

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

**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

<u>Group</u>	Notes	31 December 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>			
Cash and short-term funds	14	534,129	443,078
Deposits and placements with financial institutions	15	388,587	149,046
Financial investments portfolio	16	508,408	379,094
Loans and advances	17	299,876	284,091
Derivative assets	20 (i)	19,839	20,567
Other assets	18	755,875	846,260
Tax recoverable		2,017	7,219
Statutory deposits with Bank Negara Malaysia		105	105
Investment in a joint venture		15,779	15,410
Property, plant and equipment		19,148	18,341
Intangible assets		16,687	17,045
Deferred tax assets		14,465	10,873
<b>TOTAL ASSETS</b>		<b>2,574,915</b>	<b>2,191,129</b>
<b>LIABILITIES</b>			
Deposits and placements from a licensed bank		615,483	461,116
Derivative liabilities	20 (ii)	31,109	55,345
Other liabilities	19	1,384,022	1,102,136
Provision for taxation and zakat		312	506
<b>TOTAL LIABILITIES</b>		<b>2,030,926</b>	<b>1,619,103</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital		50,116	50,116
Reserves		493,873	521,910
<b>TOTAL EQUITY</b>		<b>543,989</b>	<b>572,026</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>2,574,915</b>	<b>2,191,129</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	27	<b>1,620,064</b>	<b>1,785,221</b>

*(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)*

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**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

<u>Bank</u>	Notes	31 December 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>			
Cash and short-term funds	14	494,150	428,366
Deposits and placements with financial institutions	15	388,567	124,526
Financial investments portfolio	16	508,408	379,094
Loans and advances	17	299,876	284,091
Derivative assets	20 (i)	19,839	20,567
Other assets	18	753,939	844,368
Tax recoverable		34	5,557
Statutory deposits with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,259	203,259
Investment in a joint venture		13,996	13,996
Property, plant and equipment		19,133	18,326
Intangible assets		16,687	17,045
Deferred tax assets		14,465	10,873
<b>TOTAL ASSETS</b>		<b>2,732,458</b>	<b>2,350,173</b>
<b>LIABILITIES</b>			
Deposits and placements from a licensed bank		615,483	461,116
Derivative liabilities	20 (ii)	31,109	55,345
Other liabilities	19	1,553,409	1,272,658
Provision for taxation and zakat		312	506
<b>TOTAL LIABILITIES</b>		<b>2,200,313</b>	<b>1,789,625</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital		50,116	50,116
Reserves		482,029	510,432
<b>TOTAL EQUITY</b>		<b>532,145</b>	<b>560,548</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>2,732,458</b>	<b>2,350,173</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	27	<b>1,620,064</b>	<b>1,785,221</b>

*(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)*

**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016**

<u>Group</u>	Notes	Unaudited Quarter Ended		Audited Cumulative 12 Months Ended	
		31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Interest income	21	10,293	7,220	37,223	28,163
Interest expense	22	(6,303)	(2,527)	(20,939)	(9,234)
Net interest income		3,990	4,693	16,284	18,929
Net income from Islamic Banking Scheme operations	29	4,537	26,018	18,613	49,186
Non-interest income	23	92,638	104,713	355,708	313,355
Net income		101,165	135,424	390,605	381,470
Overhead expenses	24	(97,999)	(94,342)	(312,371)	(281,490)
Operating profit		3,166	41,082	78,234	99,980
Writeback of impairment on loans and advances and other debtors, net	25	789	1,184	1,308	286
Allowance for impairment on derivative assets		-	(5,012)	-	(5,012)
		3,955	37,254	79,542	95,254
Share of results of a joint venture		(181)	(1,775)	(347)	522
<b>Profit before taxation and zakat</b>		3,774	35,479	79,195	95,776
Taxation and zakat		(249)	(10,749)	(20,741)	(32,072)
<b>Profit for the period/year, attributable to equity holder of the Bank</b>		3,525	24,730	58,454	63,704
<b>Basic and diluted earnings per share (sen), attributable to equity holder of the Bank</b>		7	49	117	127
<b>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</b>					
Foreign currency translation		1,576	(101)	636	145
Reclassification of loss on financial investments available-for-sale to profit or loss, net		-	-	-	54
<b>Total other comprehensive income /(loss) for the period/year, net of tax</b>		1,576	(101)	636	199
<b>Total comprehensive income for the period/year, attributable to equity holder of the Bank</b>		5,101	24,629	59,090	63,903

*(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)*

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**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Notes	Unaudited		Audited	
		31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
<b>Bank</b>					
Interest income	21	10,044	6,963	36,169	27,204
Interest expense	22	(6,303)	(2,527)	(20,939)	(9,234)
Net interest income		3,741	4,436	15,230	17,970
Net income from Islamic					
Banking Scheme operations	29	4,537	26,018	18,613	49,186
Non-interest income	23	92,092	100,891	351,994	308,052
Net income		100,370	131,345	385,837	375,208
Overhead expenses	24	(97,124)	(92,308)	(308,118)	(275,806)
Operating profit		3,246	39,037	77,719	99,402
Writeback of impairment on loans and advances and other debtors, net	25	739	1,084	1,308	2,020
Allowance for impairment on derivative assets		-	(5,012)	-	(5,012)
<b>Profit before taxation and zakat</b>		<b>3,985</b>	<b>35,109</b>	<b>79,027</b>	<b>96,410</b>
Taxation and zakat		(199)	(10,691)	(20,303)	(30,536)
<b>Profit for the period/year, representing total comprehensive income for the period/year, attributable to equity holder of the Bank</b>		<b>3,786</b>	<b>24,418</b>	<b>58,724</b>	<b>65,874</b>

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**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016**

<u>Group</u>	←-----Non-distributable----->						Distributable	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000
<b>At 1 January 2016</b>	50,116	172,669	50,116	3,409	-	1,121	294,595	572,026
Profit for the year	-	-	-	-	-	-	58,454	58,454
Other comprehensive income	-	-	-	-	-	636	-	636
Total comprehensive income for the year	-	-	-	-	-	636	58,454	59,090
Transfer to regulatory reserve	-	-	-	88	-	-	(88)	-
Dividends (Note 10)	-	-	-	-	-	-	(87,127)	(87,127)
<b>At 31 December 2016</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>3,497</b>	<b>-</b>	<b>1,757</b>	<b>265,834</b>	<b>543,989</b>
<b>At 1 January 2015</b>	50,116	172,669	50,116	-	(24,677)	997	289,072	538,293
Reclassifications	-	-	-	-	24,623	(21)	(24,602)	-
	50,116	172,669	50,116	-	(54)	976	264,470	538,293
Profit for the year	-	-	-	-	-	-	63,704	63,704
Other comprehensive income	-	-	-	-	54	145	-	199
Total comprehensive income for the year	-	-	-	-	54	145	63,704	63,903
Transfer to regulatory reserve	-	-	-	3,409	-	-	(3,409)	-
Dividends	-	-	-	-	-	-	(30,170)	(30,170)
<b>At 31 December 2015</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>3,409</b>	<b>-</b>	<b>1,121</b>	<b>294,595</b>	<b>572,026</b>

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**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016**

<b>Bank</b>	<-----Non-distributable----->				Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	
<b>At 1 January 2016</b>	50,116	172,669	50,116	3,409	284,238	560,548
Profit for the year	-	-	-	-	58,724	58,724
Total comprehensive income for the year	-	-	-	-	58,724	58,724
Transfer to regulatory reserve	-	-	-	88	(88)	-
Dividends (Note 10)	-	-	-	-	(87,127)	(87,127)
<b>At 31 December 2016</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>3,497</b>	<b>255,747</b>	<b>532,145</b>
<b>At 1 January 2015</b>	50,116	172,669	50,116	-	251,943	524,844
Profit for the year	-	-	-	-	65,874	65,874
Total comprehensive income for the year	-	-	-	-	65,874	65,874
Transfer to regulatory reserve	-	-	-	3,409	(3,409)	-
Dividends	-	-	-	-	(30,170)	(30,170)
<b>At 31 December 2015</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>3,409</b>	<b>284,238</b>	<b>560,548</b>

*(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes to the interim financial statements)*

**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Group		Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Profit before taxation and zakat	79,195	95,776	79,027	96,410
Adjustment for non-operating and non-cash items	<u>(48,335)</u>	<u>(9,930)</u>	<u>(48,682)</u>	<u>(10,312)</u>
Operating profit before working capital changes	<b>30,860</b>	85,846	<b>30,345</b>	86,098
Changes in working capital:				
Net changes in operating assets	<b>(270,035)</b>	(357,903)	<b>(294,411)</b>	(343,669)
Net changes in operating liabilities	<b>436,253</b>	288,583	<b>435,118</b>	287,965
Taxation and zakat paid, net	<b>(19,325)</b>	(32,080)	<b>(18,566)</b>	(30,863)
<b>Net cash generated from/(used in) operating activities</b>	<b>177,753</b>	(15,554)	<b>152,486</b>	(469)
<b>Net cash generated from/(used in) investing activities</b>	<b>425</b>	(3,594)	<b>425</b>	(4,583)
<b>Net cash used in financing activity - dividends paid</b>	<b>(87,127)</b>	(92,714)	<b>(87,127)</b>	(92,714)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>91,051</b>	(111,862)	<b>65,784</b>	(97,766)
<b>Cash and cash equivalents at beginning of the year</b>	<b>443,078</b>	554,940	<b>428,366</b>	526,132
<b>Cash and cash equivalents at end of the year</b>	<b>534,129</b>	443,078	<b>494,150</b>	428,366

*(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)*

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**Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting**

**1. Basis of Preparation**

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

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

The audited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. These explanatory notes attached to the audited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2015.

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

The significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2015 except for adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRSs”) with effective date of 1 January 2016:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities:	
Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
MFRS 107 <i>Statement of Cash Flows</i> - Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 <i>Income Taxes</i> - Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
MFRS 2 <i>Share-based Payment</i> - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 <i>Financial Instruments</i> (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15: <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets an Investor and its Associate or Joint Venture	To be announced by MASB
Annual Improvements to MFRSs 2014 - 2016 Cycle	
(i) Amendments to MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2017
(ii) Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2018
(iii) Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

**2. Significant Accounting Policies**

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2015 were prepared in accordance with MFRS, International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act, 1965 in Malaysia. The significant accounting policies adopted in preparing these audited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2015.



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**3. Significant Accounting Estimates and Judgements**

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

In preparing these audited condensed interim financial statements, the significant judgements made by management in applying the Group's and the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the financial year ended 31 December 2015.

**4. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited financial statements for the financial year ended 31 December 2015 was not qualified.

**5. Seasonal or Cyclical Factors**

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the fourth quarter ended 31 December 2016.

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

During the fourth quarter ended 31 December 2016, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank.

**7. Changes in Estimates**

There were no material changes in estimates during the fourth quarter ended 31 December 2016.

**8. Changes in Debt and Equity Securities**

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Group and the Bank during the fourth quarter ended 31 December 2016.

**9. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the fourth quarter ended 31 December 2016.

**10. Dividends**

(i) Dividends Paid

(a) At the Annual General Meeting on 7 April 2016, a single-tier final dividend in respect of the financial year ended 31 December 2015 of approximately RM0.71 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM35,707,650 was approved and subsequently paid to the shareholder.

(b) On 24 August 2016, a single-tier interim dividend in respect of the financial year ended 31 December 2016 of approximately RM1.03 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM51,419,016 was approved and subsequently paid to the shareholder.

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## **11. Significant and Subsequent Events**

Liquidation of Mayban Futures Sdn. Bhd. (MFSB)

MFSB was placed under members' voluntary liquidation on 18 June 2014 and had its final meeting on 11 May 2016. MFSB is wholly owned by Maysec Sdn. Bhd. and the Bank is its ultimate holding company. MFSB was previously a license futures brokers and had ceased operations since 30 June 2003 and remained dormant. The liquidation of MFSB was part of the corporate rationalisation exercise of the Bank which aims to streamline the capital structure of the Group and of the Bank. The dissolution of MFSB did not have any material effect on the earnings or assets of the Group and of the Bank for the financial year ended 31 December 2016.

## **12. Performance Review**

For the year ended 31 December 2016, the Group recorded a lower operating profit compared to the previous corresponding year mainly due to drop in Islamic fee and commission income earned during the year. Operating profit has decreased by 21.8% from RM99.9 million to RM78.2 million.

Non-interest income increased by 13.5% from RM313.3 million to RM355.7 million due to higher fee-based income from investment banking business. However, the Islamic Banking income decreased by 62.2% from RM49.2 million and the net interest income reduced by 14.0% to RM16.3 million. Overall, the net income recorded an increase of 2.4% or RM9.1 million to RM390.6 million.

Overhead expenses increased by 11.0% or RM30.9 million to RM312.4 million from RM281.5 million. This was mainly derived from higher personnel expenses. However, it was partly offset against the decrease in administration and general expenses and marketing costs.

The Group's profit before taxation and zakat decreased by 17.3% or RM16.6 million from RM95.8 million to RM79.2 million. Profit for the year decreased by 8.2% or RM5.2 million to RM58.4 million compared to the previous corresponding year.

## **13. Business Outlook**

The world's real Gross Domestic Product ("GDP") is forecasted to expand at +3.2% in 2017E (2016E: +2.9%), on the back of a pick-up in the US (2017E: +2.0%; 2016: +1.6%) and recovery in large emerging economies like Brazil and Russia versus a contraction in 2016. However, Eurozone and Japan are expected to see continued low growth while UK and China are projected to slow in 2017.

Meanwhile, the ASEAN-5 countries could chart relatively faster growth in 2017 at 5.2% (2016: +4.9%) supported by domestic consumption which makes up more than 60% share of GDP. Maybank Group's home markets are expected to perform better in 2017, with Singapore forecasted to grow at 2.5% (2016: +2.0%), Malaysia expected to grow 4.4% (2016: +4.2%) and Indonesia to remain stable at 5.1%.

Malaysia's real GDP growth in 2017 will be underpinned by sustained consumer spending, stronger growth in public and private investments and a rebound in Government consumption expenditure. Growth in public and private investments will be driven by rollout of existing and new major infrastructure and investment projects. The Overnight Policy Rate is also expected to remain unchanged at 3.00% in 2017 to support domestic demand.

The Group will maintain its approach of proactively managing asset quality and will continue to emphasise on its capital strength, ahead of accounting changes that will be adopted on 1 January 2018.

Barring any unforeseen circumstances, the Group expects its financial performance for 2017 to be satisfactory given the persisting challenging global environment.

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## 14. Cash and short-term funds

	Group		Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Cash and bank balances with financial institutions	208,951	160,379	201,479	153,467
Deposit placements maturing within one month	325,178	282,699	292,671	274,899
<b>Total cash and short-term funds</b>	<b>534,129</b>	<b>443,078</b>	<b>494,150</b>	<b>428,366</b>

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM173,369,000 (2015: RM148,263,000). These amounts are excluded from the cash and short-term funds of the Group and of the Bank in accordance with FRSIC Consensus 18 Monies Held-in-Trust by Participating Organisation at Bursa Malaysia Securities Berhad.

## 15. Deposits and placements with financial institutions

	Group		Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Licensed bank	388,587	149,046	388,567	124,526

## 16. Financial investments portfolio

		Group and Bank	
		31 December 2016 RM'000	31 December 2015 RM'000
Financial assets at fair value through profit or loss	(i)	468,930	339,616
Financial investments available-for-sale	(ii)	39,445	39,445
Financial investments held-to-maturity	(iii)	33	33
<b>Total financial investments portfolio</b>		<b>508,408</b>	<b>379,094</b>

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

	Group and Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
<b>At fair value</b>		
<b>Quoted financial investments:</b>		
Shares in Malaysia	337,563	310,599
Shares outside Malaysia	120,017	25,322
	<b>457,580</b>	<b>335,921</b>
<b>Unquoted financial investments:</b>		
Structured product	11,350	3,695
<b>Total financial assets at fair value through profit or loss</b>	<b>468,930</b>	<b>339,616</b>

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**16. Financial investments portfolio (Cont'd)**

**(ii) Financial investments available-for-sale**

	<b>Group and Bank</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss</b>		
<b>Unquoted financial investments:</b>		
Shares and loan stocks in Malaysia	39,445	39,445
<b>Total financial investments available-for-sale</b>	<b>39,445</b>	<b>39,445</b>

**(iii) Financial investments held-to-maturity**

	<b>Group and Bank</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
<b>Unquoted financial investments:</b>		
Private debt securities in Malaysia	33	33
<b>Total financial investments held-to-maturity</b>	<b>33</b>	<b>33</b>

**17. Loans and advances**

	<b>Group and Bank</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loans		
- Syndicated term loan	6,447	6,447
- Other term loan	17,749	-
Amount due from brokers and clients		
- Margin accounts	258,717	262,082
Staff loans	23,337	21,829
Gross loans and advances	306,250	290,358
Less: Allowance for impairment losses		
- Individual assessment allowance	(6,270)	(6,267)
- Collective assessment allowance	(104)	-
<b>Net loans and advances</b>	<b>299,876</b>	<b>284,091</b>

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

	<b>Group and Bank</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic business enterprises	80,482	47,135
Individuals	220,064	241,548
Foreign entities	5,704	1,675
<b>Gross loans and advances</b>	<b>306,250</b>	<b>290,358</b>

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

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

	Group and Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Fixed rate		
- Housing loans	11,522	11,252
- Hire purchase receivables	11,541	10,268
- Other fixed rate loans	6,721	6,756
Variable rate		
- BLR/BR-plus	258,717	262,082
- Cost-plus	17,749	-
<b>Gross loans and advances</b>	<b>306,250</b>	<b>290,358</b>

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

	Group and Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Purchase of securities	258,717	262,082
Purchase of transport vehicles	11,541	10,268
Purchase of residential landed property	11,522	11,252
Personal use	274	309
Working capital	6,447	6,447
Others	17,749	-
<b>Gross loans and advances</b>	<b>306,250</b>	<b>290,358</b>

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

	Group and Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
Maturing within one year	265,564	269,132
One year to three years	2,782	1,671
Three years to five years	26,360	8,211
After five years	11,544	11,344
<b>Gross loans and advances</b>	<b>306,250</b>	<b>290,358</b>

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

	Group and Bank	
	31 December 2016 RM'000	31 December 2015 RM'000
At 1 January	6,981	7,001
Impaired during the year	116	-
Recovered/regularised during the year	(14)	(20)
Gross impaired loans and advances	7,083	6,981
Less: Allowance for impairment losses		
- Individual assessment allowance	(6,270)	(6,267)
<b>Net impaired loans and advances</b>	<b>813</b>	<b>714</b>
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	<b>0.27%</b>	<b>0.25%</b>

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17. **Loans and advances (Cont'd)**(vi) **Impaired loans and advances analysed by economic purpose are as follows:**

	<b>Group and Bank</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of transport vehicles	159	156
Purchase of residential landed property	477	378
Working capital	6,447	6,447
<b>Gross impaired loans and advances</b>	<b>7,083</b>	<b>6,981</b>

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

	<b>Group and Bank</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Individual assessment allowance</b>		
At 1 January	6,267	6,267
Allowance made during the year (Note 25)	3	-
<b>Balance at end of year</b>	<b>6,270</b>	<b>6,267</b>
<b>Collective assessment allowance</b>		
At 1 January	-	-
Allowance made during the year (Note 25)	104	-
<b>Balance at end of year</b>	<b>104</b>	<b>-</b>

18. **Other assets**

	<b>Group</b>		<b>Bank</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due from brokers and clients				
- Non-margin accounts (a)	685,716	775,422	685,716	775,422
Amount due from ultimate holding company	11,971	10,839	11,971	10,839
Other debtors, deposits and prepayment	73,036	74,334	67,397	68,739
	<b>770,723</b>	<b>860,595</b>	<b>765,084</b>	<b>855,000</b>
Less: Allowance for impairment losses	<b>(14,848)</b>	<b>(14,335)</b>	<b>(11,145)</b>	<b>(10,632)</b>
	<b>755,875</b>	<b>846,260</b>	<b>753,939</b>	<b>844,368</b>

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

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**19. Other liabilities**

	Group		Bank	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Provisions and accruals	85,384	67,080	85,202	66,896
Amount due to brokers and clients (a)	691,678	705,354	691,678	705,354
Deposits and other creditors	525,980	269,278	523,915	269,905
Amount due to:				
- Holding company	73,459	45,645	73,459	45,645
- Related companies	7,521	14,779	7,521	14,779
- Subsidiaries	-	-	171,634	170,079
	<u>1,384,022</u>	<u>1,102,136</u>	<u>1,553,409</u>	<u>1,272,658</u>

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

**20. Derivative financial instruments****(i) Derivative assets**

	Group and Bank			
	31 December 2016		31 December 2015	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
<b>Equity related derivatives:</b>				
Equity swaps				
- Less than one year	320,098	19,839	184,688	20,567

**(ii) Derivative liabilities**

	Group and Bank			
	31 December 2016		31 December 2015	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
<b>Equity related derivatives:</b>				
Equity options				
- Less than one year	61,298	26,817	383,816	29,947
Equity swaps				
- Less than one year	123,737	4,292	103,633	25,398
	<u>185,035</u>	<u>31,109</u>	<u>487,449</u>	<u>55,345</u>

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**20. Derivative financial instruments (cont'd.)**

(iii) The Group and the Bank have recognised the fair value changes on the derivative financial instruments as follows (Note 23):

	Group and Bank			
	Unaudited		Audited	
	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
<b>Equity related derivatives:</b>				
Index futures	(4)	(529)	1,000	(1,004)
Equity options	(24,477)	(2,025)	(10,043)	(6,852)
Equity swaps	24,467	(12,520)	15,366	(12,520)
	<b>(14)</b>	<b>(15,074)</b>	<b>6,323</b>	<b>(20,376)</b>

**21. Interest income**

	Unaudited		Audited	
	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
	<b>Group</b>			
Loans and advances				
- Interest income other than on impaired loans	5,426	5,160	21,128	19,750
- Interest income on impaired loans	31	58	147	141
Money at call and deposits and placements with financial institutions	4,571	1,877	15,092	7,869
Others	265	125	856	403
<b>Total interest income</b>	<b>10,293</b>	<b>7,220</b>	<b>37,223</b>	<b>28,163</b>

	Unaudited		Audited	
	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
	<b>Bank</b>			
Loans and advances				
- Interest income other than on impaired loans	5,426	5,160	21,128	19,750
- Interest income on impaired loans	31	58	147	141
Money at call and deposits and placements with financial institutions	4,322	1,620	14,038	6,910
Others	265	125	856	403
<b>Total interest income</b>	<b>10,044</b>	<b>6,963</b>	<b>36,169</b>	<b>27,204</b>

**22. Interest expense**

	Unaudited		Audited	
	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
	<b>Group and Bank</b>			
Deposits and placements from a licensed bank	3,366	2,527	12,345	9,234
Derivative financial instruments	2,937	-	8,594	-
<b>Total interest expense</b>	<b>6,303</b>	<b>2,527</b>	<b>20,939</b>	<b>9,234</b>



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## 23. Non-interest income

<u>Group</u>	Unaudited		Audited	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
<b>Fee and commission income:</b>				
Arranger and upfront fees	17,229	29,470	41,703	70,133
Brokerage income	35,019	38,776	141,797	154,072
Corporate advisory fees	6,302	9,239	91,759	19,997
Placement and related fees	7,962	1,130	9,777	11,676
Underwriting commission	-	6,044	2,383	8,690
Others	4,585	4,306	11,023	14,412
	<u>71,097</u>	<u>88,965</u>	<u>298,442</u>	<u>278,980</u>
<b>Investment income:</b>				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(7,438)	(9,020)	(20,340)	2,796
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	25,051	27,177	40,708	7,806
Realised gain from sale of derivative financial instruments, net	4,706	14,011	20,960	29,009
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (iii))	(14)	(15,074)	6,323	(20,376)
Realised loss from sale of financial investments available-for-sale, net	-	-	-	(54)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	-	-	-	60
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	5,869	449	11,230	4,327
- Quoted outside Malaysia	355	18	355	50
	<u>28,529</u>	<u>17,561</u>	<u>59,236</u>	<u>23,618</u>
<b>Other income:</b>				
Foreign exchange (loss)/gain, net	(6,888)	(4,962)	(6,561)	6,280
Gain from disposal of property, plant and equipment	17	899	257	1,299
Others	(117)	2,250	4,334	3,178
	<u>(6,988)</u>	<u>(1,813)</u>	<u>(1,970)</u>	<u>10,757</u>
<b>Total non-interest income</b>	<u>92,638</u>	<u>104,713</u>	<u>355,708</u>	<u>313,355</u>

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23. **Non-interest income (Cont'd)**

<b>Bank</b>	<b>Unaudited</b>		<b>Audited</b>	
	<b>Quarter Ended</b>		<b>Cumulative 12 Months Ended</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Fee and commission income:</b>				
Arranger and upfront fees	17,229	29,470	41,703	70,133
Brokerage income	35,019	38,776	141,797	154,072
Corporate advisory fees	5,757	6,392	88,040	16,378
Placement and related fees	7,962	1,130	9,777	11,676
Underwriting commission	-	6,044	2,383	8,690
Others	4,585	4,306	11,023	14,412
	<b>70,552</b>	<b>86,118</b>	<b>294,723</b>	<b>275,361</b>
<b>Investment income:</b>				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(7,438)	(9,020)	(20,340)	2,796
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	25,051	27,177	40,708	7,806
Realised gain from sale of derivative financial instruments, net	4,706	14,011	20,960	29,009
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (iii))	(14)	(15,074)	6,323	(20,376)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	-	-	-	60
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	5,869	449	11,230	4,327
- Quoted outside Malaysia	355	18	355	50
	<b>28,529</b>	<b>17,561</b>	<b>59,236</b>	<b>23,672</b>
<b>Other income:</b>				
Foreign exchange (loss)/gain, net	(6,887)	(4,962)	(6,561)	5,112
Gain from disposal of property, plant and equipment	17	-	257	400
Others	(119)	2,174	4,339	3,507
	<b>(6,989)</b>	<b>(2,788)</b>	<b>(1,965)</b>	<b>9,019</b>
<b>Total non-interest income</b>	<b>92,092</b>	<b>100,891</b>	<b>351,994</b>	<b>308,052</b>

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## 24. Overhead expenses

<u>Group</u>	Unaudited		Audited	
	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses	75,993	70,834	210,405	172,417
- Pension costs - defined contribution plan	4,340	4,222	17,270	17,513
- Employees' Share Scheme expenses	2,002	1,677	7,377	8,675
- Other staff related expenses	3,074	3,155	11,112	11,813
	<b>85,409</b>	<b>79,888</b>	<b>246,164</b>	<b>210,418</b>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	1,613	1,512	6,501	5,904
- Amortisation of computer software	1,142	879	4,467	3,567
- Rental	2,880	3,074	11,398	11,285
- Repairs and maintenance of property, plant and equipment	2,800	4,659	11,668	12,780
- Information technology expenses	1,223	2,172	10,583	11,939
- Service chargeback	(6,935)	(10,005)	(17,628)	(17,709)
- Others	138	374	1,990	1,969
	<b>2,861</b>	<b>2,665</b>	<b>28,979</b>	<b>29,735</b>
<b>Marketing costs</b>				
- Advertisement and publicity	783	2,565	9,242	10,208
- Others	2,179	2,060	6,749	7,996
	<b>2,962</b>	<b>4,625</b>	<b>15,991</b>	<b>18,204</b>
<b>Administration and general expenses</b>				
- Fee and brokerage	4,825	7,170	13,305	16,655
- Administrative expenses	700	1,359	3,571	5,044
- General expenses	1,242	(1,365)	4,361	1,434
	<b>6,767</b>	<b>7,164</b>	<b>21,237</b>	<b>23,133</b>
<b>Total overhead expenses</b>	<b>97,999</b>	<b>94,342</b>	<b>312,371</b>	<b>281,490</b>

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## 24. Overhead expenses (Cont'd)

	Unaudited		Audited	
	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses	75,993	70,834	210,405	172,417
- Pension costs - defined contribution plan	4,340	4,222	17,270	17,513
- Employees' Share Scheme expenses	2,002	1,677	7,377	8,675
- Other staff related expenses	3,074	3,153	11,111	11,792
	<u>85,409</u>	<u>79,886</u>	<u>246,163</u>	<u>210,397</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	1,613	1,510	6,501	5,889
- Amortisation of computer software	1,142	879	4,467	3,567
- Rental	2,880	3,074	11,398	11,285
- Repairs and maintenance of property, plant and equipment	2,800	4,658	11,665	12,777
- Information technology expenses	1,223	2,172	10,583	11,939
- Service chargeback	(7,809)	(11,996)	(21,771)	(23,155)
- Others	138	374	1,990	1,969
	<u>1,987</u>	<u>671</u>	<u>24,833</u>	<u>24,271</u>
<b>Marketing costs</b>				
- Advertisement and publicity	783	2,565	9,242	10,208
- Others	2,199	2,109	6,808	8,048
	<u>2,982</u>	<u>4,674</u>	<u>16,050</u>	<u>18,256</u>
<b>Administration and general expenses</b>				
- Fee and brokerage	4,802	7,139	13,210	16,534
- Administrative expenses	703	1,306	3,516	4,964
- General expenses	1,241	(1,368)	4,346	1,384
	<u>6,746</u>	<u>7,077</u>	<u>21,072</u>	<u>22,882</u>
<b>Total overhead expenses</b>	<u>97,124</u>	<u>92,308</u>	<u>308,118</u>	<u>275,806</u>

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**25. Writeback of impairment on loans and advances and other debtors, net**

<u>Group</u>	Unaudited		Audited	
	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Allowance for impairment on loans and advances:				
- Individual allowance made	-	-	(3)	-
- Collective allowance made	(104)	-	(104)	-
Bad debts recovered	511	418	1,151	1,312
Writeback of/(allowance for) impairment on other debtors, net	382	766	264	(1,026)
<b>Total</b>	<b>789</b>	<b>1,184</b>	<b>1,308</b>	<b>286</b>

<u>Bank</u>	Unaudited		Audited	
	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Allowance for impairment on loans and advances:				
- Individual allowance made	-	-	(3)	-
- Collective allowance made	(104)	-	(104)	-
Bad debts recovered	511	918	1,151	1,312
Writeback of impairment on other debtors, net	332	166	264	708
<b>Total</b>	<b>739</b>	<b>1,084</b>	<b>1,308</b>	<b>2,020</b>

**26. Capital adequacy**

(l) Capital Adequacy Framework

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

The computation of capital adequacy ratios are based on Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) issued on 28 November 2012.

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

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

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

	Group	Bank
	%	%
<b><u>At 31 December 2016</u></b>		
CET1 capital ratio	33.010	30.758
Tier 1 capital ratio	33.010	30.758
Total capital ratio	<b>33.010</b>	<b>30.758</b>
<b><u>At 31 December 2015</u></b>		
CET1 capital ratio	32.439	30.366
Tier 1 capital ratio	32.439	30.366
Total capital ratio	<b>32.439</b>	<b>30.366</b>

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**26. Capital adequacy (Cont'd)**

(l) Capital Adequacy Framework (Cont'd)

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

<b>At 31 December 2016</b>	<b>Group RM'000</b>	<b>Bank RM'000</b>
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	267,591	255,747
<b>CET1 capital before regulatory adjustments</b>	<b>540,492</b>	<b>528,648</b>
Less: Deferred tax assets	(14,465)	(14,465)
Intangible assets	(16,687)	(16,687)
Investment in subsidiaries and joint venture <sup>1</sup>	(12,282)	(42,283)
<b>CET1 capital/Tier 1 capital</b>	<b>497,058</b>	<b>455,213</b>
<b>Tier 2 capital</b>		
Regulatory reserve	3,497	3,497
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture <sup>1</sup>	(3,497)	(3,497)
<b>Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>497,058</b>	<b>455,213</b>
<b>At 31 December 2015</b>	<b>Group RM'000</b>	<b>Bank RM'000</b>
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	295,716	284,238
<b>CET1 capital before regulatory adjustments</b>	<b>568,617</b>	<b>557,139</b>
Less: Deferred tax assets	(10,873)	(10,873)
Intangible assets	(17,045)	(17,045)
Investment in subsidiaries and joint venture <sup>1</sup>	(12,001)	(42,371)
<b>CET1 capital/Tier 1 capital/Total capital</b>	<b>528,698</b>	<b>486,850</b>
<b>Tier 2 capital</b>		
Regulatory reserve	3,409	3,409
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture <sup>1</sup>	(3,409)	(3,409)
<b>Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>528,698</b>	<b>486,850</b>

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

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**26. Capital adequacy (Cont'd)**

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

<u>Group</u>	Gross exposures RM'000	Net Exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
<b>31 December 2016</b>				
<b>Exposure Class</b>				
<b>(i) <u>Credit Risk</u></b>				
Sovereigns/Central banks	265,652	265,652	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	859,976	859,976	267,686	21,415
Corporates	83,968	22,578	20,121	1,610
Regulatory retail	219,284	98,433	93,151	7,452
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	83,201	83,201	77,895	6,232
<b>Total on-balance sheet exposures</b>	<b>1,551,526</b>	<b>1,369,285</b>	<b>518,021</b>	<b>41,442</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,114,931	1,114,931	1,640	131
<b>Total off-balance sheet exposures</b>	<b>1,114,931</b>	<b>1,114,931</b>	<b>1,640</b>	<b>131</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,666,457</b>	<b>2,484,216</b>	<b>519,661</b>	<b>41,573</b>
<b>(ii) <u>Market Risk</u></b>				
Interest rate risk	-	-	731	58
Equity position risk	-	-	7,377	590
Foreign currency risk	-	-	152,542	12,203
Options risk	-	-	2,063	164
<b>Total</b>	<b>-</b>	<b>-</b>	<b>162,713</b>	<b>13,015</b>
<b>(iii) <u>Operational Risk</u></b>	<b>-</b>	<b>-</b>	<b>823,413</b>	<b>65,873</b>
<b>Total RWA and capital requirements</b>	<b>2,666,457</b>	<b>2,484,216</b>	<b>1,505,787</b>	<b>120,461</b>

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**26. Capital adequacy (Cont'd)**

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

<u>Group</u>	Gross exposures RM'000	Net Exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
<b>31 December 2015</b>				
<b>Exposure Class</b>				
(i) <b><u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	274,099	274,099	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	464,045	464,045	93,312	7,465
Corporates	56,121	38,233	35,800	2,864
Regulatory retail	243,083	151,848	144,894	11,592
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	317,983	317,983	119,611	9,569
<b>Total on-balance sheet exposures</b>	<u>1,394,776</u>	<u>1,285,653</u>	<u>452,785</u>	<u>36,223</u>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,041,196	1,041,196	421	34
<b>Total off-balance sheet exposures</b>	<u>1,041,196</u>	<u>1,041,196</u>	<u>421</u>	<u>34</u>
<b>Total on and off-balance sheet exposures</b>	<u>2,435,972</u>	<u>2,326,849</u>	<u>453,206</u>	<u>36,257</u>
(ii) <b><u>Market Risk</u></b>				
Interest rate risk	-	-	503	40
Equity position risk	-	-	20,113	1,609
Foreign currency risk	-	-	96,122	7,690
Options risk	-	-	167,083	13,366
<b>Total</b>	<u>-</u>	<u>-</u>	<u>283,821</u>	<u>22,705</u>
(iii) <b><u>Operational Risk</u></b>	-	-	892,802	71,424
<b>Total RWA and capital requirements</b>	<u>2,435,972</u>	<u>2,326,849</u>	<u>1,629,829</u>	<u>130,386</u>



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**26. Capital adequacy (Cont'd)**

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

<u>Bank</u>	Gross exposures RM'000	Net Exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
<b>31 December 2016</b>				
<b>Exposure Class</b>				
<b>(i) <u>Credit Risk</u></b>				
Sovereigns/Central banks	265,652	265,652	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	820,017	820,017	259,694	20,776
Corporates	83,968	22,578	20,121	1,610
Regulatory retail	219,284	98,433	93,151	7,452
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	81,385	81,385	76,081	6,086
<b>Total on-balance sheet exposures</b>	<b>1,509,751</b>	<b>1,327,510</b>	<b>508,215</b>	<b>40,657</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,114,931	1,114,931	1,640	131
<b>Total off-balance sheet exposures</b>	<b>1,114,931</b>	<b>1,114,931</b>	<b>1,640</b>	<b>131</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,624,682</b>	<b>2,442,441</b>	<b>509,855</b>	<b>40,788</b>
<b>(ii) <u>Market Risk</u></b>				
Interest rate risk	-	-	731	58
Equity position risk	-	-	7,377	590
Foreign currency risk	-	-	147,056	11,764
Options risk	-	-	2,063	165
<b>Total</b>	<b>-</b>	<b>-</b>	<b>157,227</b>	<b>12,577</b>
<b>(iii) <u>Operational Risk</u></b>	<b>-</b>	<b>-</b>	<b>812,899</b>	<b>65,032</b>
<b>Total RWA and capital requirements</b>	<b>2,624,682</b>	<b>2,442,441</b>	<b>1,479,981</b>	<b>118,397</b>

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**26. Capital adequacy (Cont'd)**

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

<u>Bank</u>	<b>Gross exposures</b>	<b>Net Exposures</b>	<b>Risk-weighted assets</b>	<b>Capital requirements</b>
<b>31 December 2015</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Exposure Class</b>				
<b>(i) <u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	274,099	274,099	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	424,816	424,816	85,467	6,837
Corporates	56,121	38,233	35,800	2,864
Regulatory retail	243,083	151,848	144,894	11,592
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	316,077	316,077	117,707	9,417
<b>Total on-balance sheet exposures</b>	<b>1,353,641</b>	<b>1,244,518</b>	<b>443,036</b>	<b>35,443</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,041,196	1,041,196	421	34
<b>Total off-balance sheet exposures</b>	<b>1,041,196</b>	<b>1,041,196</b>	<b>421</b>	<b>34</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,394,837</b>	<b>2,285,714</b>	<b>443,457</b>	<b>35,477</b>
<b>(ii) <u>Market Risk</u></b>				
Interest rate risk	-	-	503	40
Equity position risk	-	-	20,113	1,609
Foreign currency risk	-	-	90,041	7,203
Options risk	-	-	167,083	13,367
<b>Total</b>	<b>-</b>	<b>-</b>	<b>277,740</b>	<b>22,219</b>
<b>(iii) <u>Operational Risk</u></b>				
	-	-	882,088	70,567
<b>Total RWA and capital requirements</b>	<b>2,394,837</b>	<b>2,285,714</b>	<b>1,603,285</b>	<b>128,263</b>

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**27. Commitments and contingencies**

Group and Bank	As at 31 December 2016			As at 31 December 2015		
	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
<b><u>Credit-related</u></b>						
Obligations under underwriting agreements	-	-	-	71,888	35,944	7,189
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,111,651	-	-	1,040,355	-	-
- Maturity exceeding one year	3,280	1,640	1,640	841	421	421
	<b>1,114,931</b>	<b>1,640</b>	<b>1,640</b>	<b>1,113,084</b>	<b>36,365</b>	<b>7,610</b>
<b><u>Derivative financial instruments</u></b>						
Equity related contracts						
- Less than one year	505,133	-	-	672,137	-	-
Total commitments and contingencies	<b>1,620,064</b>	<b>1,640</b>	<b>1,640</b>	<b>1,785,221</b>	<b>36,365</b>	<b>7,610</b>

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

**Contingent liabilities**

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

**Case 1**

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

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

On 4 September 2015, the trial of the matter concluded. On 17 February 2016 and 24 February 2016, parties attended Court for oral submissions. The case is now fixed for decision on 28 February 2017.

The Bank's solicitors are of the view that the Bank has a more than an even chance of succeeding in defending against the claim.

**Case 2**

In 2005, a corporate borrower ("Borrower") filed a claim against the Bank, as the agent of a syndicate of lenders, for loss and damage arising from alleged breach of duty and obligations owed by the Bank and the syndicate lenders to the Borrower in relation to various actions taken or omitted to be taken in disbursements and transactions under a syndicated facility. The syndicated facility consisted of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million ("Facilities") which were granted by the Bank and a syndicate of three (3) lenders ("Lenders"). The Bank's rights as a lender was subsequently vested in one of the other Lenders. The Bank retained its agency role.

In 2006, the Bank and the Lenders filed a suit against the Borrower and a guarantor of the Facilities for recovery of the amounts outstanding under the Facilities. The two claims were then consolidated and heard together.

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**27. Commitments and contingencies (Cont'd)**

**Contingent liabilities (Cont'd)**

Case 2 (Cont'd)

On 6 May 2009, the High Court entered judgement against the Bank as agent for the Lenders and the Lenders for, inter alia, special damages in the sum of RM115.5 million with interest at 6% per annum, with the balance of the Borrower's claim (including general damages) ordered to be assessed at a later date ("Judgement"). In the same Judgement, the recovery action by the Bank and the Lenders was dismissed with costs. The Bank, as agent for the Lenders, would seek contribution from the Lenders for any judgement sums paid.

The Bank and the Lenders appealed to the Court of Appeal against the judgement ("Appeal"). In the interim, on 24 June 2009, a stay of the judgement was granted pending disposal of the Appeal. On 27 September 2013, the Court of Appeal allowed the Appeal and set aside the judgement. The Court of Appeal also entered judgement against the Borrower and the guarantor for the sum of RM47.2 million as at 30 September 2008 as well as the Bank's annual fees of RM50,000 as at 1 June 2008, both with interest thereon, together with costs of RM120,000.

On 27 September 2013, the Court of Appeal allowed the Appeal and set aside the judgement. The Court of Appeal also entered judgement against the Borrower and the guarantor for the sum of RM47.2 million as at 30 September 2008 as well as the Bank's annual fees of RM50,000 as at 1 June 2008, both with interest thereon, together with costs of RM120,000.

The Borrower and the guarantor subsequently filed a motion to the Federal Court for leave to appeal to the Federal Court against the decision of the Court of Appeal ("Leave Application"). On 29 January 2014, the Federal Court dismissed the Leave Application with costs of RM30,000.

On 20 November 2014, the Borrower and the guarantor filed a motion to the Federal Court for the Federal Court to review and set aside its own decision in dismissing the Leave Application ("Review Application"). After several adjournments at the request of the Borrower's solicitors, the Review Application was heard on 3 December 2015 where the Federal Court dismissed the Review Application with costs of RM20,000 to be paid by the directors of the Borrower.

On 3 February 2016, the Borrower and the guarantor filed a motion to the Court of Appeal for the Court of Appeal to review its own decision dated 27 September 2013 ("Court of Appeal Review Application"). On 16 June 2016, the Court of Appeal unanimously dismissed the Court of Appeal Review Application with costs of RM10,000 to be paid by the directors of the Borrower.

Case 3

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

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

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

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

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

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**27. Commitments and contingencies (Cont'd)**

**Contingent liabilities (Cont'd)**

Case 3 (Cont'd)

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

On 5 October 2015, the High Court allowed the Banks' application for summary judgement and application to strike out the counterclaim with costs. Accordingly, the Defendants' counterclaim against the Banks have been struck out ("Striking Out Order") and judgement has been entered against the Defendants for the balance purchase price under the SPA ("Summary Judgement"). On 23 October 2015, the Defendants filed their respective appeals to the Court of Appeal against the Striking Out Order and the Summary Judgement ('the Appeals').

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

On 30 December 2016 and 5 January 2017, the 1st Defendant and 2nd Defendant filed their respective applications to the Federal Court for leave to appeal to the Federal Court against the COA Decision ('FC Leave Application'). The FC Leave Application is now fixed for hearing on 26 April 2017.

**28. Segment information**

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

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

Segment revenue, results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

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

(i) Pillar 1 - Investment banking and advisory

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

(ii) Pillar 2 - Equities

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

(iii) Others

This segment includes investment holding, nominee and custodian services.

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**28. Segment information (Cont'd)**

The following table provides analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

<b>Group</b>	<b>Pillar 1</b>	<b>Pillar 2</b>	<b>Others</b>	<b>Total</b>
<b>31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>				
Net interest income	2,845	13,439	-	16,284
Net income from Islamic Banking Scheme operations	15,008	3,605	-	18,613
Non-interest income	143,034	212,674	-	355,708
Total revenue	160,887	229,718	-	390,605
<b>Results</b>				
Segment results	160,887	229,718	-	390,605
Overhead expenses	(71,848)	(119,301)	(121,222)	(312,371)
Writeback of impairment on loans and advances and other debtors, net	455	853	-	1,308
Share of results of a joint venture	-	-	(347)	(347)
Profit before taxation	89,494	111,270	(121,569)	79,195
Taxation and zakat				(20,741)
Profit for the year				58,454
<b>Other segment information</b>				
Depreciation	444	2,969	3,088	6,501
Amortisation	353	2,596	1,518	4,467

<b>Group</b>	<b>Pillar 1</b>	<b>Pillar 2</b>	<b>Others</b>	<b>Total</b>
<b>31 December 2015</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>				
Net interest income	2,353	16,576	-	18,929
Net income from Islamic Banking Scheme operations	44,347	4,839	-	49,186
Non-interest income	117,718	195,637	-	313,355
Total revenue	164,418	217,052	-	381,470
<b>Results</b>				
Segment results	164,418	217,052	-	381,470
Overhead expenses	(64,453)	(117,165)	(99,872)	(281,490)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(2,667)	2,953	-	286
Allowance for impairment on derivative assets	-	(5,012)	-	(5,012)
Share of results of a joint venture	-	-	522	522
Profit before taxation	97,298	97,828	(99,350)	95,776
Taxation and zakat				(32,072)
Profit for the year				63,704
<b>Other segment information</b>				
Depreciation	430	1,907	3,567	5,904
Amortisation	-	1,965	1,602	3,567

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**29. Net income from Islamic Banking Scheme operations**

**Audited Statements of Financial Position as at 31 December 2016**

	Notes	Group and Bank	
		31 December 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>			
Cash and short-term funds	(a)	2,880	2,365
Other assets	(b)	326,287	187,608
<b>Total assets</b>		<b>329,167</b>	<b>189,973</b>
<b>LIABILITIES</b>			
Other liabilities	(c)	154,985	2,575
Provision for taxation and zakat	(d)	630	14,853
<b>Total liabilities</b>		<b>155,615</b>	<b>17,428</b>
<b>ISLAMIC BANKING FUND</b>			
Islamic banking capital fund		5,000	5,000
Retained earnings		168,552	167,545
		<b>173,552</b>	<b>172,545</b>
<b>Total liabilities and Islamic banking fund</b>		<b>329,167</b>	<b>189,973</b>

**Statements of Comprehensive Income**

**For the Fourth Quarter And Financial Year Ended 31 December 2016**

Group and Bank	Notes	Unaudited Quarter Ended		Audited Cumulative 12 Months Ended	
		31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Income derived from investment of Islamic banking capital funds	(e)	4,537	26,018	18,613	49,186
<b>Income attributable to the Group and the Bank</b>		<b>4,537</b>	<b>26,018</b>	<b>18,613</b>	<b>49,186</b>
Overhead expenses	(f)	(4,567)	(16,144)	(17,458)	(35,036)
<b>Operating profit</b>		<b>(30)</b>	<b>9,874</b>	<b>1,155</b>	<b>14,150</b>
Writeback of/(allowance for) impairment on other debtors		300	-	170	(300)
<b>Profit before taxation and zakat</b>		<b>270</b>	<b>9,874</b>	<b>1,325</b>	<b>13,850</b>
Taxation		(65)	(2,420)	(318)	(3,463)
Zakat		-	(129)	-	(401)
<b>Profit for the period/year, representing total comprehensive income for the period/year, attributable to equity holder of the Bank</b>		<b>205</b>	<b>7,325</b>	<b>1,007</b>	<b>9,986</b>

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**29. Net income from Islamic Banking Scheme operations (Cont'd)**

**Audited Statements of Changes in Equity**  
**For the Fourth Quarter And Financial Year Ended 31 December 2016**

<b>Group and Bank</b>	<b>Islamic banking capital fund RM'000</b>	<b>Distributable retained earnings RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2016</b>	5,000	167,545	172,545
Profit for the year	-	1,007	1,007
Total comprehensive (loss) for the year	-	1,007	1,007
<b>At 31 December 2016</b>	<b>5,000</b>	<b>168,552</b>	<b>173,552</b>
<b>At 1 January 2015</b>	5,000	157,559	162,559
Profit for the year	-	9,986	9,986
Total comprehensive income for the year	-	9,986	9,986
<b>At 31 December 2015</b>	<b>5,000</b>	<b>167,545</b>	<b>172,545</b>

**Audited Statements of Cash Flows**  
**For the Fourth Quarter And Financial Year Ended 31 December 2016**

	<b>Group and Bank</b>	
	<b>31 December 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat, representing operating profit before working capital changes	1,325	13,850
Decrease in financial investments portfolio	-	20,240
Increase in receivables	(138,679)	(36,241)
Increase in payables	137,869	2,365
Net cash generated from operating activities	<b>515</b>	<b>214</b>
<b>Net increase in cash and cash equivalents</b>	<b>515</b>	<b>214</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>2,365</b>	<b>2,151</b>
<b>Cash and cash equivalents at end of the year</b>	<b>2,880</b>	<b>2,365</b>



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**29. Net income from Islamic Banking Scheme operations (Cont'd)**

	Group and Bank	
	31 December 2016	31 December 2015
<b>(a) Cash and short-term funds</b>		
Cash and bank balances with financial institutions	2,880	2,365
<b>(b) Other assets</b>		
Debtors and prepayments	326,287	187,608
<b>(c) Other liabilities</b>		
Provisions and accruals	154,985	2,575
<b>(d) Provision for taxation and zakat</b>		
Taxation	318	14,347
Zakat	312	506
	630	14,853

**(e) Income derived from investment of Islamic banking capital funds**

	Unaudited Quarter Ended		Audited Cumulative 12 Months Ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<u>Group and Bank</u>	RM'000	RM'000	RM'000	RM'000
Gross income from:				
- Financial assets at fair value through profit or loss	5	-	5	503
- Deposits and placements with financial institutions	-	-	-	194
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	-	7	-	(22)
Unrealised loss on revaluation of financial assets at fair value through profit or loss, net	-	-	-	(198)
Fee and commission income from:				
- Arranger and upfront fees	2,619	23,149	9,081	39,315
- Brokerage income	713	1,322	3,605	4,839
- Corporate advisory fees	-	124	235	289
- Underwriting commission	-	-	625	-
- Placement fees	-	-	150	-
- Others	1,200	1,398	5,183	4,248
Foreign exchange gain/(loss), net	-	18	(271)	18
<b>Total</b>	<b>4,537</b>	<b>26,018</b>	<b>18,613</b>	<b>49,186</b>

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**29. Net income from Islamic Banking Scheme operations (Cont'd)**

**(f) Overhead expenses**

<b>Group and Bank</b>	<b>Unaudited Quarter Ended</b>		<b>Audited Cumulative 12 Months Ended</b>	
	<b>31 December 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>31 December 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Personnel expenses	4,269	16,992	13,811	33,264
Establishment costs				
- Service chargeback	(416)	(4,651)	(1,356)	(7,691)
- Other establishment costs	256	1,590	2,620	4,524
Marketing expenses	139	340	908	1,035
Administration and general expenses	319	1,873	1,475	3,904
<b>Total</b>	<b>4,567</b>	<b>16,144</b>	<b>17,458</b>	<b>35,036</b>

**(g) Capital adequacy**

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

<b>At 31 December 2016</b>	<b>Group and Bank %</b>
CET1 capital ratio	93.875
Tier 1 capital ratio	93.875
Total capital ratio	93.875
<b>At 31 December 2015</b>	<b>Group and Bank %</b>
CET1 capital ratio	86.136
Tier 1 capital ratio	86.136
Total capital ratio	86.136

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

<b>At 31 December 2016</b>	<b>Group and Bank RM'000</b>
<b>Tier 1 capital</b>	
Islamic banking capital fund	5,000
Retained earnings	168,552
<b>CET1 capital/Tier 1 capital/Total capital</b>	<b>173,552</b>
<b>At 31 December 2015</b>	<b>Group and Bank RM'000</b>
<b>Tier 1 capital</b>	
Islamic banking capital fund	5,000
Retained earnings	167,545
<b>CET1 capital/Tier 1 capital/Total capital</b>	<b>172,545</b>

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**29. Net income from Islamic Banking Scheme operations (Cont'd)**

**(g) Capital adequacy (Cont'd)**

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

<u>Group and Bank</u>	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
31 December 2016 Exposure Class	RM'000	RM'000	RM'000	RM'000
<b>(i) <u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	2,877	2,877	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	4	4	1	-
Other assets	447,191	447,191	124,000	9,920
<b>Total on-balance sheet exposures</b>	<b>450,072</b>	<b>450,072</b>	<b>124,001</b>	<b>9,920</b>
<b>Total off-balance sheet exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>450,072</b>	<b>450,072</b>	<b>124,001</b>	<b>9,920</b>
<b>(ii) <u>Market Risk</u></b>				
Foreign currency risk	-	-	3	-
Total	-	-	3	-
<b>(iii) <u>Operational Risk</u></b>				
	-	-	60,871	4,870
<b>Total RWA and capital requirements</b>	<b>450,072</b>	<b>450,072</b>	<b>184,875</b>	<b>14,790</b>

<u>Group and Bank</u>	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
31 December 2015 Exposure Class	RM'000	RM'000	RM'000	RM'000
<b>(i) <u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	2,362	2,362	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	12	12	2	-
Other assets	427,256	427,256	120,329	9,626
<b>Total on-balance sheet exposures</b>	<b>429,630</b>	<b>429,630</b>	<b>120,331</b>	<b>9,626</b>
<b>Total off-balance sheet exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>429,630</b>	<b>429,630</b>	<b>120,331</b>	<b>9,626</b>
<b>(ii) <u>Market Risk</u></b>				
Foreign currency risk	-	-	3	-
Total	-	-	3	-
<b>(ii) <u>Operational Risk</u></b>				
	-	-	79,984	6,399
<b>Total RWA and capital requirements</b>	<b>429,630</b>	<b>429,630</b>	<b>200,318</b>	<b>16,025</b>

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**29. Net income from Islamic Banking Scheme operations (Cont'd)**

**(h) Fair values of financial assets and liabilities**

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

**(i) Allocation of income**

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

**(j) Shariah committee**

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

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

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

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

The Group and the Bank presently have seven Shariah members.

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**30. Fair value of financial instruments**

**Fair value hierarchy**

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

(a) Level 1: Quoted prices

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

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

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

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

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

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 31 December 2016 and 31 December 2015.

<b><u>Group and Bank</u></b>	<b><u>Valuation techniques using</u></b>			<b>Total</b>
	<b>Quoted Market Price (Level 1) RM'000</b>	<b>Observable Inputs (Level 2) RM'000</b>	<b>Unobservable Inputs (Level 3) RM'000</b>	
<b>As at 31 December 2016</b>				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	457,580	11,350	-	468,930
Derivative assets	-	19,839	-	19,839
	<b>457,580</b>	<b>31,189</b>	<b>-</b>	<b>488,769</b>
Financial liabilities measured at fair values:				
Derivative liabilities	914	30,195	-	31,109
<b>As at 31 December 2015</b>				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	335,921	3,695	-	339,616
Derivative assets	-	20,567	-	20,567
	<b>335,921</b>	<b>24,262</b>	<b>-</b>	<b>360,183</b>
Financial liabilities measured at fair values:				
Derivative liabilities	24,549	30,796	-	55,345

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**30. Fair value of financial instruments (Cont'd)**

**Valuation techniques**

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

**Financial assets at fair value through profit or loss**

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

**Derivative financial instruments**

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

**31. Credit Exposures Arising from Credit Transactions with Connected Parties:**

	<b>Group and Bank</b>	
	<b>31 December 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Outstanding credit exposures with connected parties	-	-
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	-	-

The credit exposures above are based on requirement of Paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.