

Affin Hwang Investment Bank Berhad (Incorporated in Malaysia)

Unaudited Statements of Financial Position as at 30 June 2016

	Note	The Group		The Bank	
		As at 30-06-2016 RM'000	As at 31-12-2015 RM'000	As at 30-06-2016 RM'000	As at 31-12-2015 RM'000
ASSETS					
Cash and short-term funds		471,000	462,004	382,877	244,732
Deposits and placements with banks and other financial institutions		95,579	145,474	95,579	145,474
Financial assets held-for-trading	12	278,530	273,302	272,303	264,657
Financial investments held-to-maturity	12	66,146	78,651	66,146	78,651
Financial investments available-for-sale	12	4,425,067	4,008,065	4,370,764	3,958,666
Loans, advances and financing	13	1,056,029	1,240,693	1,056,029	1,240,693
Trade receivables	14	854,504	550,093	409,388	481,617
Derivative financial assets		75,733	119,991	75,733	119,991
Other assets	15	84,748	112,541	78,638	106,957
Deferred tax assets		1,807	12,741	-	7,770
Taxation recoverable		25,326	27,289	23,153	27,196
Statutory deposits with Bank Negara Malaysia		149,790	177,850	149,790	177,850
Investment in subsidiaries		-	-	121,217	121,217
Amount due from subsidiaries		-	-	11,996	24,004
Property and equipment		30,993	26,544	23,529	21,646
Intangible assets		323,514	326,240	317,157	320,046
Total ASSETS		7,938,766	7,561,478	7,454,299	7,341,167
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	16	4,231,113	4,314,040	4,231,113	4,314,040
Deposits and placements of banks and other financial institutions	17	990,435	749,852	990,435	749,852
Repurchase agreements		47,824	-	47,824	-
Trade payables	18	835,164	642,321	394,027	470,090
Derivative financial liabilities		98,123	141,891	98,123	141,891
Amount due to related companies		580	689	-	-
Other liabilities	19	169,475	235,765	133,692	185,249
Provision for taxation		-	1,747	-	-
Deferred tax liabilities		7,208	-	7,208	-
Total LIABILITIES		6,379,922	6,086,305	5,902,422	5,861,122
Share capital		780,000	780,000	780,000	780,000
Reserves		739,475	659,346	771,877	700,045
		1,519,475	1,439,346	1,551,877	1,480,045
Non-controlling interests		39,369	35,827	-	-
SHAREHOLDERS' EQUITY		1,558,844	1,475,173	1,551,877	1,480,045
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,938,766	7,561,478	7,454,299	7,341,167
COMMITMENTS AND CONTINGENCIES	27	4,507,851	5,793,810	4,507,851	5,793,810
CAPITAL ADEQUACY					
Basel III					
CET 1 capital ratio	26	29.354%	30.481%	34.728%	32.168%
Tier 1 capital ratio	26	29.432%	30.565%	34.728%	32.168%
Total capital ratio	26	29.788%	30.983%	34.728%	32.168%
After deducting proposed dividends:					
CET 1 capital ratio (net of proposed dividends)	26	29.354%	30.397%	34.728%	32.074%
Tier 1 capital ratio (net of proposed dividends)	26	29.432%	30.480%	34.728%	32.074%
Total capital ratio (net of proposed dividends)	26	29.788%	30.898%	34.728%	32.074%

Affin Hwang Investment Bank Berhad

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Unaudited Income Statements for the financial period ended 30 June 2016

The Group	Note	Individual Quarter		Cumulative Quarter	
		Current Financial Period 30-06-2016 RM'000	Preceding Year Corresponding Period 30-06-2015 RM'000	Current Financial Period-to-date 30-06-2016 RM'000	Preceding Year Corresponding Period-to-date 30-06-2015 RM'000
Interest income	20	67,372	65,732	133,441	127,074
Interest expense	21	(45,931)	(44,206)	(92,885)	(85,943)
Net interest income		21,441	21,526	40,556	41,131
Other operating income	22	109,865	108,157	208,176	223,240
Net income		131,306	129,683	248,732	264,371
Other operating expenses	23	(101,039)	(106,577)	(193,921)	(208,182)
Operating profit before loan and financing loss and allowance		30,267	23,106	54,811	56,189
Write-back/(Allowances) of losses on loans, advances and financing and receivables	24	865	(1,146)	784	(692)
Write-back of impairment loss on securities	25	-	1,600	-	1,600
Profit before zakat and taxation		31,132	23,560	55,595	57,097
Zakat		(268)	(229)	(466)	(440)
Profit before taxation		30,864	23,331	55,129	56,657
Taxation		(8,175)	(5,586)	(14,461)	(13,687)
Net profit after zakat and taxation		22,689	17,745	40,668	42,970
Attributable to:					
- Equity holders of the Bank		18,983	13,807	34,305	34,303
- Non-controlling interests		3,706	3,938	6,363	8,667
		22,689	17,745	40,668	42,970
Earnings per share:					
- basic/fully diluted (sen)		2.43	1.77	4.40	4.40

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**Unaudited Statement of Comprehensive Income
for the financial period ended 31 March 2016**

The Group	Individual Quarter		Cumulative Quarter	
	Current Financial Period 30-06-2016 RM'000	Preceding Year Corresponding Period 30-06-2015 RM'000	Current Financial Period-to-date 30-06-2016 RM'000	Preceding Year Corresponding Period-to-date 30-06-2015 RM'000
Net profit after zakat and taxation	22,689	17,745	40,668	42,970
Other comprehensive income:				
Net fair value changes in financial investments available-for-sale	25,931	(6,958)	71,148	14,508
Net gain transferred to income statement on disposal	(2,295)	(1,614)	(6,804)	(13,674)
Deferred tax on financial investments available-for-sale	(5,276)	2,398	(15,299)	(147)
Other comprehensive income for the period, net of tax	18,360	(6,174)	49,045	687
Total comprehensive income for the period	41,049	11,571	89,713	43,657
Attributable to:				
Equity holders of the Bank	36,848	7,332	83,171	34,917
Non-controlling interests	4,201	4,239	6,542	8,740
Total comprehensive income	41,049	11,571	89,713	43,657

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Unaudited Income Statements
for the financial period ended 30 June 2016

	The Bank	Note	Individual Quarter		Cumulative Quarter	
			Current Financial Period 30-06-2016 RM'000	Preceding Year Corresponding Period 30-06-2015 RM'000	Current Financial Period-to-date 30-06-2016 RM'000	Preceding Year Corresponding Period-to-date 30-06-2015 RM'000
Interest income		20	66,420	64,971	131,834	125,177
Interest expense		21	(45,931)	(44,241)	(92,885)	(85,966)
Net interest income			20,489	20,730	38,949	39,211
Other operating income		22	45,598	42,554	98,710	93,603
Net income			66,087	63,284	137,659	132,814
Other operating expenses		23	(51,805)	(57,401)	(102,710)	(114,633)
Operating profit before loan and financing loss and allowance			14,282	5,883	34,949	18,181
Write-back/(Allowances) of losses on loans, advances and financing and receivables		24	865	(1,146)	784	(692)
Write-back of impairment loss on securities		25	-	1,600	-	1,600
Profit before zakat and taxation			15,147	6,337	35,733	19,089
Zakat			(212)	(197)	(368)	(380)
Profit before taxation			14,935	6,140	35,365	18,709
Taxation			(4,600)	(1,534)	(8,939)	(4,894)
Net profit after zakat and taxation			10,335	4,606	26,426	13,815
Attributable to:						
- Equity holders of the Bank			10,335	4,606	26,426	13,815
Earnings per share:						
- basic/fully diluted (sen)			1.33	0.59	3.39	1.77

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**Unaudited Statement of Comprehensive Income
for the financial period ended 30 June 2016**

The Bank	Individual Quarter		Cumulative Quarter	
	Current Financial Period 30-06-2016 RM'000	Preceding Year Corresponding Period 30-06-2015 RM'000	Current Financial Period-to-date 30-06-2016 RM'000	Preceding Year Corresponding Period-to-date 30-06-2015 RM'000
Net profit after zakat and taxation	10,335	4,606	26,426	13,815
Other comprehensive income:				
Net fair value changes in financial investments available-for-sale	24,280	(7,963)	70,551	14,263
Net gain transferred to income statement on disposal	(2,295)	(1,614)	(6,804)	(13,674)
Deferred tax on financial investments available-for-sale	(5,276)	2,398	(15,299)	(147)
Other comprehensive income for the period, net of tax	<u>16,709</u>	<u>(7,179)</u>	<u>48,448</u>	<u>442</u>
Total comprehensive income for the period	<u>27,044</u>	<u>(2,573)</u>	<u>74,874</u>	<u>14,257</u>
Attributable to equity holders of the Bank:				
Total comprehensive income	<u>27,044</u>	<u>(2,573)</u>	<u>74,874</u>	<u>14,257</u>

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Unaudited Statement of Changes in Equity
for the financial period ended 30 June 2016

	Attributable to equity holders of the Bank					Retained profits	Sub-total	Non-controlling interests	Total equity
	Nominal value	Share premium	Statutory reserve	Regulatory reserve	Available -for-sale revaluation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group									
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	-	-	-	(647)	-	647	-	-	-
Dividend paid	-	-	-	-	-	(3,042)	(3,042)	(3,000)	(6,042)
At 30 June 2016	780,000	219,800	214,915	4,947	34,035	265,778	1,519,475	39,369	1,558,844
At 1 January 2015	780,000	219,800	199,071	3,556	5,479	207,165	1,415,071	30,329	1,445,400
Comprehensive income:									
Net profit for the financial period	-	-	-	-	-	34,303	34,303	8,667	42,970
Other comprehensive income, (net of tax) -									
Financial investments available-for-sale	-	-	-	-	614	-	614	73	687
Total comprehensive income	-	-	-	-	614	34,303	34,917	8,740	43,657
Transfer to regulatory reserve	-	-	-	678	-	(678)	-	-	-
At 30 June 2015	780,000	219,800	199,071	4,234	6,093	240,790	1,449,988	39,069	1,489,057

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Unaudited Statement of Changes in Equity
for the financial period ended 30 June 2016

	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
<u>The Bank</u>							
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:							
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
At 1 January 2015	780,000	219,800	199,071	3,556	5,347	260,692	1,468,466
Comprehensive income:							
Net profit for the financial period	-	-	-	-	-	13,815	13,815
Other comprehensive income, (net of tax) -							
Financial investments available-for-sale	-	-	-	-	442	-	442
Total comprehensive income	-	-	-	-	442	13,815	14,257
Transfer to regulatory reserve	-	-	-	678	-	(678)	-
At 30 June 2015	780,000	219,800	199,071	4,234	5,789	273,829	1,482,723

Affin Hwang Investment Bank Berhad (Incorporated in Malaysia)

Unaudited Statement of Cash Flows for the financial period ended 30 June 2016

	The Group		The Bank	
	30-06-2016 RM'000	30-06-2015 RM'000	30-06-2016 RM'000	30-06-2015 RM'000
Cash flow from operating activities				
Net profit before tax for the financial period	55,129	56,657	35,365	18,709
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income				
- financial assets held-for trading	(10,218)	(2,372)	(10,218)	(2,372)
- financial investments available-for-sale	(77,599)	(73,405)	(77,599)	(73,405)
- financial investments held-to-maturity	(2,606)	(5,657)	(2,606)	(5,657)
Dividend income from subsidiary	-	-	(7,000)	-
Dividend income from financial instruments	(8,228)	(6,602)	(8,031)	(5,623)
Gain on disposal of property, plant and equipment	(123)	(95)	(81)	(95)
Property and equipment written-off	1,052	26	153	1
Intangible assets written-off	17	6	-	-
Depreciation of property and equipment	4,011	2,768	3,007	1,671
Amortisation of intangible assets	982	691	522	301
Net accretion of discounts/(amortisation of premiums)	1,511	1,092	1,511	1,092
(Loss)/gain arising from disposal or redemption of :				
- derivative instruments	-	(20)	-	(20)
- financial assets held-for-trading	(11,713)	(12,038)	(11,713)	(12,152)
- financial investments available-for-sale	(5,514)	(14,067)	(5,631)	(14,101)
Unrealised gain/(loss) on derivative instruments	1,518	6,156	1,518	6,156
Unrealised (loss)/gain on financial assets held-for-trading	(3,975)	(210)	(3,842)	(26)
Net of collective impairment	(556)	564	(556)	564
Net of individual impairment	135	82	135	82
(Write-back)/impairment loss on :				
Allowance for bad and doubtful debts on other debtors	64	76	64	76
Zakat	466	440	368	380
Bad debts recovered	(427)	(30)	(427)	(30)
Unrealised foreign exchange loss/(gain)	17,777	3,995	17,899	4,508
<i>Operating loss before changes in operating assets and liabilities</i>	(38,297)	(41,943)	(67,162)	(79,941)
<i>Decrease/(Increase) in operating assets</i>				
Loans, advances and financing	185,219	(103,645)	185,219	(103,645)
Deposits and placements with banks and other financial institutions	49,895	100,133	49,895	100,133
Statutory deposits with Bank Negara Malaysia	28,060	(43,850)	28,060	(43,850)
Intercompany balances	-	-	12,008	10,282
Trade receivables	(304,546)	(101,762)	72,094	(44,540)
Derivative assets	24,963	(17,722)	24,841	(18,234)
Other assets	28,161	(35,134)	28,684	(36,580)
Financial assets held-for-trading	21,118	(139,779)	18,567	(127,482)
	32,870	(341,759)	419,368	(263,916)
<i>Increase/(decrease) in operating liabilities</i>				
Deposits from customers	(82,927)	864,487	(82,927)	824,274
Deposits and placements of banks and other financial institutions	240,583	(321,637)	240,583	(321,637)
Repurchase agreements	47,824	-	47,824	-
Trade payables	192,843	(68,695)	(76,063)	24,963
Amount due from related company	(109)	-	-	-
Derivative liabilities	(43,768)	26,001	(43,768)	26,001
Other liabilities	(65,059)	(32,925)	(50,226)	(13,002)
	289,387	467,231	35,423	540,599
Cash generated from operating activities	283,960	83,529	387,629	196,742

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Unaudited Statement of Cash Flows
for the financial period ended 30 June 2016

	The Group		The Bank	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (continued)				
Net taxation paid	(11,403)	(19,342)	(5,218)	(10,835)
Zakat paid	(972)	-	(971)	-
Net cash generated from operating activities	271,585	64,187	381,440	185,907
Cash flow from investing activities				
Proceeds from disposal of property and equipment	132	200	91	116
Purchase of property and equipment	(6,372)	(1,414)	(1,904)	(135)
Purchase of intangible assets	(1,422)	(737)	(783)	(198)
Interest received:				
- financial investments available-for-sale	77,599	73,405	77,599	73,405
- financial investments held-to-maturity	2,606	5,657	2,606	5,657
Net purchase of financial investments available-for-sale	(348,476)	(517,131)	(344,051)	(512,914)
Net proceeds on redemption of financial investments held-to-maturity	12,354	85,439	12,354	85,439
Cash consideration for merger of businesses	-	3,467	-	3,467
Dividend income received from:				
- financial investments available-for-sale	7,761	5,422	7,564	4,586
- subsidiary	-	-	7,000	-
Net cash used in investing activities	(255,818)	(345,692)	(239,524)	(340,577)
Cash flow from financing activities				
Dividend paid by a subsidiary to minority interests	(3,000)	-	-	-
Dividend paid	(3,042)	-	(3,042)	-
Net cash used in financing activities	(6,042)	-	(3,042)	-
Net increase in cash and cash equivalents	9,725	(281,505)	138,874	(154,670)
Cash and cash equivalents at beginning of the financial year	413,380	606,686	196,108	368,442
Cash and cash equivalents at end of the financial period	423,105	325,181	334,982	213,772
Analysis of cash and cash equivalents				
Cash and short term funds	471,000	374,493	382,877	263,084
Amount held on behalf of clients and commissioned dealer's representatives	(47,895)	(49,312)	(47,895)	(49,312)
Cash and cash equivalents at end of the financial period	423,105	325,181	334,982	213,772

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**Notes to the financial statement
for the financial period ended 30 June 2016**

1. Review of financial performance

The Group recorded a marginally lower Profit Before Tax ("PBT") of RM55.1 million for the 6 months period ended 30 June 2016 compared to a PBT of RM56.7 million for the previous corresponding period. The investment bank contributed RM28.4 million [excluding interco dividend from subsidiary of RM7.0 million] (30.6.2015: RM18.7 million) while the asset management business contributed RM26.7 million (30.6.2015: RM37.6 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 2016 are as follows:

- Net interest income of RM40.6 million was marginally lower than the net interest income of RM41.1 million recorded in the previous corresponding period primarily due to lower average interest earning assets in the current period under review.
- Other operating income registered a decrease from RM223.3 million in the previous corresponding period to RM208.1 million in the current period under review. The decrease was primarily due to the lower initial service fee income from the asset management business and net investment gains generated by the investment bank activities during the current period under review.
- Operating expenses recorded for the period under review were lower at RM194.4 million compared to RM208.6 million incurred in the previous corresponding period contributed mainly by lower personnel costs.

2. Prospect for the current financial year

The Group remains cautiously optimistic of its growth and business prospects in 2016 as the country's resilient economic fundamentals are expected to cushion the uncertainty of potential external vulnerabilities such as the recent Brexit event. The Group's diversified business profile coupled by a sturdy capitalisation should mitigate the expected volatility in the financial markets.

The Group takes cognizant of the increasingly-competitive investment bank and asset management operating environment, which are highly dependent on the overall market sentiments. The Group will continue to build resilience across its businesses and drive efficiency savings in all its business operations. The businesses shall continue to work on collaborative efforts within the group to increase its ability to offer a wider range of products and services to its enlarged clientele.

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**Notes to the financial statement
for the financial period ended 30 June 2016**

3. Basis of preparation

The unaudited condensed interim financial statements for the 6 months period ended 30 June 2016 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 1965 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 2015. 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 2015.

4. Qualification of preceding annual financial statements

The Bank's financial statements for financial year ended 31 December 2015 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.

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. The case is now fixed for case management on 11 August 2016.

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**Notes to the financial statement
for the financial period ended 30 June 2016**

9. Significant Events

There are no material events subsequent to the end of the reporting period.

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.

11. Dividends

A final dividend of 0.39 sen per ordinary share, amounting to RM3,042,000 in respect of the previous financial year ended 31 December 2015 was paid on 28 March 2016.

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Notes to the financial statement for the financial period ended 30 June 2016

12. Securities portfolio

	The Group		The Bank	
	30-06-2016 RM'000	31-12-2015 RM'000	30-06-2016 RM'000	31-12-2015 RM'000
<u>Classification of securities portfolio:</u>				
(i) Financial assets held-for-trading				
<u>At fair value</u>				
<u>Money Market instruments</u>				
<u>Quoted</u>				
Malaysian Government Securities	20,305	-	20,305	-
Malaysian Government Islamic Investment Issues	61,695	-	61,695	-
	<u>82,000</u>	<u>-</u>	<u>82,000</u>	<u>-</u>
<u>At fair value</u>				
<u>Quoted securities</u>				
In Malaysia:				
Shares, warrants and REITS	23,603	33,564	23,603	33,564
Unit trusts	6,227	8,645	-	-
Negotiable Instruments of Deposit	161,630	231,093	161,630	231,093
	<u>191,460</u>	<u>273,302</u>	<u>185,233</u>	<u>264,657</u>
<u>Unquoted securities</u>				
Private Debt Securities in Malaysia	5,070	-	5,070	-
	<u>278,530</u>	<u>273,302</u>	<u>272,303</u>	<u>264,657</u>
(ii) Financial investments held-to-maturity				
<u>At amortised cost</u>				
<u>Unquoted securities</u>				
Private Debt Securities in Malaysia	66,146	78,651	66,146	78,651
	<u>66,146</u>	<u>78,651</u>	<u>66,146</u>	<u>78,651</u>
(iii) Financial investments available-for-sale				
<u>At fair value</u>				
<u>Money Market Instruments</u>				
Malaysian Government Securities	40,662	19,895	40,662	19,895
Malaysian Government Islamic Investment Issues	295,491	675,049	295,491	675,049
Cagamas Bonds	67,535	20,102	67,535	20,102
Sukuk Perumahan Kerajaan	90,396	97,695	90,396	97,695
Negotiable Instruments of Deposit	-	80,036	-	80,036
	<u>494,084</u>	<u>892,777</u>	<u>494,084</u>	<u>892,777</u>
<u>Quoted securities</u>				
In Malaysia:				
Shares	30,149	18,896	30,149	18,896
Unit Trusts	273,433	240,850	220,115	192,437
REITS	42,516	40,219	42,516	40,219
Outside Malaysia:				
REITS	64,467	39,618	64,467	39,618
<u>Unquoted securities</u>				
Private Debt Securities in Malaysia	3,196,756	2,605,743	3,195,771	2,604,757
Private Debt Securities outside Malaysia	304,134	151,831	304,134	151,831
Shares in Malaysia	21,720	20,323	21,720	20,323
	<u>4,427,259</u>	<u>4,010,257</u>	<u>4,372,956</u>	<u>3,960,858</u>
Allowance for impairment of securities	(2,192)	(2,192)	(2,192)	(2,192)
	<u>4,425,067</u>	<u>4,008,065</u>	<u>4,370,764</u>	<u>3,958,666</u>

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Notes to the financial statement
for the financial period ended 30 June 2016

13. Loans, advances and financing

(i) By type of Loan/Financing

	The Group and the Bank	
	30-06-2016	31-12-2015
	RM'000	RM'000
Term loans/financing		
- Syndicated term loan/financing	207,178	269,288
- Other term loans/financing	544,759	702,427
Staff loans	6,179	7,582
Share margin financing	186,879	157,979
Revolving credits	53,664	46,573
Receivables	91,348	91,377
Gross loans, advances and financing	<u>1,090,007</u>	<u>1,275,226</u>
Less :		
Allowances for impaired loans, advances and financing		
- Individual allowance	(25,126)	(25,126)
- Collective allowance	(8,852)	(9,407)
Total net loans, advances and financing	<u><u>1,056,029</u></u>	<u><u>1,240,693</u></u>

(ii) By Type of Customers

Domestic business enterprises		
- Small medium enterprises	65,241	66,375
- Others	770,716	937,887
Individuals	253,136	267,489
Foreign business enterprises	-	2,509
Foreign individuals	914	966
Total gross loans, advances and financing	<u>1,090,007</u>	<u>1,275,226</u>

(iii) By Interest/Profit Rate Sensitivity

Fixed rate		
- Housing loans/financing	3,520	4,543
- Hire purchase receivables	2,623	2,968
- Other fixed rate loans/financing	35	71
- Receivables	91,348	91,377
- Share margin financing	186,879	157,979
Variable rate		
- Cost-plus	805,602	1,018,288
Total gross loans, advances and financing	<u>1,090,007</u>	<u>1,275,226</u>

(iv) By Economic Purpose

Purchase of securities	580,240	605,790
Working capital	153,774	242,645
Construction	138,320	117,384
Purchase of transport vehicles	61,739	71,385
Purchase of landed properties (non-residential)	39,583	32,424
Purchase of landed properties (residential)	3,520	22,950
Personal use	35	72
Merger and acquisition	-	51,379
Others	112,796	131,197
Total gross loans, advances and financing	<u>1,090,007</u>	<u>1,275,226</u>

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Notes to the financial statement
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13. Loans, advances and financing (continued)

	The Group and the Bank	
	30-06-2016	31-12-2015
	RM'000	RM'000
<u>(v) By Sector</u>		
Household	254,050	260,118
Real estate	216,687	229,125
Transport, storage and communication	179,190	206,920
Education, health & others	95,397	60,158
Manufacturing	87,712	86,400
Finance, insurance and business services	82,391	113,811
Mining and quarrying	64,514	66,722
Construction	55,522	55,213
Wholesale retail trade and restaurant and hotels	24,375	115,121
Electricity, gas and water	20,011	70,794
Others	10,158	10,844
Total gross loans, advances and financing	<u>1,090,007</u>	<u>1,275,226</u>
<u>(vi) By Geographical Distribution</u>		
Selangor	499,374	546,660
Wilayah Persekutuan	458,059	595,874
Johor	107,355	108,004
Pulau Pinang	15,638	14,283
Perak	4,490	2,106
Sarawak	2,967	6,687
Negeri Sembilan	1,410	1,025
Sabah	497	420
Kedah	217	167
Total gross loans, advances and financing	<u>1,090,007</u>	<u>1,275,226</u>
<u>(vii) By maturity structure</u>		
Maturing within one year	305,839	311,872
One year to three years	251,717	270,622
Three years to five years	284,711	236,969
Over five years	247,740	455,763
Total gross loans, advances and financing	<u>1,090,007</u>	<u>1,275,226</u>
<u>(viii) Movement of impaired loans, advances and financing</u>		
At beginning of the financial year	66,375	34,128
Classified as impaired during the financial year	-	32,655
Amount written-off	-	(122)
Amount recovered	(1,134)	(286)
At end of the financial year	<u>65,241</u>	<u>66,375</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>5.99%</u>	<u>5.20%</u>

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Notes to the financial statement
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13. Loans, advances and financing (continued)

The Group and the Bank
30-06-2016 **31-12-2015**
RM'000 **RM'000**

(ix) Movement in allowances are as follows:

Individual allowance

At beginning of the financial year	25,126	24,239
Allowance made	-	1,009
Amount written-off	-	(122)
At end of the financial year	<u>25,126</u>	<u>25,126</u>

Collective allowance

At beginning of the financial year	9,407	8,982
Allowance made	979	3,863
Amount written-back	(1,534)	(3,438)
At end of the financial year	<u>8,852</u>	<u>9,407</u>

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

Purchase of landed properties (non-residential)	22,196	32,424
Other purpose	43,045	33,951
Total impaired loans, advances and financing	<u>65,241</u>	<u>66,375</u>

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

Manufacturing	22,500	22,500
Wholesale retail trade and restaurant and hotels	10,853	11,451
Real estate	31,888	32,424
Total impaired loans, advances and financing	<u>65,241</u>	<u>66,375</u>

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

Selangor	65,241	66,375
Total impaired loans, advances and financing	<u>65,241</u>	<u>66,375</u>

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14. Trade receivables

	The Group		The Bank	
	30-06-2016 RM'000	31-12-2015 RM'000	30-06-2016 RM'000	31-12-2015 RM'000
Amount in respect of management fees receivable and cancellation of funds' units	445,116	68,476	-	-
Amount due from clients (a)	156,957	294,716	156,957	294,716
Amount due from brokers	163,692	140,007	163,692	140,007
Amount due from Bursa Securities Clearing Sdn. Bhd.	89,559	51,033	89,559	51,033
	<u>855,324</u>	<u>554,232</u>	<u>410,208</u>	<u>485,756</u>
Less : Allowance for bad and doubtful accounts (b)				
- Individual allowance	(804)	(4,123)	(804)	(4,123)
- Collective allowance	(16)	(16)	(16)	(16)
	<u>854,504</u>	<u>550,093</u>	<u>409,388</u>	<u>481,617</u>

The Group and the Bank

	30-06-2016 RM'000	31-12-2015 RM'000
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(a) Movement of impaired amount due from clients are as follows:

At beginning of the financial year	4,460	4,420
Addition during the year	616	108
Amount recovered	(481)	(68)
Amount written off	(3,454)	-
At end of the financial year	<u>1,141</u>	<u>4,460</u>

(b) Movement in allowances are as follows:

Individual allowance

At beginning of the financial year	4,123	4,083
Allowance made	616	108
Amount written back	(481)	(68)
Amount written off	(3,454)	-
At end of the financial year	<u>804</u>	<u>4,123</u>

Collective allowance

At beginning of the financial year	16	19
Allowance made	-	31
Amount written-back	-	(34)
At end of the financial year	<u>16</u>	<u>16</u>

15. Other assets

	The Group		The Bank	
	30-06-2016 RM'000	31-12-2015 RM'000	30-06-2016 RM'000	31-12-2015 RM'000
Other debtors, deposits and prepayments	92,449	120,329	86,451	114,845
Clearing Guarantee Fund	1,278	1,139	1,278	1,139
Clearing Fund	1,000	1,000	1,000	1,000
Transferable membership	222	210	110	110
Allowance for bad and doubtful debts (a)	(10,201)	(10,137)	(10,201)	(10,137)
	<u>84,748</u>	<u>112,541</u>	<u>78,638</u>	<u>106,957</u>

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15. (a) Movement in allowances are as follows:

	The Group and the Bank	
	30-06-2016	31-12-2015
	RM'000	RM'000
Individual allowance		
At beginning of the financial year	10,137	9,894
Allowance made	326	365
Amount written back	(262)	(122)
At end of the financial year	<u>10,201</u>	<u>10,137</u>

16. Deposit from customers

	The Group and the Bank	
	30-06-2016	31-12-2015
	RM'000	RM'000
<u>By type of deposits:</u>		
Fixed deposits	2,991,189	2,930,883
Negotiable instruments of deposits	1,110,067	1,191,217
Other deposits	129,857	191,940
	<u>4,231,113</u>	<u>4,314,040</u>
<u>By maturity structure:</u>		
Due within six months	3,091,654	3,066,058
Six months to one year	721,247	238,849
More than one year	418,212	1,009,133
	<u>4,231,113</u>	<u>4,314,040</u>
<u>By type of customer:</u>		
Domestic non-banking financial institutions	1,544,842	1,278,851
Business enterprises	1,048,051	1,115,296
Domestic banking institutions	1,009,141	1,190,461
Government and statutory bodies	436,224	621,118
Individuals	170,109	74,779
Others	17,870	27,671
Foreign entities	4,876	5,864
	<u>4,231,113</u>	<u>4,314,040</u>

17. Deposit and placements of banks and other financial institution

	The Group and the Bank	
	30-06-2016	31-12-2015
	RM'000	RM'000
Licensed banks	900,093	749,852
Licensed investment banks	90,342	-
	<u>990,435</u>	<u>749,852</u>

18. Trade payables

	The Group		The Bank	
	30-06-2016	31-12-2015	30-06-2016	31-12-2015
	RM'000	RM'000	RM'000	RM'000
Amount due to clients	194,040	342,714	194,040	342,714
Amount due to brokers	199,987	127,376	199,987	127,376
Amount due to unit trust funds	264,962	154,948	-	-
Amount due to unit holders	176,117	17,213	-	-
Amount due to external fund managers	58	70	-	-
	<u>835,164</u>	<u>642,321</u>	<u>394,027</u>	<u>470,090</u>

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Notes to the financial statement for the financial period ended 30 June 2016

19. Other liabilities

	The Group		The Bank	
	30-06-2016 RM'000	31-12-2015 RM'000	30-06-2016 RM'000	31-12-2015 RM'000
Commissioned dealer's representative trust balances	47,894	48,624	47,895	48,624
Amounts payable to dealer's representative	2,493	3,051	2,493	3,051
Other liabilities	119,088	184,090	83,304	133,574
	169,475	235,765	133,692	185,249

20. Interest income

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current Financial Period ended	Preceding Year Corresponding Period ended	Current Financial Period-to-date	Preceding Year Corresponding Period-to-date
	30-06-2016 RM'000	30-06-2015 RM'000	30-06-2016 RM'000	30-06-2015 RM'000
Loans, advances and financing				
- Interest income on loans and advances	14,319	12,132	29,688	23,779
- Margin financing	3,519	3,980	6,478	8,308
Money at call and deposit placements with financial institutions	3,568	6,115	7,104	11,150
Derivative instruments	795	217	1,702	3,198
Financial assets held-for-trading	4,701	2,015	10,218	2,372
Financial investment available-for-sale	39,918	38,678	77,599	73,405
Financial investment held-to-maturity	1,205	2,912	2,606	5,657
Others	104	605	(443)	297
	68,129	66,654	134,952	128,166
Net accretion of discounts less amortisation of premiums	(757)	(922)	(1,511)	(1,092)
	67,372	65,732	133,441	127,074
of which:				
Interest income earned on impaired loans, advances and financing	364	-	616	-

	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
	30-06-2016 RM'000	30-06-2015 RM'000	30-06-2016 RM'000	30-06-2015 RM'000
Loans, advances and financing				
- Interest income on loans and advances	14,319	12,132	29,688	23,779
- Margin financing	3,519	3,980	6,478	8,308
Money at call and deposit placements with financial institutions	2,616	5,354	5,497	9,253
Derivative instruments	795	217	1,702	3,198
Financial assets held-for-trading	4,701	2,015	10,218	2,372
Financial investment available-for-sale	39,918	38,678	77,599	73,405
Financial investment held-to-maturity	1,205	2,912	2,606	5,657
Others	104	605	(443)	297
	67,177	65,893	133,345	126,269
Net accretion of discounts less amortisation of premiums	(757)	(922)	(1,511)	(1,092)
	66,420	64,971	131,834	125,177
of which:				
Interest income earned on impaired loans, advances and financing	364	-	616	-

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Notes to the financial statement for the financial period ended 30 June 2016

21. Interest expense

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
30-06-2016	30-06-2015	30-06-2016	30-06-2015	
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	41,180	42,388	82,899	77,805
Deposits and placements of banks and other financial institutions	3,654	1,890	7,538	5,784
Derivative instruments	670	(681)	1,491	1,189
Foreign currency borrowings	306	511	617	875
Others	121	98	340	290
	45,931	44,206	92,885	85,943

	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
30-06-2016	30-06-2015	30-06-2016	30-06-2015	
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	41,180	42,357	82,899	77,805
Deposits and placements of banks and other financial institutions	3,654	1,956	7,538	5,850
Derivative instruments	670	(681)	1,491	1,189
Foreign currency borrowings	306	511	617	875
Others	121	98	340	247
	45,931	44,241	92,885	85,966

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Notes to the financial statement for the financial period ended 30 June 2016

22. Other operating income

	The Group			
	Individual Quarter Current Financial Period ended 30-06-2016 RM'000	Preceding Year Corresponding Period ended 30-06-2015 RM'000	Cumulative Quarter Current Financial Period-to-date 30-06-2016 RM'000	Preceding Year Corresponding Period-to-date 30-06-2015 RM'000
Fees income				
Unit trust management and incentive fee	44,897	46,713	88,252	85,490
Brokerage	20,503	22,813	42,005	45,666
Initial service charge	18,858	18,481	27,772	40,831
Corporate advisory fees	2,106	1,675	4,927	3,075
Arrangement fees	1,334	454	4,229	2,842
Fees on loans, advances and financing	283	461	561	637
Underwriting commissions and placement fees	231	2,813	676	4,206
Agency fees	509	694	894	1,124
Others	2,323	1,748	3,328	2,225
Income from financial instruments				
Gains arising on financial assets held-for-trading				
- net gain on disposal	6,926	4,287	11,713	12,038
- unrealised gain/(loss)	1,971	(814)	3,975	210
- gross dividend income	31	232	467	1,180
Gains on derivative instruments				
- net gain on disposal	-	10	-	20
- unrealised gain/(loss)	8,527	(2,971)	(1,518)	(6,156)
Gains arising on financial investments available-for-sale				
- net gain on disposal	1,984	2,327	5,514	14,067
- gross dividend income	6,099	2,957	7,761	5,422
Other income				
Foreign exchange gain/(loss)				
- realised	1,385	5,592	22,753	13,368
- unrealised	(9,154)	97	(17,777)	(3,995)
Gain on disposal of property, plant and equipment	24	55	123	95
Other non-operating income	1,028	533	2,521	895
	109,865	108,157	208,176	223,240

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Notes to the financial statement
for the financial period ended 30 June 2016

22. Other operating income (continued)

	The Bank			
	Individual Quarter Current Financial Period ended 30-06-2016 RM'000	Preceding Year Corresponding Period ended 30-06-2015 RM'000	Cumulative Quarter Current Financial Period-to-date 30-06-2016 RM'000	Preceding Year Corresponding Period-to-date 30-06-2015 RM'000
Fees income				
Brokerage	20,503	22,813	42,005	45,295
Corporate advisory fees	2,106	1,675	4,927	3,075
Arrangement fees	1,334	454	4,229	2,842
Agency fees	509	694	894	1,124
Fees on loans, advances and financing	283	461	561	637
Underwriting commissions and placement fees	-	2,675	360	3,510
Others	2,881	1,491	3,864	1,638
Income from financial instruments				
Gains arising on financial assets held-for-trading				
- net gain on disposal	6,926	4,401	11,713	12,152
- unrealised gain/(loss)	1,958	(336)	3,842	26
- gross dividend income	31	367	467	1,037
Gains on derivative instruments				
- net gain on disposal	-	10	-	20
- unrealised gain/(loss)	8,527	(2,971)	(1,518)	(6,156)
Gains arising on financial investments available-for-sale				
- net gain on disposal	1,984	2,263	5,631	14,101
- gross dividend income	6,019	2,121	7,564	4,586
Gross dividend income				
- subsidiary	-	-	7,000	-
Other income				
Foreign exchange gain/(loss)				
- realised	2,027	5,766	23,382	13,228
- unrealised	(9,837)	101	(17,899)	(4,508)
Gain on disposal of property and equipment	34	55	81	95
Other non-operating income	313	514	1,607	901
	45,598	42,554	98,710	93,603

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Notes to the financial statement for the financial period ended 30 June 2016

23. Other operating expenses

	The Group			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended	Period ended	Period-to-date	Period-to-date
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	37,348	38,976	72,208	80,838
Contributions to defined contribution plan	6,572	6,597	12,435	13,053
Other personnel costs	6,339	7,269	12,570	13,707
	<u>50,259</u>	<u>52,842</u>	<u>97,213</u>	<u>107,598</u>
Promotion and marketing-related expenses				
Commission and brokerage expenses	22,814	21,230	39,460	39,558
Dealers' handling fees	1,748	3,249	3,956	5,701
Business promotion and advertisement	1,704	3,025	3,063	6,869
Dealers' performance incentive	1,266	2,629	2,988	3,939
Entertainment	872	419	1,313	875
Travelling and accomodation	708	712	1,538	1,356
Others	1,192	1,578	2,368	2,730
	<u>30,304</u>	<u>32,842</u>	<u>54,686</u>	<u>61,028</u>
Establishment-related expenses				
Rental of premises	3,918	4,532	8,066	8,915
Depreciation of property and equipment	1,910	1,373	4,011	2,768
Repair and maintenance	1,234	1,974	4,045	3,473
Electricity, water and sewerage	719	689	1,347	1,491
Amortisation of intangible assets	496	338	982	691
Equipment rental	291	377	692	830
Insurance and indemnities	131	496	522	802
	<u>8,699</u>	<u>9,779</u>	<u>19,665</u>	<u>18,970</u>
General administrative expenses				
Telecommunication expenses	2,926	2,764	5,257	5,042
Transaction levy	2,140	2,480	4,038	4,478
Subscription	1,874	1,612	3,638	2,251
Professional fees	1,058	956	720	2,049
Subsidies	861	253	1,710	537
Directors' remuneration	713	648	1,164	1,270
Auditors' remuneration	167	149	334	284
Property, plant & equipment written off	19	-	1,052	26
Intangible assets written off	-	-	17	6
Others	2,019	2,252	4,427	4,643
	<u>11,777</u>	<u>11,114</u>	<u>22,357</u>	<u>20,586</u>
Total other operating expenses	<u><u>101,039</u></u>	<u><u>106,577</u></u>	<u><u>193,921</u></u>	<u><u>208,182</u></u>

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23. Other operating expenses (continued)

	The Bank			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding Year	Current	Preceding Year
	Financial	Corresponding	Financial	Corresponding
	Period ended 30-06-2016 RM'000	Period ended 30-06-2015 RM'000	Period-to-date 30-06-2016 RM'000	Period-to-date 30-06-2015 RM'000
Personnel costs				
Salaries, allowances and bonuses	25,769	27,247	50,168	57,107
Contributions to defined contribution plan	3,938	3,827	7,512	7,987
Other personnel costs	2,102	2,683	4,339	6,556
	<u>31,809</u>	<u>33,757</u>	<u>62,019</u>	<u>71,650</u>
Promotion and marketing-related expenses				
Dealers' handling fees	1,748	3,249	3,956	5,701
Dealers' performance incentive	1,266	2,629	2,988	3,928
Business promotion and advertisement	422	546	766	1,089
Travelling and accommodation	316	345	771	665
Entertainment	140	235	375	437
Commission and brokerage expenses	129	100	240	159
Others	-	-	-	4
	<u>4,021</u>	<u>7,104</u>	<u>9,096</u>	<u>11,983</u>
Establishment-related expenses				
Rental of premises	2,902	3,833	5,929	7,439
Depreciation of property and equipment	1,425	806	3,007	1,671
Electricity, water and sewerage	633	639	1,182	1,326
Repair and maintenance	614	1,152	2,188	2,261
Amortisation of intangible assets	260	143	522	301
Insurance and indemnities	90	437	415	642
Equipment rental	71	61	137	185
	<u>5,995</u>	<u>7,071</u>	<u>13,380</u>	<u>13,825</u>
General administrative expenses				
Telecommunication expenses	2,605	2,225	4,588	4,074
Transaction levy	2,140	2,480	4,038	4,478
Subscription	1,831	1,532	3,546	2,100
Subsidies	861	253	1,710	537
Directors' remuneration	449	484	865	948
Auditors' remuneration	126	111	252	215
Property, plant & equipment written off	20	-	153	1
Professional fees	(66)	220	(760)	615
Others	2,014	2,164	3,823	4,207
	<u>9,980</u>	<u>9,469</u>	<u>18,215</u>	<u>17,175</u>
Total other operating expenses	<u><u>51,805</u></u>	<u><u>57,401</u></u>	<u><u>102,710</u></u>	<u><u>114,633</u></u>

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24. 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
	30-06-2016 RM'000	30-06-2015 RM'000	30-06-2016 RM'000	30-06-2015 RM'000
(Allowance)/write-back for losses on loans, advances and financing and trade receivables:				
Individual allowance				
- Made during the financial year	(243)	(9)	(616)	(148)
- Written back during the financial year	386	34	481	66
Collective allowance				
- Made during the financial year	(518)	(1,887)	(979)	(1,923)
- Written back during the financial year	1,265	717	1,534	1,359
Bad debts recovered	-	13	428	30
(Write-back) for other bad and doubtful debt:				
- Trade debtors	(25)	(14)	(64)	(76)
	865	(1,146)	784	(692)

25. Writeback of 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
	30-06-2016 RM'000	30-06-2015 RM'000	30-06-2016 RM'000	30-06-2015 RM'000
Write-back on allowances for impairment loss:				
- Financial investments held-to-maturity	-	1,554	-	1,554
- Financial investments available-for-sale	-	46	-	46
	-	1,600	-	1,600

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26. Capital adequacy

	The Group		The Bank	
	30-06-2016 RM'000	31-12-2015 RM'000	30-06-2016 RM'000	31-12-2015 RM'000
Basel III				
Common Equity Tier (CET) 1 Capital :				
Paid-up share capital	780,000	780,000	780,000	780,000
Share premium	219,800	219,800	219,800	219,800
Statutory reserve	214,915	214,915	214,915	214,915
Retained profits	236,420	239,462	277,050	280,092
Unrealised gains on AFS instruments	34,035	(14,831)	33,686	(14,762)
	<u>1,485,170</u>	<u>1,439,346</u>	<u>1,525,451</u>	<u>1,480,045</u>
Less : Regulatory adjustment				
Goodwill and Intangible assets	(323,514)	(326,240)	(317,157)	(320,046)
Investment in subsidiaries /associates	-	-	(107,402)	(106,200)
Collective allowance reserve	(4,947)	(5,594)	(4,947)	(5,594)
55% of unrealised gains on AFS instruments	(18,719)	-	(18,527)	-
Deferred tax assets	(1,807)	(12,741)	-	(7,770)
Total CET 1 capital	<u>1,136,183</u>	<u>1,094,771</u>	<u>1,077,418</u>	<u>1,040,435</u>
Additional Tier 1 Capital				
Non-controlling interests	3,000	3,000	-	-
Total CET 1 capital / Tier 1 capital (a)	<u>1,139,183</u>	<u>1,097,771</u>	<u>1,077,418</u>	<u>1,040,435</u>
Tier 2 capital				
Collective allowance for financing & trade receivables	13,815	15,017	13,815	15,017
Less : Regulatory adjustment				
Investment in subsidiaries	-	-	(13,815)	(15,017)
Total Tier 2 capital (b)	<u>13,815</u>	<u>15,017</u>	<u>-</u>	<u>-</u>
Total Capital (a) + (b)	<u>1,152,998</u>	<u>1,112,788</u>	<u>1,077,418</u>	<u>1,040,435</u>
Proposed dividends	<u>-</u>	<u>3,042</u>	<u>-</u>	<u>3,042</u>
Capital Ratio				
CET 1 capital ratio	29.354%	30.481%	34.728%	32.168%
Tier 1 capital ratio	29.432%	30.565%	34.728%	32.168%
Total capital ratio	29.788%	30.983%	34.728%	32.168%
CET 1 capital ratio (net of proposed dividends)	29.354%	30.397%	34.728%	32.074%
Tier 1 capital ratio (net of proposed dividends)	29.432%	30.480%	34.728%	32.074%
Total capital ratio (net of proposed dividends)	29.788%	30.898%	34.728%	32.074%
Breakdown of risk-weighted assets in the various categories of risk-weights:				
Credit risk	2,937,976	2,739,271	2,416,942	2,589,933
Market risk	303,270	298,820	289,770	279,305
Operational risk	629,371	553,536	395,748	365,105
Total Risk-Weighted Assets	<u>3,870,617</u>	<u>3,591,627</u>	<u>3,102,460</u>	<u>3,234,343</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).

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27. Commitments and contingencies

	The Group and the Bank	
	30-06-2016	31-12-2015
	Principal amount RM'000	Principal amount RM'000
Direct credit substitutes	98,850	98,850
Obligations under underwriting agreements	72,000	25,500
Commitments to extend credit:		
- maturity not exceeding one year	315,772	192,609
- maturity exceeding one year	21	21
Interest rate related contracts:		
- less than one year	-	-
- one year to less than five years	360,000	150,000
Foreign exchange related contracts:		
- less than one year	2,523,045	4,087,984
- one year to less than five years	769,763	835,755
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	368,400	403,091
Total	<u>4,507,851</u>	<u>5,793,810</u>

* The credit equivalent amount and risk weighted amount is arrived at using the credit conversion factors as per Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework ("RWCAF").

28. 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 2016 are as follows:

(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	427,152
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	9.04%
(iii) The percentage of outstanding credit exposures with connected parties which is non-performing or in default	Nil

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29. 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
30-06-2016				
Assets				
Financial assets held-for-trading				
- Other financial assets	-	248,700	-	248,700
- Equity securities	23,603	6,227	-	29,830
Financial investments available-for-sale				
- Private debt securities	-	3,500,890	-	3,500,890
- Equity securities	137,132	273,433	19,528	430,093
- Other financial assets	-	494,084	-	494,084
Derivative financial assets	-	75,733	-	75,733
	<u>160,735</u>	<u>4,599,067</u>	<u>19,528</u>	<u>4,779,330</u>
Liabilities				
Derivative financial liabilities	-	98,123	-	98,123
31-12-2015				
Assets				
Financial assets held-for-trading				
- Other financial assets	-	231,093	-	231,093
- Equity securities	33,564	8,645	-	42,209
Financial investments available-for-sale				
- Private debt securities	-	2,757,574	-	2,757,574
- Equity securities	98,733	240,850	18,131	357,714
- Other financial assets	-	892,777	-	892,777
Derivative financial assets	-	119,991	-	119,991
	<u>132,297</u>	<u>4,250,930</u>	<u>18,131</u>	<u>4,401,358</u>
Liabilities				
Derivative financial liabilities	-	141,891	-	141,891

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29. 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 year ended:-

	The Group and The Bank	
	30-06-2016	31-12-2015
	RM'000	RM'000
Opening	18,131	16,808
AFS revaluation reserve	1,397	1,323
Closing	19,528	18,131

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 2015, 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.