

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Unaudited Statements of Financial Position as at 30 June 2017

	Note	The Group		The Bank	
		As at 30-06-2017 RM'000	As at 31-12-2016 RM'000	As at 30-06-2017 RM'000	As at 31-12-2016 RM'000
ASSETS					
Cash and short-term funds		487,275	601,468	291,500	265,442
Deposits and placements with banks and other financial institutions		20,619	20,637	20,619	20,637
Reverse repurchase agreements		19,502	-	19,502	-
Financial assets held-for-trading	12	124,545	326,302	69,893	299,982
Financial investments held-to-maturity	12	31,437	33,563	31,437	33,563
Financial investments available-for-sale	12	5,247,760	4,847,957	5,222,596	4,825,864
Loans, advances and financing	13	1,216,198	1,079,130	1,216,198	1,079,130
Trade receivables	14	1,105,813	527,905	568,765	434,801
Derivative financial assets		79,022	122,088	79,022	122,088
Other assets	15	75,364	107,559	71,014	104,533
Deferred tax assets		2,161	10,727	-	6,291
Taxation recoverable		23,070	29,566	22,919	29,393
Statutory deposits with Bank Negara Malaysia		181,100	177,740	181,100	177,740
Investment in subsidiaries		-	-	124,121	121,217
Investments in associate		-	-	732	-
Amount due from subsidiaries		-	-	1,032	2,780
Property and equipment		35,681	34,797	23,226	23,603
Intangible assets		322,688	323,090	316,038	316,645
Total ASSETS		8,972,235	8,242,529	8,259,714	7,863,709
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	16	5,082,962	5,002,565	5,082,962	5,002,565
Deposits and placements of banks and other financial institutions	17	620,012	484,561	620,012	484,561
Obligations on securities sold under repurchase agreements	18	143,348	145,878	143,348	145,878
Trade payables	19	1,185,994	724,497	570,683	419,197
Derivative financial liabilities		94,371	150,291	94,371	150,291
Amount due to related companies		306	396	-	-
Other liabilities	20	223,448	212,433	170,552	153,029
Provision for taxation		1,330	60	-	-
Deferred tax liabilities		4,643	-	4,643	-
Total LIABILITIES		7,356,414	6,720,681	6,686,571	6,355,521
Share capital		999,800	780,000	999,800	780,000
Reserves		565,706	700,476	573,343	728,188
		1,565,506	1,480,476	1,573,143	1,508,188
Non-controlling interests		50,315	41,372	-	-
SHAREHOLDERS' EQUITY		1,615,821	1,521,848	1,573,143	1,508,188
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,972,235	8,242,529	8,259,714	7,863,709
COMMITMENTS AND CONTINGENCIES	28	7,571,289	4,568,820	7,571,289	4,568,820
CAPITAL ADEQUACY					
Basel III					
CET 1 capital ratio	27	28.438%	32.532%	36.611%	35.662%
Tier 1 capital ratio	27	28.819%	32.618%	36.611%	35.662%
Total capital ratio	27	29.165%	32.976%	36.611%	35.662%
After deducting proposed dividends:					
CET 1 capital ratio (net of proposed dividends)	27	28.438%	32.223%	36.611%	35.301%
Tier 1 capital ratio (net of proposed dividends)	27	28.819%	32.309%	36.611%	35.301%
Total capital ratio (net of proposed dividends)	27	29.165%	32.667%	36.611%	35.301%

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Unaudited Income Statements for the financial period ended 30 June 2017

The Group	Note	Individual Quarter		Cumulative Quarter	
		Current Financial Period 30-06-2017 RM'000	Preceding Year Corresponding Period 30-06-2016 RM'000	Current Financial Period-to-date 30-06-2017 RM'000	Preceding Year Corresponding Period-to-date 30-06-2016 RM'000
Interest income	21	77,478	67,372	150,901	133,441
Interest expense	22	(55,580)	(45,931)	(106,886)	(92,885)
Net interest income		21,898	21,441	44,015	40,556
Other operating income	23	174,345	109,865	324,828	208,176
Net income		196,243	131,306	368,843	248,732
Other operating expenses	24	(149,603)	(101,039)	(281,387)	(193,921)
Operating profit before loan and financing loss and allowance		46,640	30,267	87,456	54,811
Write-back/(allowance) of losses on loans, advances and financing and receivables	25	(198)	865	747	784
Impairment loss on securities	26	-	-	(712)	-
Profit before zakat and taxation		46,442	31,132	87,491	55,595
Zakat		(386)	(268)	(723)	(466)
Profit before taxation		46,056	30,864	86,768	55,129
Taxation		(10,555)	(8,175)	(20,291)	(14,461)
Net profit after zakat and taxation		35,501	22,689	66,477	40,668
Attributable to:					
- Equity holders of the Bank		29,984	18,983	57,521	34,305
- Non-controlling interests		5,517	3,706	8,956	6,363
		35,501	22,689	66,477	40,668
Earnings per share:					
- basic/fully diluted (sen)		3.84	2.43	7.37	4.40

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

**Unaudited Statement of Comprehensive Income
for the financial period ended 30 June 2017**

The Group	Individual Quarter		Cumulative Quarter	
	Current Financial Period 30-06-2017 RM'000	Preceding Year Corresponding Period 30-06-2016 RM'000	Current Financial Period-to-date 30-06-2017 RM'000	Preceding Year Corresponding Period-to-date 30-06-2016 RM'000
Net profit after zakat and taxation	35,501	22,689	66,477	40,668
Other comprehensive income:				
Net fair value changes in financial investments available-for-sale	44,267	25,931	53,338	71,148
Net gain transferred to income statement on disposal	295	(2,295)	(2,935)	(6,804)
Deferred tax on financial investments available-for-sale	(10,779)	(5,276)	(12,107)	(15,299)
Other comprehensive income for the period, net of tax	33,783	18,360	38,296	49,045
Total comprehensive income for the period	69,284	41,049	104,773	89,713
Attributable to:				
Equity holders of the Bank	63,872	36,848	95,830	46,323
Non-controlling interests	5,412	4,201	8,943	43,390
Total comprehensive income	69,284	41,049	104,773	89,713

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Unaudited Income Statements
for the financial period ended 30 June 2017

The Bank	Note	Individual Quarter		Cumulative Quarter	
		Current Financial Period 30-06-2017 RM'000	Preceding Year Corresponding Period 30-06-2016 RM'000	Current Financial Period-to-date 30-06-2017 RM'000	Preceding Year Corresponding Period-to-date 30-06-2016 RM'000
Interest income	21	77,299	66,420	150,565	131,834
Interest expense	22	(55,580)	(45,931)	(106,886)	(92,885)
Net interest income		21,719	20,489	43,679	38,949
Other operating income	23	64,893	45,598	134,649	98,710
Net income		86,612	66,087	178,328	137,659
Other operating expenses	24	(63,323)	(51,805)	(128,890)	(102,710)
Operating profit before loan and financing loss and allowance		23,289	14,282	49,438	34,949
Write-back/(allowances) of losses on loans, advances and financing and receivables	25	(198)	865	747	784
Impairment loss on securities	26	-	-	(712)	-
Profit before zakat and taxation		23,091	15,147	49,473	35,733
Zakat		(308)	(212)	(581)	(368)
Profit before taxation		22,783	14,935	48,892	35,365
Taxation		(5,419)	(4,600)	(11,474)	(8,939)
Net profit after zakat and taxation		17,364	10,335	37,418	26,426
Attributable to:					
- Equity holders of the Bank		17,364	10,335	37,418	26,426
Earnings per share:					
- basic/fully diluted (sen)		2.23	1.33	4.80	3.39

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

**Unaudited Statement of Comprehensive Income
for the financial period ended 30 June 2017**

The Bank	Individual Quarter		Cumulative Quarter	
	Current Financial Period 30-06-2017 RM'000	Preceding Year Corresponding Period 30-06-2016 RM'000	Current Financial Period-to-date 30-06-2017 RM'000	Preceding Year Corresponding Period-to-date 30-06-2016 RM'000
Net profit after zakat and taxation	17,364	10,335	37,418	26,426
Other comprehensive income:				
Net fair value changes in financial investments available-for-sale	44,616	24,280	53,379	70,551
Net gain transferred to income statement on disposal	295	(2,295)	(2,935)	(6,804)
Deferred tax on financial investments available-for-sale	(10,779)	(5,276)	(12,107)	(15,299)
Other comprehensive income for the period, net of tax	<u>34,132</u>	<u>16,709</u>	<u>38,337</u>	<u>48,448</u>
Total comprehensive income for the period	<u>51,496</u>	<u>27,044</u>	<u>75,755</u>	<u>74,874</u>
Attributable to equity holders of the Bank:				
Total comprehensive income	<u>51,496</u>	<u>27,044</u>	<u>75,755</u>	<u>74,874</u>

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

**Unaudited Statement of Changes in Equity
for the financial period ended 30 June 2017**

	Attributable to equity holders of the Bank								
	Nominal value RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available -for-sale revaluation reserve RM'000	Retained profits RM'000	Sub-total RM'000	Non- controlling interests RM'000	Total equity RM'000
The Group									
At 1 January 2017	780,000	219,800	251,343	9,667	(26,830)	246,496	1,480,476	41,372	1,521,848
Comprehensive income:									
Net profit for the financial period	-	-	-	-	-	57,521	57,521	8,956	66,477
Other comprehensive income, (net of tax) -									
Financial investments available-for-sale	-	-	-	-	38,309	-	38,309	(13)	38,296
Total comprehensive income	-	-	-	-	38,309	57,521	95,830	8,943	104,773
Transfer to regulatory reserve	-	-	-	2,340	-	(2,340)	-	-	-
Transfer pursuant to new BNM guidelines	-	-	(251,343)	-	-	251,343	-	-	-
Transfer pursuant to Companies Act 2016	219,800	(219,800)	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(10,800)	(10,800)	-	(10,800)
At 30 June 2017	999,800	-	-	12,007	11,479	542,220	1,565,506	50,315	1,615,821
At 1 January 2016	780,000	219,800	214,915	5,594	(14,831)	233,868	1,439,346	35,827	1,475,173
Comprehensive income:									
Net profit for the financial period	-	-	-	-	-	34,305	34,305	6,363	40,668
Other comprehensive income, (net of tax) -									
Financial investments available-for-sale	-	-	-	-	48,866	-	48,866	179	49,045
Total comprehensive income	-	-	-	-	48,866	34,305	83,171	6,542	89,713
Transfer to regulatory reserve	-	-	-	(628)	-	647	-	-	-
Dividend paid	-	-	-	-	-	(3,042)	(3,042)	(3,000)	(6,042)
At 30 June 2016	780,000	219,800	214,915	4,966	34,035	265,778	1,519,475	39,369	1,558,844

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

**Unaudited Statement of Changes in Equity
for the financial period ended 30 June 2017**

	Non-distributable					Distributable	
	Nominal value RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available -for-sale revaluation reserve RM'000	Retained profits RM'000	Total equity RM'000
The Bank							
At 1 January 2017	780,000	219,800	251,343	9,667	(26,901)	274,279	1,508,188
Comprehensive income:							
Net profit for the financial period	-	-	-	-	-	37,418	37,418
Other comprehensive income, (net of tax) -							
Financial investments available-for-sale	-	-	-	-	38,337	-	38,337
Total comprehensive income	-	-	-	-	38,337	37,418	75,755
Transfer to regulatory reserve	-	-	-	2,340	-	(2,340)	-
Transfer pursuant to new BNM guidelines	-	-	(251,343)	-	-	251,343	-
Transfer pursuant to Companies Act 2016	219,800	(219,800)	-	-	-	-	-
Dividend paid	-	-	-	-	-	(10,800)	(10,800)
At 30 June 2017	999,800	-	-	12,007	11,436	549,900	1,573,143
At 1 January 2016	780,000	219,800	214,915	5,594	(14,762)	274,498	1,480,045
Comprehensive income:							
Net profit for the financial period	-	-	-	-	-	26,426	26,426
Other comprehensive income, (net of tax) -							
Financial investments available-for-sale	-	-	-	-	48,448	-	48,448
Total comprehensive income	-	-	-	-	48,448	26,426	74,874
Transfer to regulatory reserve	-	-	-	(647)	-	647	-
Dividend paid	-	-	-	-	-	(3,042)	(3,042)
At 30 June 2016	780,000	219,800	214,915	4,947	33,686	298,529	1,551,877

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Unaudited Statement of Cash Flows
for the financial period ended 30 June 2017

	The Group		The Bank	
	30-06-2017 RM'000	30-06-2016 RM'000	30-06-2017 RM'000	30-06-2016 RM'000
Cash flow from operating activities				
Net profit before tax for the financial period	86,768	55,129	48,892	35,365
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income				
- financial assets held-for trading	(10,510)	(10,218)	(10,510)	(10,218)
- financial investments available-for-sale	(98,835)	(77,599)	(98,835)	(77,599)
- financial investments held-to-maturity	(1,025)	(2,606)	(1,025)	(2,606)
Dividend income from subsidiary	-	-	-	(7,000)
Dividend income from financial instruments	(8,411)	(8,228)	(8,285)	(8,031)
Gain on disposal of property, plant and equipment	(414)	(123)	(130)	(81)
Property and equipment written-off	1	1,052	-	153
Intangible assets written-off	-	17	-	-
Depreciation of property and equipment	4,333	4,011	2,964	3,007
Amortisation of intangible assets	1,131	982	606	522
Net accretion of discounts/(amortisation of premiums)	2,081	1,511	2,081	1,511
Gain arising from disposal or redemption of :				
- financial assets held-for-trading	(40,871)	(11,713)	(40,871)	(11,713)
- financial investments available-for-sale	(8,409)	(5,514)	(8,367)	(5,631)
Unrealised (gain)/loss on derivative instruments	4,201	1,518	4,201	1,518
Unrealised (gain)/loss on financial assets held-for-trading	280	(3,975)	248	(3,842)
Impairment loss on financial investment available-for-sale	712	-	712	-
Net collective impairment	(705)	(556)	(705)	(556)
Net individual impairment	37	135	37	135
Allowance for bad and doubtful debts on other debtors	(6)	64	(6)	64
Zakat	723	466	581	368
Unrealised foreign exchange (gain)/loss	(6,076)	17,777	(6,294)	17,899
<i>Operating loss before changes in operating assets and liabilities</i>	(74,995)	(37,870)	(114,706)	(66,735)
<i>Decrease/(Increase) in operating assets</i>				
Deposits and placements with banks and other financial institutions	18	49,895	71	49,895
Financial assets held-for-trading	253,041	21,118	281,406	18,567
Loans, advances and financing	(136,363)	185,219	(136,363)	185,219
Statutory deposits with Bank Negara Malaysia	(3,360)	28,060	(3,360)	28,060
Intercompany balances	-	-	1,742	12,008
Trade receivables	(577,945)	(304,546)	(134,000)	72,094
Derivative assets	44,941	24,963	45,159	24,841
Reverse repurchase agreements	(19,502)	-	(19,502)	-
Other assets	32,204	27,734	33,528	28,257
	(406,966)	32,443	68,681	418,941
<i>Increase/(decrease) in operating liabilities</i>				
Deposits from customers	80,397	(82,927)	80,397	(82,927)
Deposits and placements of banks and other financial institutions	135,451	240,583	135,451	240,583
Obligations on securities sold under repurchase agreements	(2,530)	47,824	(2,530)	47,824
Trade payables	461,497	192,843	151,486	(76,063)
Amount due from related company	(90)	(109)	-	-
Derivative liabilities	(55,920)	(43,768)	(55,919)	(43,768)
Other liabilities	9,716	(65,059)	16,060	(50,226)
	628,521	289,387	324,945	35,423
Cash generated from operating activities	146,560	283,960	278,920	387,629

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Unaudited Statement of Cash Flows
for the financial period ended 30 June 2017

	The Group		The Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (continued)				
Net taxation paid	(11,422)	(11,403)	(6,169)	(5,218)
Zakat paid	(1,039)	(972)	(744)	(971)
Net cash generated from operating activities	134,099	271,585	272,007	381,440
Cash flow from investing activities				
Proceeds from disposal of property and equipment	639	132	131	91
Purchase of property and equipment	(5,445)	(6,372)	(2,587)	(1,904)
Capital injection for subsidiaries	-	-	(2,904)	-
Capital injection for associate	-	-	(726)	-
Acquisition of an equity interest in an associate	-	-	(52)	-
Purchase of intangible assets	(730)	(1,422)	-	(783)
Interest received:				
- financial investments available-for-sale	98,835	77,599	98,835	77,599
- financial investments held-to-maturity	1,025	2,606	1,025	2,606
Net purchase of financial investments available-for-sale	(343,783)	(348,476)	(340,712)	(344,051)
Net proceeds on redemption of financial investments held-to-maturity	2,074	12,354	2,074	12,354
Dividend income received from:				
- financial investments available-for-sale	8,278	7,761	8,152	7,564
- subsidiary	-	-	-	7,000
Net cash used in investing activities	(239,107)	(255,818)	(236,764)	(239,524)
Cash flow from financing activities				
Dividend paid by a subsidiary to minority interests	-	(3,000)	-	-
Dividend paid	(10,800)	(3,042)	(10,800)	(3,042)
Net cash used in financing activities	(10,800)	(6,042)	(10,800)	(3,042)
Net increase in cash and cash equivalents	(115,808)	9,725	24,443	138,874
Cash and cash equivalents at beginning of the financial year	554,378	413,380	218,352	196,108
Cash and cash equivalents at end of the financial period	438,570	423,105	242,795	334,982
Analysis of cash and cash equivalents				
Cash and short term funds	487,275	471,000	291,500	382,877
Amount held on behalf of clients and commissioned dealer's representatives	(48,705)	(47,895)	(48,705)	(47,895)
Cash and cash equivalents at end of the financial period	438,570	423,105	242,795	334,982

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**Notes to the financial statement
for the financial period ended 30 June 2017**

1. Review of financial performance

The Group recorded a higher Profit Before Tax ("PBT") of RM86.8 million for the 6 months period ended 30 June 2017 compared to a PBT of RM55.1 million for the previous corresponding period. The investment bank contributed RM48.9 million (30.6.2016: RM35.4 million) included intercompany dividend of RM7.0 million) while the asset management business contributed RM38.6 million (30.6.2016: RM26.7 million) to the Group's PBT in the current period under review.

Summarised analysis of the Group PBT for the 6 months period ended 30 June 2017 are as follows:

- Net interest income of RM44.0 million was higher than the net interest income of RM40.6 million recorded in the previous corresponding period primarily due to higher average interest earning assets in the current period under review.
- Other operating income registered an increase from RM208.2 million in the previous corresponding period to RM324.8 million in the current period under review. The increase was primarily due to the higher unit trust management fees, and initial service fee income from the asset management business, net investment gains generated by the investment bank activities and brokerage fees from the securities business during the current period under review.
- Operating expenses incurred for the period under review were higher at RM281.4 million compared to RM193.9 million incurred in the previous corresponding period contributed mainly by higher personnel costs and higher commission and brokerage expenses.

2. Prospect for the current financial year

The Group's diversified business profile, supported by sound domestic banking system, with healthy credit and liquidity conditions, place the business in a strong footing to benefit from the overall improved market sentiments and increasing business opportunities in 2017. Following the solid economic growth in second quarter, economic growth is projected to expand further in 2017, given further improvement in the country's macroeconomic fundamental. Nevertheless, the Group remains cautiously optimistic and will continue to build resilience across its business, and drive efficiency savings in its business operations, with collaborative efforts to better serve its clientele.

3. Basis of preparation

The unaudited condensed interim financial statements for the 6 months period ended 30 June 2017 have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), Bank Negara Malaysia ("BNM") Guidelines and the requirements of the Companies Act 2016 in Malaysia.

The unaudited condensed interim financial statements may be read in conjunction with the annual financial statements for the financial year ended 31 December 2016. The explanatory notes 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 Group and the Bank since the financial year ended 31 December 2016.

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 with effect from 31 January 2017. Amongst the key changes introduced in the New Act that will affect the financial statements of the Group and of the Bank for the current financial period includes:

- (a) removal of the authorised share capital;
- (b) shares of the Bank will cease to have par or nominal value; and
- (c) the Bank's share premium account will become part of the Bank's share capital. Number of issued shares remains at 780,000,000.

During the current financial period, the Bank had transferred a total of RM 219,800,000 from its share premium account to the share capital pursuant to the New Act.

The adoption of the New Act will not have any significant financial impact on the Group and the Bank for the current financial period and the effect of adoption will mainly be on disclosures to the annual report and financial statements for the financial year ending 31 December 2017.

4. Qualification of preceding annual financial statements

The Group and Bank's financial statements for financial year ended 31 December 2016 were not qualified by the auditors.

5. Seasonal or cyclical factors

The Group's and Bank's operations are generally not affected by any seasonal or cyclical factors but are in tandem with the country's economic situation.

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(Incorporated in Malaysia)

Notes to the financial statement for the financial period ended 30 June 2017

6. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial reporting period.

7. Changes in debt and equity securities

There were no issuances, cancellation, repurchases, resale or repayment of debt and equity securities at the Bank's level during the financial reporting period.

8. Litigations against the Bank

A chargor of a piece of land ("the Land") charged to the Bank as part of the collaterals for a syndicated facility granted to a borrower by a consortium financial institutions, had filed a claim against the Bank on 9 June 2016 for the sum of RM5,185,683.19 or in the alternative damages to be assessed, interests and costs, alleging that the Bank as Security Agent had failed to perform its contractual and/or statutory obligations in relation to the application of the sales proceeds of the Land and had wrongfully deducted the recovery and enforcement expenses, which included expenses for other properties/securities from the surplus of the sales proceed of the Land. As Security Agent, the consortium financial institutions will indemnify the Bank for the claim instituted against the Bank. On 15 November 2016, the Judge granted an order allowing the Bank's application to transfer the proceedings to Kuala Lumpur High Court and the case is now fixed for case management on 2 August 2017.

9. Acquisition of equity interest and capital injection

- (a) On 25 January 2017, the Group has completed the acquisition of entire share capital of Affin Hwang Trustee Berhad (formerly known as ABB Trustee Berhad) ("AHTB") comprising 100,000 ordinary shares of RM10 each (of which RM5 is uncalled), from Affin Bank Berhad for a total cash consideration of approximately RM630,000, based on the audited net asset value of AHTB as at 31 December 2015, subject to further adjustment if any. The entire share capital of AHTB is acquired by five shareholders in equal proportion, namely the Bank, Affin Hwang Nominees (Tempatan) Sdn Bhd ("AHNT"), Affin Hwang Nominees (Asing) Sdn Bhd ("AHNA"), AHC Global Sdn Bhd (formerly known as Classic Uptrend Sdn Bhd) ("AHCG") and AHC Associates Sdn Bhd (formerly known as Sole Delta Sdn Bhd) ("AHCA"), each holding 20% equity interest in AHTB. Correspondingly, the Bank has further capital injected RM126,000 each into AHNT, AHNA, AHCG and AHCA for the purpose of this acquisition.

	AHTB RM'000
Assets	
Cash and short-term funds	404
Deposit and placements with financial institutions	263
Other assets	5
tax recoverable	19
Total Assets	<u>691</u>
Liabilities	
Amount owing to related company	11
Other liabilities	18
Total Liabilities	<u>29</u>
Net assets acquired	662
Less: Cash and short term funds acquired	(404)
Net outflow cash flow arising from the acquisition	<u>258</u>
Net outflow cash flow, 20% equity interest in an associates at Bank level	<u>52</u>

- (b) A capital injection of RM3,000,000 has been injected into AHTB to meet its setup and initial operating needs. To accommodate this capital injection, AHIB further injected RM600,000 each into the four wholly owned subsidiaries namely AHNT, AHNA, AHCG and AHCA.

10. Changes in the composition of the Bank

There is no change to the composition of the Bank as at end of the reporting period other than the acquisition of an associate on 25 January 2017 as disclosed in Note 9 above.

11. Dividends

A final dividend of RM1.385 sen per ordinary share, amounting to RM10,800,000 in respect of the previous financial year ended 31 December 2016 was paid on 30 March 2017.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the financial statement for the financial period ended 30 June 2017

12. Securities portfolio

	The Group		The Bank	
	30-06-2017 RM'000	31-12-2016 RM'000	30-06-2017 RM'000	31-12-2016 RM'000
Classification of securities portfolio:				
(i) Financial assets held-for-trading				
<u>At fair value</u>				
<u>Money Market instruments</u>				
<u>Quoted</u>				
Malaysian Government Islamic Investment Issues	29,895	-	29,895	-
	29,895	-	29,895	-
<u>At fair value</u>				
<u>Quoted securities</u>				
In Malaysia:				
Shares, warrants and REITS	29,864	18,763	29,864	18,763
Unit trusts	33,196	4,864	-	-
Negotiable Instruments of Deposit	-	256,015	-	256,015
	63,060	279,642	29,864	274,778
<u>Unquoted securities</u>				
Corporate bonds and/or Sukuk in Malaysia	11,348	31,218	10,134	25,204
Corporate bonds and/or Sukuk outside Malaysia	20,242	15,442	-	-
	124,545	326,302	69,893	299,982
The Group and the Bank				
30-06-2017				
31-12-2016				
RM'000				
RM'000				
(ii) Financial investments held-to-maturity				
<u>At amortised cost</u>				
<u>Unquoted securities</u>				
Corporate bonds and/or Sukuk in Malaysia			23,345	25,471
Redeemable Secured Loan Stocks			15,042	15,042
			38,387	40,513
Impairment transferred from loan and advances			(6,950)	(6,950)
			31,437	33,563
The Group				
30-06-2017				
31-12-2016				
RM'000				
RM'000				
(iii) Financial investments available-for-sale				
<u>At fair value</u>				
<u>Money Market Instruments</u>				
Malaysian Government Securities	151,284	228,087	151,284	228,087
Malaysian Government Islamic Investment Issues	447,331	288,667	447,331	288,667
Cagamas Bonds	66,733	66,597	66,733	66,597
Sukuk Perumahan Kerajaan	80,206	79,286	80,206	79,286
Negotiable Instruments of Deposit	200,205	-	200,205	-
	945,759	662,637	945,759	662,637
<u>Quoted securities</u>				
In Malaysia:				
Shares	23,700	32,134	23,700	32,134
Unit Trusts	203,671	190,278	179,511	169,171
REITS	49,945	50,266	49,945	50,266
Outside Malaysia:				
REITS	75,944	78,540	75,944	78,540
<u>Unquoted securities</u>				
Corporate bonds and/or Sukuk in Malaysia	3,725,712	3,527,166	3,724,708	3,526,180
Corporate bonds and/or Sukuk outside Malaysia	221,179	308,454	221,179	308,454
Shares in Malaysia	21,720	21,720	21,720	21,720
	5,267,630	4,871,195	5,242,466	4,849,102
Allowance for impairment of securities	(19,870)	(23,238)	(19,870)	(23,238)
	5,247,760	4,847,957	5,222,596	4,825,864

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

13. Loans, advances and financing

(i) By type of Loan/Financing

	The Group and the Bank	
	30-06-2017	31-12-2016
	RM'000	RM'000
Term loans/financing		
- Syndicated term loan/financing	403,965	402,709
- Other term loans/financing	401,371	356,509
Staff loans	5,081	5,560
Share margin financing	333,952	241,772
Revolving credits	52,139	53,589
Receivables	40,484	40,490
Gross loans, advances and financing	<u>1,236,992</u>	<u>1,100,629</u>
Less :		
Allowances for impaired loans, advances and financing		
- Individual allowance	(18,176)	(18,176)
- Collective allowance	(2,618)	(3,323)
Total net loans, advances and financing	<u><u>1,216,198</u></u>	<u><u>1,079,130</u></u>

(ii) By Type of Customers

Domestic business enterprises		
- Small medium enterprises	48,534	49,307
- Others	801,424	773,207
Domestic non-bank financial institutions	35,369	20,148
Individuals	350,749	257,010
Foreign individuals	916	957
Total gross loans, advances and financing	<u><u>1,236,992</u></u>	<u><u>1,100,629</u></u>

(iii) By Interest/Profit Rate Sensitivity

Fixed rate		
- Share margin financing	333,952	241,772
- Receivables	40,484	40,490
- Other fixed rate loans/financing	36,925	71,764
- Housing loans/financing	2,751	2,889
- Hire purchase receivables	2,261	2,655
Variable rate		
- Cost-plus	754,191	651,475
- BLR plus	25,042	25,026
- Other floating rate	41,386	64,558
Total gross loans, advances and financing	<u><u>1,236,992</u></u>	<u><u>1,100,629</u></u>

(iv) By Economic Purpose

Purchase of securities	673,050	535,732
Working capital	193,837	200,855
Purchase of transport vehicles	57,205	62,173
Construction	41,216	65,100
Purchase of landed properties (non-residential)	20,514	21,287
Purchase of landed properties (residential)	13,387	17,122
Personal use	69	16
Others	237,714	198,344
Total gross loans, advances and financing	<u><u>1,236,992</u></u>	<u><u>1,100,629</u></u>

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

13. Loans, advances and financing (continued)

	The Group and the Bank	
	30-06-2017	31-12-2016
	RM'000	RM'000
<u>(v) By Sector</u>		
Household	351,665	256,268
Real estate	202,537	182,237
Finance, insurance and business services	170,164	77,382
Transport, storage and communication	140,130	150,632
Manufacturing	122,045	122,251
Wholesale retail trade and restaurant and hotels	73,530	64,133
Education, health & others	60,229	59,956
Construction	57,992	61,804
Mining and quarrying	9,177	54,214
Electricity, gas and water	-	20,013
Others	49,523	51,739
Total gross loans, advances and financing	1,236,992	1,100,629
<u>(vi) By Geographical Distribution</u>		
Wilayah Persekutuan	673,145	529,224
Selangor	432,396	414,086
Johor	51,467	70,923
Sarawak	38,771	39,424
Perak	28,362	28,272
Pulau Pinang	11,063	17,154
Negeri Sembilan	864	760
Sabah	572	471
Kedah	267	221
Melaka	85	94
Total gross loans, advances and financing	1,236,992	1,100,629
<u>(vii) By maturity structure</u>		
Maturing within one year	539,765	375,376
One year to three years	335,412	269,786
Three years to five years	214,799	260,001
Over five years	147,016	195,466
Total gross loans, advances and financing	1,236,992	1,100,629
<u>(viii) Movement of impaired loans, advances and financing</u>		
At beginning of the financial year	49,307	66,375
Amount converted to financial investments held-to-maturity	-	(15,000)
Amount recovered	(773)	(2,068)
At end of the financial period/year	48,534	49,307
Gross impaired loans as a percentage of gross loans, advances and financing	3.92%	4.48%

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

13. Loans, advances and financing (continued)

The Group and the Bank
30-06-2017 31-12-2016
RM'000 RM'000

(ix) Movement in allowances are as follows:**Individual allowance**

At beginning of the financial year	18,176	25,126
Provision converted to financial investments held-to-maturity	-	(6,950)
At end of the financial period/year	<u>18,176</u>	<u>18,176</u>

Collective allowance

At beginning of the financial year	3,323	9,407
Allowance made	198	1,750
Amount written-back	(903)	(7,834)
At end of the financial period/year	<u>2,618</u>	<u>3,323</u>

(x) Impaired loans, advances and financing analysed by their economic purpose

Purchase of landed properties (non-residential)	20,514	21,287
Working capital	28,020	28,020
Total impaired loans, advances and financing	<u>48,534</u>	<u>49,307</u>

(xi) Impaired loans, advances and financing analysed by their economic sector

Finance, insurance and business services	15,942	16,715
Real estate	14,264	14,264
Wholesale retail trade and restaurant and hotels	10,828	10,828
Manufacturing	7,500	7,500
Total impaired loans, advances and financing	<u>48,534</u>	<u>49,307</u>

(xii) Impaired loans, advances, and financing by geographical distribution

Selangor	48,534	49,307
Total impaired loans, advances and financing	<u>48,534</u>	<u>49,307</u>

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

14. Trade receivables

	The Group		The Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
	RM'000	RM'000	RM'000	RM'000
Amount in respect of management fees receivable and cancellation of funds' units	537,048	93,104	-	-
Amount due from clients (a)	278,980	323,900	278,980	323,900
Amount due from brokers	281,869	112,269	281,869	112,269
Amount due from Bursa Securities Clearing Sdn. Bhd.	9,321	-	9,321	-
	<u>1,107,218</u>	<u>529,273</u>	<u>570,170</u>	<u>436,169</u>
Less : Allowance for bad and doubtful accounts (b)				
- Individual allowance	(1,405)	(1,368)	(1,405)	(1,368)
- Collective allowance	-	-	-	-
	<u>1,105,813</u>	<u>527,905</u>	<u>568,765</u>	<u>434,801</u>

The Group and the Bank

30-06-2017 31-12-2016
RM'000 RM'000

(a) Movement of impaired amount due from clients are as follows:

At beginning of the financial year	1,705	4,460
Addition during the period/year	405	1,781
Amount recovered	(368)	(866)
Amount written off	-	(3,670)
At end of the financial period/year	<u>1,742</u>	<u>1,705</u>

(b) Movement in allowances are as follows:

Individual allowance

At beginning of the financial year	1,368	4,123
Allowance made	405	1,781
Amount written back	(368)	(866)
Amount written off	-	(3,670)
At end of the financial period/year	<u>1,405</u>	<u>1,368</u>

Collective allowance

At beginning of the financial year	-	16
Amount written-back	-	(16)
At end of the financial period/year	<u>-</u>	<u>-</u>

15. Other assets

	The Group		The Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
	RM'000	RM'000	RM'000	RM'000
Other debtors, deposits and prepayments	39,445	34,185	35,207	31,271
Collateral pledged for derivative transactions	37,010	76,561	37,010	76,561
Clearing Guarantee Fund	1,709	1,725	1,709	1,725
Clearing Fund	1,000	1,000	1,000	1,000
Transferable membership	212	222	100	110
Allowance for bad and doubtful debts (a)	(4,012)	(6,134)	(4,012)	(6,134)
	<u>75,364</u>	<u>107,559</u>	<u>71,014</u>	<u>104,533</u>

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

15. Other assets (continued)

(a) Movement in allowances are as follows:

	The Group and the Bank	
	30-06-2017	31-12-2016
	RM'000	RM'000
Individual allowance		
At beginning of the financial year	6,134	10,137
Allowance made	151	898
Amount written back	(179)	(525)
Amount written off	(2,094)	(4,376)
At end of the financial period/year	<u>4,012</u>	<u>6,134</u>

16. Deposit from customers

	The Group and the Bank	
	30-06-2017	31-12-2016
	RM'000	RM'000
<u>By type of deposits:</u>		
Fixed deposits	3,652,688	3,550,924
Negotiable instruments of deposits	1,212,598	1,209,644
Other deposits	217,676	241,997
	<u>5,082,962</u>	<u>5,002,565</u>
<u>By maturity structure:</u>		
Due within six months	3,505,956	4,349,787
Six months to one year	866,328	551,035
More than one year	710,678	101,743
	<u>5,082,962</u>	<u>5,002,565</u>
<u>By type of customer:</u>		
Domestic non-banking financial institutions	2,235,141	2,043,552
Business enterprises	1,148,409	1,144,147
Domestic banking institutions	1,212,320	1,209,258
Government and statutory bodies	390,951	510,519
Individuals	74,683	69,333
Foreign entities	5,039	4,957
Others	16,419	20,799
	<u>5,082,962</u>	<u>5,002,565</u>

17. Deposit and placements of banks and other financial institution

	The Group and the Bank	
	30-06-2017	31-12-2016
	RM'000	RM'000
Licensed banks	486,779	484,561
Licensed investment banks	133,233	-
	<u>620,012</u>	<u>484,561</u>

18. Obligations on securities sold under repurchase agreements

	The Group and the Bank	
	30-06-2017	31-12-2016
	RM'000	RM'000
Financial investment available-for-sale	143,348	145,878

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

19. Trade payables

	The Group		The Bank	
	30-06-2017 RM'000	31-12-2016 RM'000	30-06-2017 RM'000	31-12-2016 RM'000
Amount due to clients	252,237	224,683	252,237	224,683
Amount due to brokers	318,446	165,360	318,446	165,360
Amount due to unit trust funds	534,956	264,371	-	-
Amount due to unit holders	80,286	40,869	-	-
Amount due to external fund managers	69	60	-	-
Amount due from Bursa Securities Clearing Sdn. Bhd.	-	29,154	-	29,154
	1,185,994	724,497	570,683	419,197

20. Other liabilities

	The Group		The Bank	
	30-06-2017 RM'000	31-12-2016 RM'000	30-06-2017 RM'000	31-12-2016 RM'000
Commissioned dealer's representative trust balances	48,705	47,090	48,705	47,090
Collateral pledged for derivative transactions	6,097	8,761	6,097	8,761
Amounts payable to dealer's representative	34,252	22,174	34,252	22,174
Accrued employee benefit	37,005	50,726	21,091	25,415
Other liabilities	97,389	83,682	60,407	49,589
	223,448	212,433	170,552	153,029

21. Interest income

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended 30-06-2017 RM'000	Preceding Year Corresponding Period ended 30-06-2016 RM'000	Current Financial Period-to-date 30-06-2017 RM'000	Preceding Year Corresponding Period-to-date 30-06-2016 RM'000
Loans, advances and financing				
- Interest income on loans and advances	12,592	14,319	24,575	29,688
- Margin financing	5,641	3,519	10,344	6,478
Money at call and deposit placements with financial institutions	3,055	3,568	5,942	7,104
Derivative instruments	765	795	1,521	1,702
Financial assets held-for-trading	5,256	4,701	10,510	10,218
Financial investment available-for-sale	50,595	39,918	98,835	77,599
Financial investment held-to-maturity	516	1,205	1,025	2,606
Others	132	104	230	(443)
	78,552	68,129	152,982	134,952
Net accretion of discounts less amortisation of premiums	(1,074)	(757)	(2,081)	(1,511)
	77,478	67,372	150,901	133,441
of which:				
Interest income earned on impaired loans, advances and financing	309	364	555	616

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

21. Interest income (continued)

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income on loans and advances	12,592	14,319	24,575	29,688
- Margin financing	5,641	3,519	10,344	6,478
Money at call and deposit placements with financial institutions	2,877	2,616	5,606	5,497
Derivative instruments	765	795	1,521	1,702
Financial assets held-for-trading	5,256	4,701	10,510	10,218
Financial investment available-for-sale	50,595	39,918	98,835	77,599
Financial investment held-to-maturity	516	1,205	1,025	2,606
Others	131	104	230	(443)
	<u>78,373</u>	<u>67,177</u>	<u>152,646</u>	<u>133,345</u>
Net accretion of discounts less amortisation of premiums	(1,074)	(757)	(2,081)	(1,511)
	<u>77,299</u>	<u>66,420</u>	<u>150,565</u>	<u>131,834</u>
of which:				
Interest income earned on impaired loans, advances and financing	<u>309</u>	<u>364</u>	<u>555</u>	<u>616</u>

22. Interest expense

	The Group and the Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	49,340	41,180	94,756	82,899
Deposits and placements of banks and other financial institutions	4,593	3,654	9,372	7,538
Derivative instruments	646	670	1,257	1,491
Foreign currency borrowings	848	306	1,226	617
Others	153	121	275	340
	<u>55,580</u>	<u>45,931</u>	<u>106,886</u>	<u>92,885</u>

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

23. Other operating income

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended 30-06-2017 RM'000	Preceding Year Corresponding Period ended 30-06-2016 RM'000	Current Financial Period-to-date 30-06-2017 RM'000	Preceding Year Corresponding Period-to-date 30-06-2016 RM'000
Fees income				
Unit trust management and incentive fee	71,329	44,897	122,236	88,252
Initial service charge	37,718	20,503	66,159	27,772
Brokerage	27,629	18,858	53,190	42,005
Private placement Fee	1,172	943	3,659	1,335
Corporate advisory fees	3,003	2,106	4,853	4,927
Underwriting commissions and placement fees	707	231	2,003	676
Fees on loans, advances and financing	1,133	283	1,813	561
Arrangement fees	400	1,334	1,000	4,229
Agency fees	529	509	1,044	894
Guarantee fees	150	-	192	1,973
Others	224	1,380	3,268	20
Income from financial instruments				
Gains arising on financial assets held-for-trading				
- net gain on disposal	17,577	6,926	40,871	11,713
- unrealised gain/(loss)	(74)	1,971	(280)	3,975
- gross dividend income	39	31	133	467
Gains on derivative instruments				
- unrealised gain/(loss)	(2,737)	8,527	(4,201)	(1,518)
Gains arising on financial investments available-for-sale				
- net gain on disposal	4,192	1,984	8,409	5,514
- gross dividend income	3,636	6,099	8,278	7,761
Other income				
Foreign exchange gain/(loss)				
- realised	(3,840)	1,385	5,361	22,753
- unrealised	11,160	(9,154)	6,076	(17,777)
Gain on disposal of property, plant and equipment	284	24	414	123
Other non-operating income	114	1,028	350	2,521
	174,345	109,865	324,828	208,176

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

23. Other operating income (continued)

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended 30-06-2017 RM'000	Preceding Year Corresponding Period ended 30-06-2016 RM'000	Current Financial Period-to-date 30-06-2017 RM'000	Preceding Year Corresponding Period-to-date 30-06-2016 RM'000
Fees income				
Brokerage	27,629	20,503	53,190	42,005
Private placement Fee	1,172	943	3,659	1,335
Corporate advisory fees	3,003	2,106	4,853	4,927
Fees on loans, advances and financing	1,133	283	1,813	561
Arrangement fees	400	1,334	1,000	4,229
Agency fees	529	509	1,044	894
Underwriting commissions and placement fees	94	-	435	360
Guarantee fees	150	-	192	-
Others	155	1,938	3,047	2,529
Income from financial instruments				
Gains arising on financial assets held-for-trading				
- net gain on disposal	17,577	6,926	40,871	11,713
- unrealised gain/(loss)	(78)	1,958	(248)	3,842
- gross dividend income	39	31	133	467
Gains on derivative instruments				
- unrealised gain/(loss)	(2,737)	8,527	(4,201)	(1,518)
Gains arising on financial investments available-for-sale				
- net gain on disposal	4,192	1,984	8,367	5,631
- gross dividend income	3,548	6,019	8,152	7,564
Gross dividend income				
- subsidiary	-	-	-	7,000
Other income				
Foreign exchange gain/(loss)				
- realised	(3,276)	2,027	5,359	23,382
- unrealised	10,989	(9,837)	6,294	(17,899)
Gain on disposal of property and equipment	-	34	130	81
Other non-operating income	374	313	559	1,607
	64,893	45,598	134,649	98,710

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

24. Other operating expenses

	The Group			
	Individual Quarter Current Financial Period ended 30-06-2017 RM'000	Preceding Year Corresponding Period ended 30-06-2016 RM'000	Cumulative Quarter Current Financial Period-to-date 30-06-2017 RM'000	Preceding Year Corresponding Period-to-date 30-06-2016 RM'000
Personnel costs				
Salaries, allowances and bonuses	46,594	37,348	96,080	72,208
Contributions to defined contribution plan	7,471	6,572	14,356	12,435
Other personnel costs	9,027	6,339	16,785	12,570
	<u>63,092</u>	<u>50,259</u>	<u>127,221</u>	<u>97,213</u>
Promotion and marketing-related expenses				
Commission and brokerage expenses	47,835	22,814	84,346	39,460
Dealers' handling fees	3,034	1,748	5,927	3,956
Business promotion and advertisement	5,846	1,704	8,227	3,063
Dealers' performance incentive	2,859	1,266	4,503	2,988
Entertainment	925	872	1,733	1,313
Travelling and accommodation	1,029	708	1,586	1,538
Others	2,687	1,192	4,070	2,368
	<u>64,215</u>	<u>30,304</u>	<u>110,392</u>	<u>54,686</u>
Establishment-related expenses				
Rental of premises	3,299	3,918	6,588	8,066
Depreciation of property and equipment	2,190	1,910	4,333	4,011
Repair and maintenance	1,744	1,234	3,381	4,045
Electricity, water and sewerage	624	719	1,208	1,347
Amortisation of intangible assets	565	496	1,131	982
Equipment rental	330	291	617	692
Insurance and indemnities	230	131	432	522
Others	46	-	99	-
	<u>9,028</u>	<u>8,699</u>	<u>17,789</u>	<u>19,665</u>
General administrative expenses				
Telecommunication expenses	2,350	2,926	4,328	5,257
Transaction levy	2,637	2,140	4,942	4,038
Subscription	1,787	1,874	3,723	3,638
Professional fees	1,925	1,058	3,946	720
Subsidies	734	861	1,444	1,710
Directors' remuneration	573	713	1,291	1,164
Auditors' remuneration	184	167	458	334
Property, plant & equipment written off	1	19	1	1,052
Intangible assets written off	-	-	-	17
Others	3,077	2,019	5,852	4,427
	<u>13,268</u>	<u>11,777</u>	<u>25,985</u>	<u>22,357</u>
Total other operating expenses	<u><u>149,603</u></u>	<u><u>101,039</u></u>	<u><u>281,387</u></u>	<u><u>193,921</u></u>

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

24. Other operating expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	32,335	25,769	69,725	50,168
Contributions to defined contribution plan	4,025	3,938	8,156	7,512
Other personnel costs	2,964	2,102	5,725	4,339
	<u>39,324</u>	<u>31,809</u>	<u>83,606</u>	<u>62,019</u>
Promotion and marketing-related expenses				
Dealers' handling fees	3,034	1,748	5,927	3,956
Dealers' performance incentive	2,859	1,266	4,503	2,988
Business promotion and advertisement	571	422	1,064	766
Travelling and accommodation	504	316	765	771
Entertainment	190	140	345	375
Commission and brokerage expenses	217	129	262	240
	<u>7,375</u>	<u>4,021</u>	<u>12,866</u>	<u>9,096</u>
Establishment-related expenses				
Rental of premises	2,409	2,902	4,809	5,929
Depreciation of property and equipment	1,473	1,425	2,964	3,007
Repair and maintenance	1,120	614	2,236	2,188
Electricity, water and sewerage	545	633	1,046	1,182
Amortisation of intangible assets	294	260	606	522
Insurance and indemnities	186	90	351	415
Equipment rental	26	71	38	137
Others	46	-	99	-
	<u>6,099</u>	<u>5,995</u>	<u>12,149</u>	<u>13,380</u>
General administrative expenses				
Telecommunication expenses	1,876	2,605	3,473	4,588
Transaction levy	2,637	2,140	4,942	4,038
Subscription	1,681	1,831	3,504	3,546
Subsidies	734	861	1,444	1,710
Directors' remuneration	535	449	1,040	865
Auditors' remuneration	126	126	252	252
Property, plant & equipment written off	-	20	-	153
Professional fees	177	(66)	353	(760)
Others	2,759	2,014	5,261	3,823
	<u>10,525</u>	<u>9,980</u>	<u>20,269</u>	<u>18,215</u>
Total other operating expenses	<u>63,323</u>	<u>51,805</u>	<u>128,890</u>	<u>102,710</u>

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

25. Write-back/(allowance) for losses on loans, advances and financing and receivables

	The Group and the Bank			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended	Preceding Year Corresponding Period ended	Current Financial Period-to-date	Preceding Year Corresponding Period-to-date
	30-06-2017 RM'000	30-06-2016 RM'000	30-06-2017 RM'000	30-06-2016 RM'000
Write-back/(allowance) for losses on loans, advances and financing and trade receivables:				
Individual allowance				
- Made during the financial period	(373)	(243)	(405)	(616)
- Written back during the financial period	122	386	368	481
Collective allowance				
- Made during the financial period	(198)	(518)	(198)	(979)
- Written back during the financial period	166	1,265	903	1,534
Bad debts recovered	31	-	73	428
Write-back/(allowance) for other bad and doubtful debt:				
- Trade debtors	54	(25)	6	(64)
	<u>(198)</u>	<u>865</u>	<u>747</u>	<u>784</u>

26. Impairment loss on securities

	The Group and the Bank			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended	Preceding Year Financial Period ended	Current Financial Period-to-date	Preceding Year Financial Period-to-date
	30-06-2017 RM'000	30-06-2016 RM'000	30-06-2017 RM'000	30-06-2016 RM'000
Allowances for impairment loss:				
- Financial investments available-for-sale	-	-	(712)	-
	<u>-</u>	<u>-</u>	<u>(712)</u>	<u>-</u>

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the financial statement for the financial period ended 30 June 2017

27. Capital adequacy

	The Group		The Bank	
	30-06-2017 RM'000	31-12-2016 RM'000	30-06-2017 RM'000	31-12-2016 RM'000
Basel III				
Common Equity Tier (CET) 1 Capital :				
Paid-up share capital	999,800	780,000	999,800	780,000
Share premium	-	219,800	-	219,800
Statutory reserve	-	251,343	-	251,343
Retained profits	496,704	256,163	524,487	283,946
Unrealised gains on AFS instruments	11,479	(26,830)	11,436	(26,901)
	<u>1,507,983</u>	<u>1,480,476</u>	<u>1,535,723</u>	<u>1,508,188</u>
Less : Regulatory adjustment				
Goodwill and Intangible assets	(322,688)	(323,090)	(316,038)	(316,645)
Investment in subsidiaries /associates	-	-	(113,611)	(108,692)
Collective allowance reserve	(12,007)	(9,667)	(12,007)	(9,667)
55% of unrealised gains on AFS instruments	(6,313)	-	(6,290)	-
Deferred tax assets	(2,161)	(10,727)	-	(6,291)
Total CET 1 capital	<u>1,164,814</u>	<u>1,136,992</u>	<u>1,087,777</u>	<u>1,066,893</u>
Additional Tier 1 Capital				
Non-controlling interests	15,601	3,000	-	-
Total CET 1 capital / Tier 1 capital (a)	<u>1,180,415</u>	<u>1,139,992</u>	<u>1,087,777</u>	<u>1,066,893</u>
Tier 2 capital				
Collective allowance for financing & trade receivables	14,173	12,525	14,173	12,525
Less : Regulatory adjustment				
Investment in subsidiaries	-	-	(14,173)	(12,525)
Total Tier 2 capital (b)	<u>14,173</u>	<u>12,525</u>	<u>-</u>	<u>-</u>
Total Capital (a) + (b)	<u>1,194,588</u>	<u>1,152,517</u>	<u>1,087,777</u>	<u>1,066,893</u>
Proposed dividends	<u>-</u>	<u>10,800</u>	<u>-</u>	<u>10,800</u>
Capital Ratio				
CET 1 capital ratio	28.441%	32.532%	36.611%	35.662%
Tier 1 capital ratio	28.822%	32.618%	36.611%	35.662%
Total capital ratio	29.168%	32.976%	36.611%	35.662%
CET 1 capital ratio (net of proposed dividends)	28.441%	32.223%	36.611%	35.301%
Tier 1 capital ratio (net of proposed dividends)	28.822%	32.309%	36.611%	35.301%
Total capital ratio (net of proposed dividends)	29.168%	32.667%	36.611%	35.301%
Breakdown of risk-weighted assets in the various categories of risk-weights:				
Credit risk	2,897,066	2,601,028	2,280,404	2,400,616
Market risk	436,649	188,107	279,534	196,766
Operational risk	761,890	705,881	411,248	394,323
Total Risk-Weighted Assets	<u>4,095,605</u>	<u>3,495,016</u>	<u>2,971,186</u>	<u>2,991,705</u>

With effect from 1 January 2013, the regulatory capital ratios as well as the level of these ratios of which the Bank is required to operate are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel III) and Capital Adequacy framework (capital components).

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

28. Commitments and contingencies

	The Group and the Bank	
	30-06-2017	31-12-2016
	Principal amount RM'000	Principal amount RM'000
Direct credit substitutes	116,127	110,050
Obligations under underwriting agreements	66,800	19,481
Commitments to extend credit:		
- maturity not exceeding one year	55,063	179,115
- maturity exceeding one year	645	694
Interest rate related contracts:		
- less than one year	250,000	300,000
- one year to less than five years	720,000	370,000
Foreign exchange related contracts:		
- less than one year	5,632,327	3,001,759
- one year to less than five years	324,238	220,011
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	406,089	367,710
Total	<u>7,571,289</u>	<u>4,568,820</u>

29. Credit exposures arising from transactions with connected parties

In compliance with the requirement of BNM's guidelines on Credit Transactions and Exposures with Connected Parties for the Bank (Ref No: BNM/RH/GL 001-25), the following information as at 30 June 2017 are as follows:

(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	415,451
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	9.93%
(iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default	Nil

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

**Notes to the financial statement
for the financial period ended 30 June 2017****30. FAIR VALUE MEASUREMENTS**

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:-

- (a) Level 1 - quoted price (unadjusted) in active markets for identical assets and liabilities
 (b) Level 2 - inputs other than quoted price included within level 1 that are observable for the assets or liability, either (i.e. as prices) or indirectly (i.e. derived from prices); and
 (c) Level 3 - inputs for the asset and liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30-06-2017				
Assets				
Financial assets held-for-trading				
- Corporate bonds and/or sukuk	-	31,590	-	31,590
- Other financial assets	-	29,895	-	29,895
- Equity securities	63,060	-	-	63,060
Financial investments available-for-sale *				
- Corporate bonds and/or sukuk	-	3,946,891	-	3,946,891
- Other financial assets	335,600	-	19,528	355,128
- Equity securities	-	945,759	-	945,759
Derivative financial	-	79,022	-	79,022
	<u>398,660</u>	<u>5,033,157</u>	<u>19,528</u>	<u>5,451,345</u>
Liabilities				
Derivative financial liabilities	-	94,371	-	94,371
31-12-2016				
Assets				
Financial assets held-for-trading				
- Corporate bonds and/or sukuk	-	46,660	-	46,660
- Other financial assets	-	256,015	-	256,015
- Equity securities	23,627	-	-	23,627
Financial investments available-for-sale *				
- Corporate bonds and/or sukuk	-	3,835,620	-	3,835,620
- Other financial assets	330,172	-	19,528	349,700
- Equity securities	-	662,637	-	662,637
Derivative financial	-	122,088	-	122,088
	<u>353,799</u>	<u>4,923,020</u>	<u>19,528</u>	<u>5,296,347</u>
Liabilities				
Derivative financial liabilities	-	150,291	-	150,291

* Net of allowance for impairment

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

30. FAIR VALUE MEASUREMENTS (continued)

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy (continued):

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30-06-2017				
Assets				
Financial assets held-for-trading				
- Corporate bonds and/or sukuk	-	10,134	-	10,134
- Other financial assets	-	29,895	-	29,895
- Equity securities	29,864	-	-	29,864
Financial investments available-for-sale *				
- Corporate bonds and/or sukuk	-	3,945,887	-	3,945,887
- Other financial assets	311,422	-	19,528	330,950
- Equity securities	-	945,759	-	945,759
Derivative financial	-	79,022	-	79,022
	341,286	5,010,697	19,528	5,371,511
Liabilities				
Derivative financial liabilities	-	94,371	-	94,371
31-12-2016				
Assets				
Financial assets held-for-trading				
- Corporate bonds and/or sukuk	-	25,204	-	25,204
- Other financial assets	-	256,015	-	256,015
- Equity securities	18,763	-	-	18,763
Financial investments available-for-sale *				
- Corporate bonds and/or sukuk	-	3,834,634	-	3,834,634
- Other financial assets	-	662,637	-	662,637
- Equity securities	309,065	-	19,528	328,593
Derivative financial	-	122,088	-	122,088
	327,828	4,900,578	19,528	5,247,934
Liabilities				
Derivative financial liabilities	-	150,291	-	150,291

* Net of allowance for impairment

Company No:

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Notes to the financial statement
for the financial period ended 30 June 2017

30. FAIR VALUE MEASUREMENTS (continued)

Financial instruments that are valued using quoted prices in active markets are classified as Level 1 of the valuation hierarchy. These would include listed equities which are actively traded. Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include corporate private debt securities, corporate notes and most of the Group's over-the-counter ("OTC") derivatives.

The Group and the Bank classify financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The Group and the Bank may also use valuation models or discounted cash flow technique to determine the fair value.

Most of the OTC derivatives are priced using valuation models. Where derivative products have been established in the markets for some time, the Group and the Bank use models that are widely accepted by the industry. The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models. OTC derivatives which are valued using unobservable inputs that are supported by little or no market activity which are significant to the fair value of the assets or liabilities are classified as Level 3.

The following table present the changes in Level 3 instruments for the financial period/year ended:-

	The Group and The Bank	
	30-06-2017	31-12-2016
	RM'000	RM'000
Opening	19,528	18,131
AFS revaluation reserve	-	1,397
Closing	<u>19,528</u>	<u>19,528</u>

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at end of the current reporting date and last financial year ended 31 December 2016, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purpose.

In estimating its significance, the Group used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflect the values that the Group estimates are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be statistical or other relevant approved techniques.