264
- effect of adopting MFRS 9	-	28,378	918	(28,159)	1,137
At 1 January 2018, as restated	222,785	33,400	918	379,298	636,401
Profit for the period	-	-	-	44,547	44,547
Total comprehensive income for the period	-	-	-	44,547	44,547
Transfer to retained earnings	-	(3,925)	-	3,925	-
Dividend	-	-	-	(78,400)	(78,400)
At 30 September 2018	222,785	29,475	918	349,370	602,548

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MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

	Note	Group		Bank	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Cash flows from operating activities					
Profit before taxation and zakat		41,122	61,142	44,241	60,505
Adjustments for:					
Share of results of a joint venture		1,247	2,158	-	-
Depreciation of property, plant and equipment	26	3,554	5,089	3,554	5,089
Depreciation of right-of-use assets	26	6,223	-	6,223	-
Amortisation of computer software	26	3,859	3,809	3,859	3,809
Allowance for impairment on loans and advances and other assets, net		641	704	1,441	454
Allowance for impairment on investment in a joint venture		-	-	-	3,400
Gross dividends	24	(4,124)	(5,664)	(7,484)	(10,214)
Realised (gain)/loss from sale of financial assets at fair value through profit or loss, net	24	(31,953)	25,151	(31,953)	25,151
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	24	(113,436)	(78,884)	(113,436)	(78,884)
Realised loss/(gain) from sale of derivative financial instruments, net	24	33,575	(42,841)	33,575	(42,841)
Unrealised loss on revaluation of derivative financial instruments, net	24	79,474	56,333	79,474	56,333
Operating profit before working capital changes		20,182	26,997	19,494	22,802
Change in cash and short-term funds with original maturity more than three months		61,905	(49,487)	61,905	(49,487)
Change in deposits and placements with original maturity more than three months		306,785	(125,679)	306,785	(125,679)
Change in financial investments portfolio and derivative financial instruments		(252,391)	42,746	(252,391)	42,746
Change in loans and advances		1,423	60,068	1,423	60,068
Change in other assets		388,646	(374,387)	385,092	(373,856)
Change in deposits and placements from a financial institution		185,759	355,602	185,759	355,602
Change in other liabilities		(568,961)	529,268	(565,404)	530,200
Cash generated from operations		143,348	465,128	142,663	462,396
Taxation and zakat paid, net		(14,233)	(25,429)	(14,465)	(25,278)
Net cash generated from operating activities		129,115	439,699	128,198	437,118
Cash flows from investing activities					
Purchase of property, plant and equipment (Purchase of computer software)/proceeds from disposal of computer software		(700)	(458)	(700)	(458)
Net dividends received		4,124	5,664	7,484	10,214
Net cash generated from investing activities		1,637	5,475	4,996	10,025
Cash flows from financing activities					
Dividends paid		(34,238)	(78,400)	(34,238)	(78,400)
Repayment of lease liabilities		(6,531)	-	(6,531)	-
Net cash used in financing activities		(40,769)	(78,400)	(40,769)	(78,400)
Net increase in cash and cash equivalents		89,983	366,774	92,425	368,743
Cash and cash equivalents at the beginning of the period		766,134	704,163	727,120	663,644
Cash and cash equivalents at the end of the period		856,117	1,070,937	819,545	1,032,387

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D.)

	Note	Group		Bank	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Cash and cash equivalents comprise:					
Cash and short-term funds	14	877,095	1,076,455	840,543	1,037,926
Deposits and placements with a financial institution	15	537,409	974,382	537,389	974,361
		<u>1,414,504</u>	<u>2,050,837</u>	<u>1,377,932</u>	<u>2,012,287</u>
Less:					
Cash and short-term funds and deposits and placements with original maturity more than three months		(558,387)	(979,900)	(558,387)	(979,900)
		<u>856,117</u>	<u>1,070,937</u>	<u>819,545</u>	<u>1,032,387</u>

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MAYBANK INVESTMENT BANK BERHAD
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Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting

1. Basis of Preparation

The unaudited condensed interim financial statements of the Group and of the Bank have been prepared under the historical cost convention except for the following assets and liabilities that are stated at fair values: financial assets at fair value through profit or loss, financial investments at fair value through other comprehensive income and derivative financial instruments.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

The unaudited condensed interim financial statements do not include all the information and disclosure required in the audited financial statements, and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018. These explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2018.

The unaudited condensed interim financial statements include those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to capital market and stockbroking activities under the principles of Shariah.

The significant accounting policies and methods of computation applied by the Group and by the Bank are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2018 except for adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2019:

Description	Effective for annual periods beginning on or after
MFRS 9 <i>Prepayment Features with Negative Compensation</i> (Amendments to MFRS 9)	1 January 2019
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to MFRS 128)	To be announced by MASB
Annual Improvements to MFRSs 2015-2017 Cycle	
(i) MFRS 3 <i>Business Combinations</i>	1 January 2019
(ii) MFRS 11 <i>Joint Arrangements</i>	1 January 2019
(iii) MFRS 112 <i>Income Tax</i>	1 January 2019
(iv) MFRS 123 <i>Borrowing Costs</i>	1 January 2019
MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i> (Amendments to MFRS 119)	1 January 2019
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced by MASB
IC Interpretation 23: <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 2: <i>Share-Based Payment</i>	1 January 2020
Amendments to MFRS 3: <i>Business Combinations</i>	1 January 2020
Amendments to MFRS 3: <i>Definition of Business</i>	1 January 2020
Amendments to MFRS 14: <i>Regulatory Deferral Accounts</i>	1 January 2020
Amendments to MFRS 101: <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108: <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 134: <i>Interim Financial Reporting</i>	1 January 2020
Amendments to MFRS 137: <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendments to MFRS 138: <i>Intangible Assets</i>	1 January 2020
Amendments to IC Interpretation 12: <i>Service Concession Arrangements</i>	1 January 2020
Amendments to IC Interpretation 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
Amendments to IC Interpretation 22: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2020

Adoption of the above standards and annual improvements to standards do not have any significant financial impact on the financial statements of the Group and of the Bank in the period of initial application, except for those discussed below:

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Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") Interim Financial Reporting (Cont'd)

1. Basis of Preparation (Cont'd)

MFRS 16 Leases ("MFRS 16")

Before the adoption of MFRS 16, the Group and the Bank classified each of its leases such as premises for branches, data centres and IT and office equipments at the inception date as either a finance lease or an operating lease in accordance with MFRS 117 Leases. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group or the Bank; otherwise, it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased assets were not capitalised and the lease payments were recognised as rental expense in the statements of comprehensive income on a straight-line basis over the lease term. Any prepaid and accrued rent were recognised under other assets:prepayments and other liabilities:accruals, respectively.

MFRS 16 is mandatorily applicable initially for annual periods beginning on or after 1 January 2019 and replaces MFRS 117, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease — Incentives and IC Interpretation 127 Evaluating the Substance of Transactions involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 17. Therefore, MFRS 16 did not have an impact for leases where the Group or the Bank is the lessor.

The Group and the Bank have analysed the impact of the first-time application of MFRS 16, including existing processes, systems and policies. The Group and the Bank have developed its approach for assessing the different types of leases including applying the recognition exemptions in the standard that allows the Group and the Bank not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets; and incorporating forward-looking assumptions in making certain decisions such as extension and termination options on lease contracts of which management have assessed on a case by case basis.

Leases previously classified as operating leases - The Group and the Bank as lessee

On 1 January 2019, the Group and the Bank have applied MFRS 16 for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying MFRS 16, to the retained earnings brought forward and not restate prior year/period comparatives information which remain as previously reported under MFRS 117 and related interpretations. The Group and the Bank also made use of the transition practical expedient in the standard to not recognise lease arrangements for which the lease term ends within 12 months of the date of initial application. The Group and the Bank have elected, on a lease-by-lease basis, to recognise the right-of-use assets at the amount equal to the lease liabilities, hence there were no impact to the retained earnings brought forward as at 1 January 2019.

The Group and the Bank elected the following transition practical expedients on a lease-by-lease basis for measurement purposes at first-time application of the standard:

- (1) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment;
- (2) Short-term lease contracts with a term not exceeding 12 months at the date of initial application are not recognised under MFRS 16;
- (3) Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application; and
- (4) The Group and the Bank used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The detailed financial impact of the adoption of MFRS 16 on the financial statements of the Group and of the Bank are disclosed in Note 33.

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Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") Interim Financial Reporting (Cont'd)

1. Basis of Preparation (Cont'd)

MFRS 16 Leases ("MFRS 16") (Cont'd)

Right-of-Use Assets

At inception of a contract, the Group and the Bank assess whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Group and the Bank combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Group and the Bank recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

Lease Liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating a lease, if the lease term reflects the Group and the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-Term Leases and Leases of Low-Value Assets

The Group and the Bank apply the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant Judgement in Determining the Lease Term of Contracts with Renewal Options

The Group and the Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") Interim Financial Reporting (Cont'd)

1. Basis of Preparation (Cont'd)

MFRS 16 Leases ("MFRS 16") (Cont'd)

Significant Judgement in Determining the Lease Term of Contracts with Renewal Options (Cont'd)

The Group and the Bank have the option, under some of its leases to lease the assets for additional terms of three to five years. The Group and the Bank apply judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group and the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of premises and IT equipments due to the significance of these assets to its operations.

2. Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018 were prepared in accordance with MFRS, International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2018 except for the adoption of the new MFRS, amendments to MFRS and annual improvements to MFRS which are effective for annual periods beginning on or after 1 January 2019 as disclosed in Note 1.

3. Significant Accounting Estimates and Judgements

The preparation of unaudited condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's and the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the financial year ended 31 December 2018.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2018 was not qualified.

5. Seasonal or Cyclical Factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors during the third quarter ended 30 September 2019.

6. Unusual Items Due to Their Nature, Size or Incidence

During the third quarter ended 30 September 2019, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank.

7. Changes in Estimates

There were no material changes in estimates during the third quarter ended 30 September 2019.

8. Changes in Debt and Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Group and the Bank during the third quarter ended 30 September 2019.

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Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting (Cont’d)

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the third quarter ended 30 September 2019.

10. Dividends Paid/Payable

A single-tier interim dividend in respect of the financial year ending 31 December 2019 of approximately RM0.68 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM34,238,000 was approved and subsequently paid to the shareholder on 19 September 2019.

11. Significant and Subsequent Events

There were no significant and subsequent events during the third quarter ended 30 September 2019.

12. Performance Review

For the financial period ended 30 September 2019, the Group's operating profit dropped by 25.2% to RM47.2 million from RM63.1 million during the same period last year mainly due to lower income.

Net income decreased by 6.1% from RM267.6 million to RM251.3 million. Non-interest income dropped by RM23.4 million to RM212.7 million due to lower investment income. However, income from Islamic Banking Scheme operations increased by RM4.4 million to RM41.5 million as a result of higher fee income during the period. Net interest income decreased by 16.0% to RM14.8 million mainly due to higher interest expense from deposits and placements from a financial institution.

Overhead expenses decreased by 0.2% or RM0.4 million to RM204.1 million from RM204.5 million in the previous corresponding period. This was mainly contributed by the decrease in personnel and marketing costs during the period.

The Group's profit before taxation and zakat decreased by 32.7% or RM20.0 million from RM61.1 million to RM41.1 million. Profit for the period dropped by 37.0% or RM16.7 million to RM28.4 million from RM45.0 million compared to the previous period.

13. Business Outlook

Global GDP growth is expected to ease in 2019 to +3.0% from +3.6% in 2018 amid fallout from the US-China trade war disrupting global trade flows. The slowdown in global GDP growth is expected to be led by major advanced economies including the US (2019E: +2.3%; 2018: +2.9%) and Eurozone (2019E: +1.1%; 2018: +1.9%), as well as large emerging markets such as China (2019E: +6.1%; 2018: +6.6%), Brazil (2019E: +0.9%; 2018: +1.1%) and Russia (2019E: +1.1%; 2018: +2.3%).

A similar pace of growth is also projected for the ASEAN-6 countries (2019E: +4.3%; 2018: +5.0%) in line with global trend. Malaysia is expected to chart growth at +4.5%, reflecting the knock-on effect to the domestic economy from external downside risk amid ongoing global growth slowdown and global trade tension overhang. However, stimulus to domestic demand from Bank Negara Malaysia's monetary policy easing and a growth-supportive Budget 2020 are seen as constructive for the economy.

For Malaysian equities, underperforming 2Q2019 financial results and uncertain earnings growth outlook has resulted in a defensive market strategy. While political and policy uncertainties persist, investment confidence is being affected by a lack of fiscal support for businesses. The business sector is also impeded by Malaysia's sharply-underperforming equity market, the latter worsened by continuous foreign selling due to weak growth prospects.

For the Malaysian fixed income market, issuance of corporate bonds raised RM26.9b in 3Q2019 (2Q2019: RM24.5b) as a result of the current market environment with low Malaysian Government Securities yields, tight credit spreads and good demand for Ringgit bonds.

Barring any unforeseen circumstances, the Bank expects its financial performance for 2019 to be satisfactory.

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14. Cash and short-term funds

	Group		Bank	
	30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
Cash and bank balances with financial institutions	248,038	254,289	241,598	248,316
Deposit and placements maturing within one month	629,057	579,947	598,945	546,926
Total cash and short-term funds	877,095	834,236	840,543	795,242

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM293,537,000 (2018: RM312,325,000). These amounts are excluded from the cash and short-term funds of the Group and of the Bank in accordance with FRSIC Consensus 18 Monies Held-in-Trust by Participating Organisation at Bursa Malaysia Securities Berhad.

15. Deposits and placements with a financial institution

	Group		Bank	
	30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
Licensed bank	537,409	858,974	537,389	858,954

16. Financial investments portfolio

		Group and Bank	
		30 September 2019 RM'000	31 December 2018 RM'000
Financial assets at fair value through profit or loss	(i)	871,676	371,871
Financial assets at fair value through other comprehensive income	(ii)	1,116	1,130
Financial assets at amortised cost	(iii)	33	33
Total financial investments portfolio		872,825	373,034

(i) Financial assets at fair value through profit or loss

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
At fair value		
Quoted financial assets:		
Shares in Malaysia	330,190	172,823
Shares outside Malaysia	491,655	159,803
Corporate bond in Malaysia	10,586	-
	832,431	332,626
Unquoted financial assets:		
Loan stock in Malaysia	39,245	39,245
	871,676	371,871

(ii) Financial assets at fair value through other comprehensive income

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss		
Unquoted financial assets:		
Shares in Malaysia	1,116	1,130

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16. Financial investments portfolio (Cont'd)

(iii) Financial assets at amortised cost

	Group and Bank	
	30 September	31 December
	2019	2018
	RM'000	RM'000
At amortised cost less accumulated impairment loss		
Unquoted financial assets:		
Private debt securities in Malaysia	<u>33</u>	<u>33</u>

17. Loans and advances

	Group and Bank	
	30 September	31 December
	2019	2018
	RM'000	RM'000
Term loans		
- Other term loans	66,030	89,290
Amount due from brokers and clients		
- Margin accounts	276,578	256,553
Staff loans	<u>25,202</u>	<u>23,390</u>
Gross loans and advances at amortised cost	367,810	369,233
Less: Allowances for impaired loans and advances:		
- Stage 1 - 12 Months ECL	(234)	(322)
- Stage 3 - Lifetime ECL credit impaired	<u>(265)</u>	<u>(265)</u>
Net loans and advances	<u>367,311</u>	<u>368,646</u>

(i) Loans and advances analysed by type of customer are as follows:

	Group and Bank	
	30 September	31 December
	2019	2018
	RM'000	RM'000
Domestic business enterprises		
- Small and medium enterprises	35,316	32,442
- Others	83,122	105,750
Individuals	248,633	230,567
Foreign entities	<u>739</u>	<u>474</u>
Gross loans and advances	<u>367,810</u>	<u>369,233</u>

(ii) Loans and advances analysed by interest rate sensitivity are as follows:

	Group and Bank	
	30 September	31 December
	2019	2018
	RM'000	RM'000
Fixed rate		
- Housing loans	13,820	12,400
- Hire purchase receivables	11,151	10,800
- Other fixed rate loans	231	190
Variable rate		
- Base lending rate (BLR) plus	276,578	256,553
- Cost plus	<u>66,030</u>	<u>89,290</u>
Gross loans and advances	<u>367,810</u>	<u>369,233</u>

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17. **Loans and advances (Cont'd)**

(iii) **Loans and advances analysed by economic purpose are as follows:**

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Purchase of securities	276,578	256,553
Purchase of transport vehicles	11,151	10,800
Purchase of residential landed property	13,820	12,400
Personal use	231	190
Others	66,030	89,290
Gross loans and advances	367,810	369,233

(iv) **The maturity structure of loans and advances are as follows:**

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Within one year	343,482	346,429
More than one year to three years	2,917	3,810
More than three years to five years	8,256	6,688
More than five years	13,155	12,306
Gross loans and advances	367,810	369,233

(v) **Movements in impaired loans and advances are as follows:**

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
At 1 January	626	641
Impaired/(recovered) during the period/year	423	(15)
Gross impaired loans and advances	1,049	626
Less: - Stage 3 - Lifetime ECL credit impaired	(265)	(265)
Net impaired loans and advances	784	361
Net impaired loans and advances as a percentage of gross loans and advances less Stage 3 - Lifetime ECL credit impaired	0.21%	0.10%

(vi) **Impaired loans and advances analysed by economic purpose are as follows:**

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Purchase of transport vehicles	159	159
Purchase of residential landed property	890	467
Gross impaired loans and advances	1,049	626

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17. Loans and advances (Cont'd)

(vii) **Movements in the allowance for impairment losses are as follows:**

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 January 2019	322	-	265	587
Amount written-back (Note 27)	(88)	-	-	(88)
At 30 September 2019	234	-	265	499
At 1 January 2018				
- as previously stated	642	-	273	915
- effect of adopting MFRS 9	(289)	-	-	(289)
At 1 January 2018, as restated	353	-	273	626
Amount written-back	(31)	-	(8)	(39)
At 31 December 2018	322	-	265	587

18. Other assets

	Group		Bank	
	30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	282,994	480,451	282,994	480,451
Amount due from ultimate holding company	8,176	6,903	8,176	6,903
Other debtors, deposits and prepayments	145,042	359,734	141,957	353,219
	436,212	847,088	433,127	840,573
Less: Allowance for impairment losses	(20,639)	(19,953)	(18,129)	(16,643)
	415,573	827,135	414,998	823,930

(a) Amount due from brokers and clients relates to outstanding purchase contracts entered into on behalf of clients, contra gains and losses, other fees and charges.

19. Deposits and placements from a financial institution

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Licensed bank	1,189,075	1,003,316

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20. Other liabilities

	Group		Bank	
	30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
Provisions and accruals	38,487	89,842	38,289	89,667
Amount due to brokers and clients (a)	285,671	469,644	285,671	469,644
Provision for contingent liability	4,500	-	4,500	-
Deposits and other creditors	790,852	1,160,801	790,247	1,156,613
Finance lease obligation	16,203	-	16,203	-
Amount due to:				
- Holding company	27,918	23,159	27,918	23,159
- Related companies	10,643	6,323	10,643	6,323
- Subsidiaries	-	-	171,474	171,474
	<u>1,174,274</u>	<u>1,749,769</u>	<u>1,344,945</u>	<u>1,916,880</u>

(a) Amount due to brokers and clients represents net amount payable to margin and non-margin clients, which include outstanding sales contracts entered into on behalf of clients, contra gains and losses, other fees and charges.

(b) The movement for provision for contingent liability is as follows:

	Group and Bank RM'000
Addition	<u>4,500</u>
At 30 September 2019	<u>4,500</u>

21. Derivative financial instruments

(i) Derivative financial assets/liabilities

	Group and Bank 30 September 2019		
	Contract/ Notional amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Hedging derivatives			
Equity-related derivatives:			
Equity options			
- Less than one year	622,613	42,994	140,838
Equity swaps			
- Less than one year	351,069	13,859	108,247
	<u>973,682</u>	<u>56,853</u>	<u>249,085</u>

	Group and Bank 31 December 2018		
	Contract/ Notional amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Equity-related derivatives:			
Equity options			
- Less than one year	222,927	215,601	219,584
Equity swaps			
- Less than one year	300,366	35,623	8,798
	<u>523,293</u>	<u>251,224</u>	<u>228,382</u>

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21. Derivative financial instruments (cont'd.)

(ii) The Group and the Bank have recognised the fair value changes on the derivative financial instruments as follows (Note 24):

	Group and Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Equity-related derivatives:				
Index futures	(1)	404	1,153	(79)
Equity options	37,458	(46,308)	40,587	(93,701)
Equity swaps	(57,146)	6,020	(121,214)	37,447
	<u>(19,689)</u>	<u>(39,884)</u>	<u>(79,474)</u>	<u>(56,333)</u>

22. Interest income

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Loans and advances				
- Interest income other than on impaired loans	7,117	7,748	21,302	23,386
- Interest income on impaired loans	103	20	150	65
Money at call and deposits and placements with financial institutions	6,637	10,582	24,321	29,009
Others	484	1,076	3,048	2,512
Total interest income	<u>14,341</u>	<u>19,426</u>	<u>48,821</u>	<u>54,972</u>

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Loans and advances				
- Interest income other than on impaired loans	7,117	7,748	21,302	23,386
- Interest income on impaired loans	103	20	150	65
Money at call and deposits and placements with financial institutions	6,388	10,308	23,517	28,176
Others	484	1,076	3,048	2,512
Total interest income	<u>14,092</u>	<u>19,152</u>	<u>48,017</u>	<u>54,139</u>

23. Interest expense

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Group and Bank</u>				
Deposits and placements from a financial institution	5,465	5,234	17,124	13,931
Derivative financial instruments	4,288	8,368	16,886	23,401
Total interest expense	<u>9,753</u>	<u>13,602</u>	<u>34,010</u>	<u>37,332</u>

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24. Non-interest income

<u>Group</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Fee and commission income:				
Arranger and upfront fees	6,114	10,589	29,400	30,824
Brokerage income	31,454	38,797	99,493	128,500
Corporate advisory fees	3,115	2,150	18,813	10,508
Placement and related fees	775	405	7,245	6,092
Underwriting commission	2,037	-	11,190	622
Others	2,672	2,312	7,152	7,344
	46,167	54,253	173,293	183,890
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	13,825	(11,973)	31,953	(25,151)
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	61,279	35,250	113,436	78,884
Realised (loss)/gain from sale of derivative financial instruments, net	(43,511)	26,245	(33,575)	42,841
Unrealised loss on revaluation of derivative financial instruments, net (Note 21 (ii))	(19,689)	(39,884)	(79,474)	(56,333)
Gross dividends from financial assets at fair value through profit or loss				
- Quoted in Malaysia	903	1,500	2,154	5,069
- Quoted outside Malaysia	884	9	1,970	595
	13,691	11,147	36,464	45,905
Other income:				
Foreign exchange (loss)/gain, net	(1,623)	(714)	(125)	2,948
Others	1,090	1,156	3,030	3,368
	(533)	442	2,905	6,316
Total non-interest income	59,325	65,842	212,662	236,111

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24. Non-interest income (Cont'd)

<u>Bank</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Fee and commission income:				
Arranger and upfront fees	6,114	10,589	29,400	30,824
Brokerage income	31,454	38,797	99,493	128,500
Corporate advisory fees	3,115	2,150	18,813	5,916
Placement and related fees	775	405	7,245	6,092
Underwriting commission	2,037	-	11,190	622
Others	2,672	2,312	7,152	7,344
	46,167	54,253	173,293	179,298
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	13,825	(11,973)	31,953	(25,151)
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	61,279	35,250	113,436	78,884
Realised (loss)/gain from sale of derivative financial instruments, net	(43,511)	26,245	(33,575)	42,841
Unrealised gain on revaluation of derivative financial instruments, net (Note 21 (ii))	(19,689)	(39,884)	(79,474)	(56,333)
Gross dividends from financial assets at fair value through profit or loss				
- Quoted in Malaysia	903	1,500	2,154	5,069
- Quoted outside Malaysia	884	9	1,970	595
Gross dividends from subsidiaries	-	-	3,360	4,550
	13,691	11,147	39,824	50,455
Other income:				
Foreign exchange (loss)/gain, net	(1,623)	(714)	(125)	2,948
Others	1,090	1,156	3,030	3,368
	(533)	442	2,905	6,316
Total non-interest income	59,325	65,842	216,022	236,069

25. Direct costs

<u>Group and Bank</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Dealers' incentive	3,166	2,510	9,279	12,649
Trade-related charges	3,034	3,876	8,479	10,688
	6,200	6,386	17,758	23,337

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26. Overhead expenses

<u>Group</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	38,041	48,189	137,429	148,400
- Pension costs - defined contribution plan	5,165	4,189	15,316	13,817
- Employees' Share Scheme expenses	1,367	-	4,102	486
- Other staff-related expenses	5,052	2,563	10,683	7,395
	<u>49,625</u>	<u>54,941</u>	<u>167,530</u>	<u>170,098</u>
Establishment costs				
- Depreciation of property, plant and equipment	1,050	1,671	3,554	5,089
- Amortisation of computer software	1,281	1,290	3,859	3,809
- Rental	373	2,684	1,083	7,654
- Finance cost on lease liability	169	-	583	-
- Depreciation right-of-use assets	2,079	-	6,223	-
- Repairs and maintenance of property, plant and equipment	3,855	2,739	8,887	7,319
- Information technology expenses	4,520	4,053	13,959	11,801
- Service chargeback	(8,984)	(15,638)	(25,792)	(29,404)
- Others	681	484	1,956	1,487
	<u>5,024</u>	<u>(2,717)</u>	<u>14,312</u>	<u>7,755</u>
Marketing costs				
- Advertisement and publicity	1,298	2,015	6,081	9,705
- Others	1,577	1,098	4,892	4,710
	<u>2,875</u>	<u>3,113</u>	<u>10,973</u>	<u>14,415</u>
Administration and general expenses				
- Fee and brokerage	2,269	2,892	7,234	6,504
- Administrative expenses	982	591	2,549	2,454
- General expenses	307	1,101	1,497	3,276
	<u>3,558</u>	<u>4,584</u>	<u>11,280</u>	<u>12,234</u>
Total overhead expenses	<u>61,082</u>	<u>59,921</u>	<u>204,095</u>	<u>204,502</u>

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26. **Overhead expenses (Cont'd)**

Bank	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	38,041	48,189	137,429	148,400
- Pension costs - defined contribution plan	5,165	4,189	15,316	13,817
- Employees' Share Scheme expenses	1,367	-	4,102	486
- Other staff related expenses	5,052	2,563	10,683	7,394
	49,625	54,941	167,530	170,097
Establishment costs				
- Depreciation of property, plant and equipment	1,050	1,671	3,554	5,089
- Amortisation of computer software	1,281	1,290	3,859	3,809
- Rental	373	2,684	1,083	7,654
- Finance cost on lease liability	169	-	583	-
- Depreciation of right-of-use assets	2,079	-	6,223	-
- Repairs and maintenance of property, plant and equipment	3,855	2,739	8,887	7,318
- Information technology expenses	4,520	4,053	13,959	11,801
- Service chargeback	(8,984)	(15,638)	(25,792)	(30,873)
- Others	681	484	1,956	1,487
	5,024	(2,717)	14,312	6,285
Marketing costs				
- Advertisement and publicity	1,298	2,015	6,081	9,705
- Others	1,577	1,098	4,892	4,719
	2,875	3,113	10,973	14,424
Administration and general expenses				
- Fee and brokerage	2,247	2,862	7,161	6,431
- Administrative expenses	966	579	2,506	2,409
- General expenses	307	1,101	1,497	3,276
	3,520	4,542	11,164	12,116
Total overhead expenses	61,044	59,879	203,979	202,922

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27. (Allowance for)/writeback of impairment on loans and advances and other assets, net

<u>Group</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Writeback of impairment on loans and advances:				
on loans and advances:				
- Stage 1 - 12 months ECL (Note 17 (vii))	40	11	88	64
- Stage 3 - Lifetime ECL credit impaired (Note 17 (vii))	-	7	-	7
Bad debts recovered	45	259	349	915
(Allowance for)/writeback of impairment on other assets, net	(1,788)	494	(729)	(775)
Total	(1,703)	771	(292)	211

<u>Bank</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Writeback of impairment on loans and advances:				
on loans and advances:				
- Stage 1 - 12 months ECL (Note 17 (vii))	40	11	88	64
- Stage 3 - Lifetime ECL credit impaired (Note 17 (vii))	-	7	-	7
Bad debts recovered	45	34	349	565
(Allowance for)/writeback of impairment on other assets, net	(2,013)	494	(1,529)	(525)
Total	(1,928)	546	(1,092)	111

28. Capital adequacy

(I) Capital Adequacy Framework

The capital adequacy ratios of the Group consist of capital base and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies. The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank.

The computation of capital adequacy ratios are based on Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) issued on 2 February 2018 respectively.

The Group and the Bank adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

The minimum regulatory capital adequacy requirements for Common Equity Tier 1 ("CET1"), Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total risk-weighted assets respectively.

The capital adequacy ratios of the Group and of the Bank are as follows:

	Group %	Bank %
<u>At 30 September 2019</u>		
CET1 capital ratio	29.141	27.364
Tier 1 capital ratio	29.141	27.364
Total capital ratio	30.631	28.868
<u>At 31 December 2018</u>		
CET1 capital ratio	24.574	22.976
Tier 1 capital ratio	24.574	22.976
Total capital ratio	26.198	24.616

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28. Capital adequacy (Cont'd)

(I) Capital Adequacy Framework (Cont'd)

The components of capital of the Group and of the Bank are as follows (Cont'd):

	Group RM'000	Bank RM'000
<u>At 30 September 2019</u>		
Paid-up share capital	222,785	222,785
Other reserves	344,147	336,236
CET1 capital before regulatory adjustments	566,932	559,021
Less: Deferred tax assets	(6,129)	(6,129)
Intangible assets	(12,949)	(12,949)
Investment in subsidiaries and a joint venture ¹	(2,111)	(32,289)
CET1 capital/Tier 1 capital	545,743	507,654
Tier 2 capital		
General provisions	27,893	27,893
Tier 2 capital	27,893	27,893
Total capital	573,636	535,547
<u>At 31 December 2018</u>		
Paid-up share capital	222,785	222,785
Other reserves	342,763	331,976
CET1 capital before regulatory adjustments	565,548	554,761
Less: Deferred tax assets	(16,378)	(16,378)
Intangible assets	(15,021)	(15,021)
Investment in subsidiaries and a joint venture ¹	(2,813)	(31,784)
CET1 capital/Tier 1 capital	531,336	491,578
Tier 2 capital		
General provisions	35,099	35,099
Tier 2 capital	35,099	35,099
Total capital	566,435	526,677

¹ Excludes the cost of investment in a subsidiary, Maysec Sdn. Bhd. of RM171,475,000 as its business, assets and liabilities had been transferred to the Bank on 30 December 2006.

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28. Capital adequacy (Cont'd)

(II) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

<u>Group</u>	Gross credit exposures RM'000	Net credit exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
30 September 2019				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	554,085	554,085	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,068,177	1,068,177	374,784	29,983
Corporates	118,472	66,874	66,874	5,350
Regulatory retail	250,114	127,156	122,054	9,764
Higher risk assets	40,361	40,361	60,542	4,843
Other assets	237,161	237,161	185,291	14,823
Total on-balance sheet exposures	2,268,370	2,093,814	809,545	64,763
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,189,044	1,189,044	398	32
Total off-balance sheet exposures	1,189,044	1,189,044	398	32
Total on and off-balance sheet exposures	3,457,414	3,282,858	809,943	64,795
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	14,700	1,176
Equity position risk	-	-	46,019	3,682
Foreign currency risk	-	-	177,279	14,182
Options risk	-	-	98,891	7,911
Total	-	-	336,889	26,951
(iii) <u>Operational Risk</u>				
	-	-	725,911	58,073
Total RWA and capital requirements	3,457,414	3,282,858	1,872,743	149,819

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28. Capital adequacy (Cont'd)

(II) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows: (Cont'd)

<u>Group</u>	Gross credit exposures	Net credit exposures	Risk-weighted assets	Capital requirements
31 December 2018	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	492,339	492,339	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,739,668	1,739,668	690,438	55,235
Corporates	138,225	75,269	75,269	6,022
Regulatory retail	232,748	120,882	116,043	9,283
Higher risk assets	40,375	40,375	60,563	4,845
Other assets	595,058	595,058	346,334	27,707
Total on-balance sheet exposures	3,238,413	3,063,591	1,288,647	103,092
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,169,101	1,169,101	161	13
Total off-balance sheet exposures	1,169,101	1,169,101	161	13
Total on and off-balance sheet exposures	4,407,514	4,232,692	1,288,808	103,105
(ii) <u>Market Risk</u>				
Equity position risk	-	-	4,038	323
Foreign currency risk	-	-	106,003	8,480
Options risk	-	-	15,212	1,217
Total	-	-	125,253	10,020
(iii) <u>Operational Risk</u>				
	-	-	725,911	59,849
Total RWA and capital requirements	4,407,514	4,232,692	2,139,972	172,974

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28. Capital adequacy (Cont'd)

(II) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows: (Cont'd)

<u>Bank</u>	Gross credit exposures RM'000	Net credit exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
30 September 2019				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	554,085	554,085	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,031,638	1,031,638	367,476	29,398
Corporates	118,472	66,874	66,874	5,350
Regulatory retail	250,114	127,156	122,054	9,764
Higher risk assets	40,361	40,361	60,542	4,843
Other assets	236,537	236,537	184,671	14,774
Total on-balance sheet exposures	2,231,207	2,056,651	801,617	64,129
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,189,044	1,189,044	398	32
Total off-balance sheet exposures	1,189,044	1,189,044	398	32
Total on and off-balance sheet exposures	3,420,251	3,245,695	802,015	64,161
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	14,700	1,176
Equity position risk	-	-	46,019	3,682
Foreign currency risk	-	-	172,531	13,802
Options risk	-	-	98,891	7,911
Total	-	-	332,141	26,571
(iii) <u>Operational Risk</u>	-	-	721,013	57,681
Total RWA and capital requirements	3,420,251	3,245,695	1,855,169	148,413

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28. Capital adequacy (Cont'd)

(II) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows: (Cont'd)

<u>Bank</u>	Gross credit exposures	Net credit exposures	Risk-weighted assets	Capital requirements
31 December 2018	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	492,339	492,339	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,700,698	1,700,698	682,644	54,612
Corporates	138,225	75,269	75,269	6,022
Regulatory retail	232,748	120,882	116,043	9,283
Higher risk assets	40,375	40,375	60,563	4,845
Other assets	591,797	591,797	343,075	27,445
Total on-balance sheet exposures	3,196,182	3,021,360	1,277,594	102,207
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,169,101	1,169,101	161	13
Total off-balance sheet exposures	1,169,101	1,169,101	161	13
Total on and off-balance sheet exposures	4,365,283	4,190,461	1,277,755	102,220
(ii) <u>Market Risk</u>				
Equity position risk	-	-	4,038	323
Foreign currency risk	-	-	101,335	8,107
Options risk	-	-	15,212	1,217
Total	-	-	120,585	9,647
(iii) <u>Operational Risk</u>				
	-	-	741,195	59,296
Total RWA and capital requirements	4,365,283	4,190,461	2,139,535	171,163

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29. Commitments and contingencies

Group and Bank	30 September 2019			31 December 2018		
	Notional amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000	Notional amount RM'000	Credit equivalent amount* RM'000	Risk-weighted amount* RM'000
<u>Credit-related</u>						
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,188,248	-	-	1,168,779	-	-
- Maturity exceeding one year	796	398	398	322	161	161
	1,189,044	398	398	1,169,101	161	161
<u>Derivative financial instruments</u>						
Equity-related contracts						
- Less than one year	973,682	-	-	523,293	-	-
Total commitments and contingencies	2,162,726	398	398	1,692,394	161	161

* The credit equivalent amount and the risk-weighted amount are derived at using the credit evaluation conversion factors and risk weights respectively as specified by BNM for regulatory capital adequacy purposes.

Contingent liabilities

The Group and the Bank are defending all of the claims under litigation, through their solicitors, the outcomes of which are subject matter for the Courts to eventually determine.

Case 1

On 5 November 2012, four (4) holders of a bond ("Bondholders") issued by a company filed a claim against the Bank and five (5) other defendants to recover their losses arising from the limited recovery made by the Bondholders following the default of the company's bonds. The claims by the Bondholders, inter alia, include the sum of RM156.3 million or any other sum that the Court deems fit.

Following an order in terms of a joinder application by two (2) applicants to be added as 5th and 6th plaintiffs to the suit, the quantum of the claim increased from RM156.3 million to RM177.3 million to reflect the 5th and 6th plaintiffs' respective claims. On 17 September 2014, a 7th plaintiff was added and joined to the suit with no change to the quantum claimed of RM177.3 million.

On 4 September 2015, the trial of the matter concluded. On 17 February 2016 and 24 February 2016, parties attended Court for oral submissions.

On 24 July 2017, the High Court found in favour of the Bondholders for the sum of RM177,248,747.31 against the Defendants in the following proportion:

- (a) 1st, 2nd and 3rd Defendants – 100% liable;
- (b) The Bank (4th Defendant) – 50% liable;
- (c) The 5th Defendant – 30% liable; and
- (d) The 6th Defendant – 20% liable.

On 5 October 2017, upon hearing further clarification and submissions on the judgment sum, applicable interest and costs, the High Court held:

- (a) The Judgment against the Defendants is for the sum of RM177,248,747.31;
- (b) The total damages that the Bondholders can recover from the Defendants shall not exceed the aggregate sum of RM177,248,747.31;
- (c) Interest shall be calculated on the reduced sum of RM148,653,953.20 at the rate of 5% per annum from 1 November 2011 until full and final settlement; and

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29. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 1 (Cont'd)

On 5 October 2017, upon hearing further clarification and submissions on the judgment sum, applicable interest and costs, the High Court held: (cont'd)

(d) Costs as awarded against the Defendants in favour of the Plaintiffs:

- (i) 1st – 3rd Defendants : RM350,000;
- (ii) The 3rd Defendant to pay costs of RM100,000 for the dismissal of his counterclaim;
- (iii) The Bank to pay costs of RM300,000;
- (iv) The 5th Defendant to pay costs of RM150,000; and
- (v) The 6th Defendant to pay costs of RM200,000 and reimburse the Plaintiffs' expert witness costs of RM250,000.

The Bank and the other Defendants have filed their separate and respective appeals to the Court of Appeal ("the Appeals").

The Court of Appeal heard the Appeals on 12, 13, 15, 22, 23, 27 – 29 November 2018. On 18 September 2019, the Court of Appeal affirmed the High Court's judgment and dismissed the Appeals with costs:

- (i) 1st – 3rd Defendants : RM233,000;
- (ii) The 3rd Defendant: RM70,000;
- (iii) The Bank: RM200,000;
- (iv) The 5th Defendant: RM100,000; and
- (v) The 6th Defendant: RM110,000

On 16 October 2019, the Bank filed an application for leave to appeal to the Federal Court against the Court of Appeal's Judgment ("Leave Application"). The Leave Application is fixed for case management on 29 November 2019.

Case 2

The Bank and four (4) other financial institutions (collectively known as "the Banks") are holders of 48.54% of the Redeemable Convertible Secured Notes ("the Notes") issued by a company ("the Borrower"). The Notes are secured by various security including charges over lands granted by the Borrower and other 3rd parties in favour of the trustee for the Banks ("the Trustee"). Upon the Borrower's default of its payment obligations, the Banks commenced action to recover the sums due under the Notes.

Subsequently, a company ("the 1st Defendant") and an individual ("the 2nd Defendant") (collectively known as "the Defendants") agreed to resolve the claims of the Banks with the 1st Defendant agreeing to purchase from the Banks all the Notes held by the Banks at a total purchase price of RM146,458,246.20. The Banks and the 1st Defendant entered into a Sale and Purchase Agreement in August 2014 ("the SPA") and the 2nd Defendant executed a guarantee in favour of the Banks guaranteeing all sums due under the SPA.

The Defendants subsequently defaulted on their payment obligations under the SPA and on 5 June 2015, the Banks commenced action against the Defendants for specific performance of the SPA or in the alternative, damages for breach of the SPA (as against the 1st Defendant) and for the balance purchase price (as against the 2nd Defendant).

On 22 July 2015, by way of a counterclaim against the Banks and the Trustee, the Defendants prayed for 11 declarations against the Banks and the Trustee and among other prayers, claimed that the Defendants are entitled to the restoration of the sums of RM14,645,824.62 (10% deposit payment) and RM1 million (ex-gratia payment) paid by the 1st and 2nd Defendants respectively, being the sums forfeited by the Banks upon breach of the SPA as well as for interest, costs and damages to be assessed.

The Banks filed an application for summary judgement against the Defendants and an application to strike out the Defendants' counterclaim. The Defendants had on 19 August 2015 filed an injunction application to restrain the Trustee from proceeding with foreclosure proceedings and the Bank from enforcing the Put Option Judgement pending disposal of the counterclaim action against the Banks and the Trustee.

The Banks opposed the injunction application and on 3 September 2015, the court dismissed the injunction application with costs ("High Court Order"). The Defendants appealed to the Court of Appeal against the High Court Order ("Appeal") and in the interim applied to the Court of Appeal for an interim injunction pending disposal of the Appeal. On 8 September 2015, the Court of Appeal dismissed the motion for interim injunction with costs.

On 5 October 2015, the High Court allowed the Banks' application for summary judgement and application to strike out the counterclaim with costs. Accordingly, the Defendants' counterclaim against the Banks have been struck out ("Striking Out Order") and judgement has been entered against the Defendants for the balance purchase price under the SPA ("Summary Judgement").

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29. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 2 (cont'd)

On 23 October 2015, the Defendants filed their respective appeals to the Court of Appeal against the Striking Out Order and the Summary Judgement ("the Appeals").

On 6 December 2016, the Court of Appeal unanimously dismissed the Appeals with costs of RM20,000 to be paid by the Defendants to the Banks for each of the Appeals ("COA Decision").

On 30 December 2016 and 5 January 2017, the Defendants filed their respective applications to the Federal Court for leave to appeal to the Federal Court against the COA Decision ("FC Leave Application"). On 26 April 2017, the Federal Court allowed the FC Leave Application ("FC Appeals"). On 15 March 2018, the Federal Court unanimously dismissed the FC Appeals with costs of RM20,000 for each appeal respectively. The Company and the Guarantor filed their respective motions to the Federal Court to review the Federal Court Decision ("FC Review Application"). On 28 January 2019, the Federal Court dismissed the FC Review Application with costs of RM30,000. On 22 February 2019, the 1st Defendant and the Guarantor filed an originating summons before the High Court for declaratory reliefs with a view to have the Federal Court Decision set aside ("2019 OS"). On 22 March 2019, the 1st Defendant and the Guarantor filed an application for the High Court to refer the constitutional issues before it is filed to the Federal Court for determination ("Reference Application"). The Banks filed an application to strike out the 2019 OS ("Banks' Striking Out Application"). The Banks' Striking Out Application and the Reference Application is fixed for hearing on 5 February 2020. The 2019 OS is fixed for case management on 5 February 2020.

Separately, in respect of the suit filed by another noteholder against the Trustee and the Banks to seek various declarations on or in respect of resolutions relating to the recovery of outstanding amounts owed under the Notes, the suit is now pending hearing of the appeal to the Federal Court on 9 December 2019. The Guarantor also obtained an ex parte Receiving Order on the grounds that there is a purported scheme of arrangement for the creditors' consideration. The Banks successfully set aside the Receiving Order on 17 May 2017. The Guarantor has appealed to the Court of Appeal against the setting aside of the Receiving Order.

The above matters are currently pending hearings before/decision from the respective Courts.

30. Segment information

Segment information is presented in respect of the Group's business segments.

The business segments are prepared based on internal management reports, which are used by senior management for decision-making and performance management. The amounts for each business segment are shown after the allocation of certain centralised cost, funding income and the applicable transfer pricing where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation. All inter-segment transactions are conducted at arm's length basis on normal commercial terms that are not more favourable than those generally available to the public.

Financial results and other information by business segments include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

The Group's business segments are defined and categorised as follows:

(i) Pillar 1 - Investment banking and advisory

Investment banking and advisory focus on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include corporate advisory services, bond issuance, equity issuance, syndicated acquisition advisory services and debt restructuring advisory services.

(ii) Pillar 2 - Equities

Equities primarily engage in the shares and futures broking services, derivative financial instruments, custodian and nominees services.

(iii) Others

Others includes share of results from investment in a joint venture.

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30. Segment information (Cont'd)

The following table provides analysis of the Group's financial results and other information by business segments:

Group	Pillar 1	Pillar 2	Others	Total
30 September 2019	RM'000	RM'000	RM'000	RM'000
Net interest income	851	13,960	-	14,811
Income from Islamic Banking Scheme operations	38,725	2,816	-	41,541
Non-interest income	68,761	143,901	-	212,662
Direct costs	-	(17,758)	-	(17,758)
Net income	<u>108,337</u>	<u>142,919</u>	-	<u>251,256</u>
Results				
Segment results	108,337	142,919	-	251,256
Overhead expenses	(46,494)	(157,601)	-	(204,095)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(1,053)	761	-	(292)
Provision for contingent liability	(4,500)	-	-	(4,500)
Share of results of a joint venture	-	-	(1,247)	(1,247)
Profit/(loss) before taxation	<u>56,290</u>	<u>(13,921)</u>	<u>(1,247)</u>	<u>41,122</u>
Taxation and zakat				(12,772)
Profit for the period				<u>28,350</u>
Other segment information				
Depreciation of property, plant and equipment	59	3,495	-	3,554
Depreciation of right-of-use assets	1,164	5,059	-	6,223
Amortisation of computer software	318	3,541	-	3,859
Group				
30 September 2018	RM'000	RM'000	RM'000	RM'000
Net interest income	1,603	16,037	-	17,640
Income from Islamic Banking Scheme operations	33,025	4,152	-	37,177
Non-interest income	52,599	183,512	-	236,111
Direct costs	-	(23,337)	-	(23,337)
Net income	<u>87,227</u>	<u>180,364</u>	-	<u>267,591</u>
Results				
Segment results	87,227	180,364	-	267,591
Overhead expenses	(62,206)	(142,296)	-	(204,502)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(671)	882	-	211
Writeback of impairment on derivative assets	-	-	-	-
Share of results of a joint venture	-	-	(2,158)	(2,158)
Profit/(loss) before taxation	<u>24,350</u>	<u>38,950</u>	<u>(2,158)</u>	<u>61,142</u>
Taxation and zakat				(16,115)
Profit for the period				<u>45,027</u>
Other segment information				
Depreciation of property, plant and equipment	870	4,219	-	5,089
Amortisation of computer software	474	3,335	-	3,809

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31. The operations of Islamic Banking Scheme ("IBS")

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	Notes	Group and Bank	
		30 September 2019 RM'000	31 December 2018 RM'000
ASSETS			
Cash and short-term funds	(a)	14,824	17,582
Other assets	(b)	450,152	417,245
Total assets		464,976	434,827
LIABILITIES			
Other liabilities	(c)	247,746	225,008
Provision for taxation and zakat	(d)	4,996	2,661
Total liabilities		252,742	227,669
ISLAMIC BANKING CAPITAL FUND			
Islamic banking fund		5,000	5,000
Retained earnings		207,234	202,158
		212,234	207,158
Total liabilities and Islamic banking capital fund		464,976	434,827

**Unaudited Statements of Comprehensive Income
For the Third Quarter Ended 30 September 2019**

Group and Bank	Notes	Third Quarter Ended		Cumulative 9 Months Ended	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Income derived from investment of Islamic banking fund	(e)	8,105	7,045	41,541	37,177
Direct costs		(2,010)	(555)	(2,655)	(1,925)
Net income attributable to the Group and to the Bank		6,095	6,490	38,886	35,252
Overhead expenses	(f)	(5,609)	(7,153)	(31,404)	(30,223)
Operating profit/(loss)		486	(663)	7,482	5,029
(Allowance for)/writeback of impairment on other assets		(226)	-	(71)	110
Profit/(loss) before taxation and zakat		260	(663)	7,411	5,139
Taxation		(62)	72	(1,778)	(3,003)
Zakat		233	(185)	(557)	(807)
Profit/(loss) for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		431	(776)	5,076	1,329

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31. The operations of Islamic Banking Scheme ("IBS") (Cont'd)

Unaudited Statements of Changes in Equity
For the Third Quarter Ended 30 September 2019

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2019	5,000	202,158	207,158
Profit for the period	-	5,076	5,076
Total comprehensive income for the period	-	5,076	5,076
At 30 September 2019	5,000	207,234	212,234
At 1 January 2018	5,000	196,465	201,465
Profit for the period	-	1,329	1,329
Total comprehensive income for the period	-	1,329	1,329
At 30 September 2018	5,000	197,794	202,794

Unaudited Statements of Cash Flows
For the Third Quarter Ended 30 September 2019

	Group and Bank	
	30 September 2019 RM'000	30 September 2018 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	7,411	5,139
(Increase)/decrease in receivables	(32,907)	1,511
Increase in payables	22,738	1,947
Net cash (used in)/generated from operating activities	(2,758)	8,597
Net (decrease)/increase in cash and cash equivalents	(2,758)	8,597
Cash and cash equivalents at beginning of the period	17,582	2,757
Cash and cash equivalents at end of the period	14,824	11,354

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31. The operations of Islamic Banking Scheme ("IBS") (Cont'd)

(a) Cash and short-term funds

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Cash and bank balances with financial institutions	14,824	17,582

(b) Other assets

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Debtors	450,152	417,245

(c) Other liabilities

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Provisions and accruals*	247,746	225,008

* Include prohibited sources/means to charitable causes amounting to RM nil (2018: RM1,497).

(d) Provision for taxation and zakat

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Taxation	3,783	2,005
Zakat	1,213	656
	4,996	2,661

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31. The operations of Islamic Banking Scheme ("IBS") (Cont'd)

(e) Income derived from investment of Islamic banking capital fund

<u>Group and Bank</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Profit income from financial assets at fair value through profit or loss	-	3	28	3
Realised gain from sale of financial assets at fair value through profit or loss, net	154	328	1,103	1,131
Fee and commission income from:				
- Arranger and upfront fees	750	1,057	22,183	23,808
- Brokerage income	1,004	1,212	2,816	4,152
- Corporate advisory fees	-	-	45	-
- Underwriting commission	817	2,000	867	2,000
- Placement fees	3,435	2,445	4,285	6,083
- Others	1,942	-	10,211	-
Foreign exchange loss, net	3	-	3	-
Total	8,105	7,045	41,541	37,177

(f) Overhead expenses

<u>Group and Bank</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Personnel expenses	4,634	5,406	25,050	22,579
Establishment costs				
- Service chargeback	(1,042)	(800)	(3,857)	(2,888)
- Other establishment costs	1,610	1,269	5,950	4,591
Marketing costs	285	232	1,641	1,782
Administration and general expenses	122	1,046	2,620	4,159
Total	5,609	7,153	31,404	30,223

(g) Capital adequacy

(i) The capital adequacy ratios of the Group and of the Bank are as follows:

<u>Group and Bank</u>	30 September 2019	31 December 2018
	%	%
CET1 capital ratio	78.470	84.647
Tier 1 capital ratio	78.470	84.647
Total capital ratio	78.470	84.647

(ii) The components of capital of the Group and of the Bank are as follows:

<u>Group and Bank</u>	30 September 2019	31 December 2018
	RM'000	RM'000
Tier 1 capital		
Islamic banking fund	5,000	5,000
Retained earnings	206,803	202,158
CET1 capital/Tier 1 capital/Total capital	211,803	207,158

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31. The operations of Islamic Banking Scheme ("IBS") (Cont'd)

(g) Capital adequacy (Cont'd)

(III) The breakdown of RWA by exposures in each major risk category are as follows:

<u>Group and Bank</u>	Gross credit exposures	Net credit exposures	Risk-weighted assets	Capital requirements
30 September 2019 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	14,623	14,623	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	200	200	40	3
Other assets	618,419	618,419	155,587	12,447
Total on-balance sheet exposures	633,242	633,242	155,627	12,450
Total on and off-balance sheet exposures *	633,242	633,242	155,627	12,450
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
(iii) <u>Operational Risk</u>				
Total RWA and capital requirements	633,242	633,242	269,915	21,593

<u>Group and Bank</u>	Gross credit exposures	Net credit exposures	Risk-weighted assets	Capital requirements
31 December 2018 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	16,051	16,051	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,530	1,530	306	24
Other assets	575,496	575,496	147,194	11,775
Total on-balance sheet exposures	593,077	593,077	147,500	11,800
Total on and off-balance sheet exposures *	593,077	593,077	147,500	11,800
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
(iii) <u>Operational Risk</u>				
Total RWA and capital requirements	593,077	593,077	244,731	19,578

* There are no off-balance sheet exposures in the current and previous financial years.

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31. The operations of Islamic Banking Scheme ("IBS") (Cont'd)

(h) Fair values of financial assets and liabilities

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date, which are considered short-term in maturity, approximate their carrying amounts as shown in the statements of financial position.

(i) Allocation of income

The policy of allocation of income to the various types of deposits and investments is subject to "The Framework of Rate of Return" issued by Bank Negara Malaysia in October 2001. The objective is to set the minimum standard and terms of reference for the Islamic banking institution in calculating and deriving the rate of return for the depositors.

(j) Shariah committee

The operation of IBS is governed by Section 28 and 29 of Islamic Financial Services Act, 2013 ("IFSA"), which stipulates that "a licensed institution shall at all times ensure that its aims and operations, business, affairs and activities are in compliance with Shariah and in accordance with the advice or ruling of the Shariah Advisory Council ("SAC"), specify standards on Shariah matters in respect of the carrying on of its business, affair or activity" and Section IV of BNM's "Guidelines on the Governance of Shariah Committee for The Islamic Financial Institutions" known as the Shariah Governance Framework ("SGF") (which supersedes the BNM/GPS 1), which stipulates that "every Islamic institution is required to establish a Shariah Committee".

Based on the above, the duties and responsibilities of the Group's and the Bank's Shariah Committee are to advise on the overall Islamic Banking Scheme operations of the Group's and the Bank's business in order to ensure compliance with the Shariah requirements.

The roles of the Shariah Committee in monitoring the Group's and the Bank's activities include:

- (i) To advise the Board on Shariah matters in its business operations;
- (ii) To endorse Shariah Compliance Manual;
- (iii) To endorse and validate relevant documentations;
- (iv) To assist related parties on Shariah matters for advice upon request;
- (v) To advise on matters to be referred to the SAC;
- (vi) To provide written Shariah opinion; and
- (vii) To assist the SAC on reference for advice.

The Group and the Bank presently have six Shariah members.

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32. Fair value of financial instruments

Fair value hierarchy

The Group and the Bank classify its financial instruments measured at fair value according to the following hierarchy, reflecting the significance of the inputs in making the fair value measurements:

(a) Level 1: Quoted prices

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices which represent actual and regularly occurring market transactions in an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

(b) Level 2: Valuation techniques for which all significant inputs are, or are based on, observable market data

Refers to inputs other than quoted prices included those within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over-the-counter ("OTC") derivatives, corporate and other government bonds and illiquid equities.

(c) Level 3: Valuation techniques for which significant inputs are not based on observable market data

Refers to financial instruments where fair value is measured using significant unobservable market inputs. The valuation technique is consistent with the Level 2. The chosen valuation technique incorporates the Group's and the Bank's own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets, private equity investments and loans and advances priced primarily based on internal credit assessment.

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 30 September 2019 and 31 December 2018.

<u>Group and Bank</u>	<u>Valuation techniques using</u>			Total
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 30 September 2019				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	821,845	49,831	-	871,676
Derivative assets	-	56,853	-	56,853
	821,845	106,684	-	928,529
Financial liabilities measured at fair values:				
Derivative liabilities	8,303	240,782	-	249,085
As at 31 December 2018				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	332,626	39,245	-	371,871
Derivative assets	-	251,224	-	251,224
	332,626	290,469	-	623,095
Financial liabilities measured at fair values:				
Derivative liabilities	6,213	222,169	-	228,382

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32. Fair value of financial instruments (Cont'd)

Valuation techniques

The valuation techniques used for the financial and non-financial instruments that are not determined by reference to quoted prices (Level 1), are described below:

(a) Financial assets at fair value through profit or loss

The fair values of financial assets and financial investments are determined by reference to prices quoted by independent data providers and independent broker quotations.

(b) Derivative financial instruments

The fair values of the Group's and of the Bank's derivative financial instruments are derived using discounted cash flows analysis, option pricing and benchmarking models.

33. Financial Effects arising from Adoption of MFRS 16 Leases

(i) The adoption of MFRS 16 resulted in the following financial effects to the statements of financial position of the Group and of the Bank:

	As at 31 December 2018 RM'000	Impact of adopting MFRS 16 RM'000	As at 1 January 2019 RM'000
Group and Bank			
Extract of Statements of Financial Position			
ASSETS			
Right-of-use assets	-	13,140	13,140
LIABILITIES			
Other liabilities			
- Provisions and accruals	-	160	160
- Finance lease obligation	-	12,980	12,980
	-	12,980	12,980

(ii) The following table analyses the impact of Capital Adequacy Ratios of the Group and of the Bank:

	As at 31 December 2018	Impact of adopting MFRS 16	As at 1 January 2019
Group			
CET1 Capital (RM'000)	531,336	-	531,336
Tier 1 Capital (RM'000)	531,336	-	531,336
Total Capital (RM'000)	566,435	-	566,435
Risk Weighted Assets (RM'000)	2,162,172	13,140	2,175,312
CET1 Capital Ratio	24.574	(0.15)	24.426
Tier 1 Capital Ratio	24.574	(0.15)	24.426
Total Capital Ratio	26.198	(0.16)	26.038

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33. Financial Effects arising from Adoption of MFRS 16 Leases (Cont'd.)

(ii) The following table analyses the impact of Capital Adequacy Ratios of the Group and of the Bank: (Cont'd.)

	As at 31 December 2018	Impact of adopting MFRS 16	As at 1 January 2019
Bank			
CET1 Capital (RM'000)	491,578	-	491,578
Tier 1 Capital (RM'000)	491,578	-	491,578
Total Capital (RM'000)	526,677	-	526,677
Risk Weighted Assets (RM'000)	2,139,535	13,140	2,152,675
CET1 Capital Ratio	22.976	(0.14)	22.836
Tier 1 Capital Ratio	22.976	(0.14)	22.836
Total Capital Ratio	24.616	(0.15)	24.466

34. Reclassification of comparative information

Certain opening balances were reclassified during the year to conform with current year presentation with nil financial impact to the statements of comprehensive income. The reclassification is as follows:

31 December 2018	As previously reported RM'000	Re- classification RM'000	As restated RM'000
Group and Bank			
Extract of Statements of Financial Position			
Financial investments portfolio			
Financial assets at fair value through profit or loss (Note 16 (i))	587,472	(215,601)	371,871
Derivative assets (Note 21 (i))	35,623	215,601	251,224