

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018**

<u>Group</u>	<u>Note</u>	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	14	693,235	703,662
Deposits and placements with a financial institution	15	808,150	807,279
Financial investments portfolio	16	442,721	429,655
Loans and advances	17	414,135	471,360
Derivative assets	21 (i)	15,968	8,855
Other assets	18	703,347	951,992
Tax recoverable		15,047	9,615
Statutory deposit with Bank Negara Malaysia		105	105
Investment in a joint venture		4,649	5,746
Property, plant and equipment		13,659	14,911
Intangible assets		14,800	16,312
Deferred tax assets		13,610	19,603
<b>TOTAL ASSETS</b>		<b>3,139,426</b>	<b>3,439,095</b>
<b>LIABILITIES</b>			
Deposits and placements from a financial institution	19	649,388	743,958
Derivative liabilities	21 (ii)	104,121	102,728
Other liabilities	20	1,719,315	1,947,040
Provision for zakat		1,846	981
<b>TOTAL LIABILITIES</b>		<b>2,474,670</b>	<b>2,794,707</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital		222,785	222,785
Reserves		441,971	421,603
<b>TOTAL EQUITY</b>		<b>664,756</b>	<b>644,388</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>3,139,426</b>	<b>3,439,095</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	29	<b>1,665,132</b>	<b>1,468,376</b>

*(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to these financial statements)*

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**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018**

<b>Bank</b>	<b>Note</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	14	653,596	663,163
Deposits and placements with a financial institution	15	808,130	807,259
Financial investments portfolio	16	442,721	429,655
Loans and advances	17	414,135	471,360
Derivative assets	21 (i)	15,968	8,855
Other assets	18	698,273	951,912
Tax recoverable		13,183	7,743
Statutory deposit with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,259	203,259
Investment in a joint venture		5,996	5,996
Property, plant and equipment		13,644	14,896
Intangible assets		14,800	16,312
Deferred tax assets		13,610	19,603
<b>TOTAL ASSETS</b>		<b>3,297,420</b>	<b>3,600,118</b>
<b>LIABILITIES</b>			
Deposits and placements from a financial institution	19	649,388	743,958
Derivative liabilities	21 (ii)	104,121	102,728
Other liabilities	20	1,884,934	2,117,187
Provision for zakat		1,846	981
<b>TOTAL LIABILITIES</b>		<b>2,640,289</b>	<b>2,964,854</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital		222,785	222,785
Reserves		434,346	412,479
<b>TOTAL EQUITY</b>		<b>657,131</b>	<b>635,264</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>3,297,420</b>	<b>3,600,118</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	29	<b>1,665,132</b>	<b>1,468,376</b>

*(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to these financial statements)*

**MAYBANK INVESTMENT BANK BERHAD**

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**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

<b>Group</b>	<b>Notes</b>	<b>First Quarter Ended</b>		<b>Cumulative 3 Months Ended</b>	
		<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
Interest income	22	17,236	10,522	17,236	10,522
Interest expense	23	(10,523)	(6,761)	(10,523)	(6,761)
Net interest income		6,713	3,761	6,713	3,761
Income from Islamic Banking Scheme operations	31	22,646	43,457	22,646	43,457
Non-interest income	24	86,238	66,018	86,238	66,018
Direct costs	25	(8,541)	(5,669)	(8,541)	(5,669)
Net income		107,056	107,567	107,056	107,567
Overhead expenses	26	(76,901)	(62,311)	(76,901)	(62,311)
Operating profit		30,155	45,256	30,155	45,256
Allowance for impairment on loans and advances and other assets, net	27	(1,903)	(1,429)	(1,903)	(1,429)
		28,252	43,827	28,252	43,827
Share of results of a joint venture		(815)	(123)	(815)	(123)
<b>Profit before taxation and zakat</b>		<b>27,437</b>	<b>43,704</b>	<b>27,437</b>	<b>43,704</b>
Taxation and zakat		(7,488)	(12,114)	(7,488)	(12,114)
<b>Profit for the period, attributable to equity holder of the Bank</b>		<b>19,949</b>	<b>31,590</b>	<b>19,949</b>	<b>31,590</b>
<b>Basic and diluted earnings per share (sen), attributable to equity holder of the Bank</b>		<b>40</b>	<b>63</b>	<b>40</b>	<b>63</b>
<b>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</b>					
Foreign currency translation		(718)	(353)	(718)	(353)
<b>Total other comprehensive loss for the period, net of tax</b>		<b>(718)</b>	<b>(353)</b>	<b>(718)</b>	<b>(353)</b>
<b>Total comprehensive income for the period, attributable to equity holder of the Bank</b>		<b>19,231</b>	<b>31,237</b>	<b>19,231</b>	<b>31,237</b>

*(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to these financial statements)*

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(Incorporated in Malaysia)

**CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

<b>Bank</b>	<b>Notes</b>	<b>First Quarter Ended</b>		<b>Cumulative 3 Months Ended</b>	
		<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
Interest income	22	<b>16,956</b>	10,271	<b>16,956</b>	10,271
Interest expense	23	<b>(10,523)</b>	(6,761)	<b>(10,523)</b>	(6,761)
Net interest income		<b>6,433</b>	3,510	<b>6,433</b>	3,510
Income from Islamic Banking Scheme operations	31	<b>22,646</b>	43,457	<b>22,646</b>	43,457
Non-interest income	24	<b>85,638</b>	65,696	<b>85,638</b>	65,696
Direct costs	25	<b>(8,541)</b>	(5,669)	<b>(8,541)</b>	(5,669)
Net income		<b>106,176</b>	106,994	<b>106,176</b>	106,994
Overhead expenses	26	<b>(76,154)</b>	(61,577)	<b>(76,154)</b>	(61,577)
Operating profit		<b>30,022</b>	45,417	<b>30,022</b>	45,417
Allowance for impairment on loans and advances and other assets, net	27	<b>(1,853)</b>	(1,429)	<b>(1,853)</b>	(1,429)
<b>Profit before taxation and zakat</b>		<b>28,169</b>	43,988	<b>28,169</b>	43,988
Taxation and zakat		<b>(7,439)</b>	(12,068)	<b>(7,439)</b>	(12,068)
<b>Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank</b>		<b>20,730</b>	31,920	<b>20,730</b>	31,920

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**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

Group	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value through other comprehensive income reserve			Exchange fluctuation reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
<b>At 1 January 2018</b>										
- as previously stated	222,785	-	-	5,022	-	-	-	(380)	416,961	644,388
- effect of adopting MFRS 9	-	-	-	28,378	918	-	-	-	(28,159)	1,137
<b>At 1 January 2018, as restated</b>	<b>222,785</b>	<b>-</b>	<b>-</b>	<b>33,400</b>	<b>918</b>	<b>-</b>	<b>-</b>	<b>(380)</b>	<b>388,802</b>	<b>645,525</b>
Profit for the period	-	-	-	-	-	-	-	-	19,949	19,949
Other comprehensive loss	-	-	-	-	-	-	-	(718)	-	(718)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(718)	19,949	19,231
Transfer from regulatory reserve	-	-	-	(5,327)	-	-	-	-	5,327	-
<b>At 31 March 2018</b>	<b>222,785</b>	<b>-</b>	<b>-</b>	<b>28,073</b>	<b>918</b>	<b>-</b>	<b>(1,098)</b>	<b>414,078</b>	<b>664,756</b>	
<b>At 1 January 2017</b>										
Profit for the period	50,116	172,669	50,116	3,497	-	-	-	1,757	265,834	543,989
Other comprehensive loss	-	-	-	-	-	-	-	-	31,590	31,590
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(353)	-	(353)
Transfer to regulatory reserve	-	-	-	-	-	-	-	(353)	31,590	31,237
Transfer to share capital	172,669	(172,669)	-	115	-	-	-	-	(115)	-
<b>At 31 March 2017</b>	<b>222,785</b>	<b>-</b>	<b>50,116</b>	<b>3,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,404</b>	<b>297,309</b>	<b>575,226</b>

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**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

		<-----Non-distributable----->				Fair value through other comprehensive income reserve		Distributable Retained earnings		Total RM'000
<u>Bank</u>	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value through other comprehensive income reserve RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2018</b>	222,785	-	-	5,022	-	-	407,457	635,264		
- as previously stated	-	-	-	28,378	918	-	(28,159)	1,137		
- effect of adopting MFRS 9										
<b>At 1 January 2018, as restated</b>	222,785	-	-	33,400	918	-	379,298	636,401		
Profit for the period	-	-	-	-	-	-	20,730	20,730		
Total comprehensive income for the period	-	-	-	-	-	-	20,730	20,730		
Transfer from regulatory reserve	-	-	-	(5,327)	-	-	5,327	-		
<b>At 31 March 2018</b>	222,785	-	-	28,073	918	-	405,355	657,131		
<b>At 1 January 2017</b>	50,116	172,669	50,116	3,497	-	-	255,749	532,147		
Profit for the period	-	-	-	-	-	-	31,920	31,920		
Total comprehensive income for the period	-	-	-	-	-	-	31,920	31,920		
Transfer to regulatory reserve	-	-	-	115	-	-	(115)	-		
Transfer to share capital	172,669	(172,669)	-	-	-	-	-	-		
<b>At 31 March 2017</b>	222,785	-	50,116	3,612	-	-	287,554	564,067		

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**MAYBANK INVESTMENT BANK BERHAD**

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**CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
Profit before taxation and zakat	27,437	43,704	28,169	43,988
Adjustment for non-operating and non-cash items	(3,064)	(1,781)	(4,211)	(2,128)
Operating profit before working capital changes	24,373	41,923	23,958	41,860
Changes in working capital:				
Net changes in operating assets	268,695	(132,940)	274,457	(134,844)
Net changes in operating liabilities	(330,953)	140,326	(335,481)	142,082
Taxation and zakat paid, net	(6,062)	(4,366)	(6,021)	(4,292)
<b>Net cash (used in)/generated from operating activities</b>	<b>(43,947)</b>	<b>44,943</b>	<b>(43,087)</b>	<b>44,806</b>
<b>Net cash generated from/(used in) investing activities</b>	<b>2,073</b>	<b>(1,640)</b>	<b>2,073</b>	<b>(1,638)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(41,874)</b>	<b>43,303</b>	<b>(41,014)</b>	<b>43,168</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>704,163</b>	<b>580,863</b>	<b>663,644</b>	<b>540,864</b>
<b>Cash and cash equivalents at end of the period</b>	<b>662,289</b>	<b>624,166</b>	<b>622,630</b>	<b>584,032</b>
Cash and short-term funds (Note 14)	693,235	572,823	653,596	532,709
Deposits and placements with a financial institution (Note 15)	808,150	570,867	808,130	570,847
	1,501,385	1,143,690	1,461,726	1,103,556
Less:				
Cash and short-term funds and deposits and placements with original maturity more than three months	(839,096)	(519,524)	(839,096)	(519,524)
	662,289	624,166	622,630	584,032

*(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to these financial statements)*

**MAYBANK INVESTMENT BANK BERHAD****(15938-H)****(Incorporated in Malaysia)****Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") Interim Financial Reporting****1. Basis of Preparation**

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

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

The unaudited condensed interim financial statements do not include all the information and disclosure required in the audited financial statements, and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. These explanatory notes attached to the 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 2017.

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

The significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2017 except for adoption of the following Malaysian Financial Reporting Standards ("MFRSs"), annual improvements to MFRSs and IC interpretation which are effective for annual periods beginning on or after 1 January 2018:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
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 9 <i>Prepayment Features with Negative Compensation</i> (Amendments to MFRS 9)	1 January 2019
MFRS 10 <i>Consolidated Financial Statements</i> - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10)	To be announced by MASB
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 128 <i>Investments in Associates and Joint Ventures</i> - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)	To be announced by MASB
MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRSs 2014 - 2016 Cycle	
(i) Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2018
(ii) Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
MFRS 140 <i>Transfers of Investment Property</i> (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Annual Improvements to MFRSs 2015-2017 Cycle	
(i) Amendments to MFRS 3 <i>Business Combinations</i> and MFRS 11 <i>Joint Arrangements</i>	1 January 2019
(ii) Amendments to MFRS 112 <i>Income Tax</i>	1 January 2019
(iii) Amendments to MFRS 123 <i>Borrowing Costs</i>	1 January 2019

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

**MFRS 9 *Financial Instruments***

The Group and the Bank have adopted MFRS 9 *Financial Instruments* equivalent to IFRS 9 *Financial Instruments* as issued by the International Accounting Standards Board, for annual periods beginning 1 January 2018. The Group and the Bank did not early adopt any of MFRS 9 in previous periods.



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

**1. Basis of Preparation (Cont'd)**

**MFRS 9 Financial Instruments (Cont'd)**

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. The accounting policies that relate to the classification, measurement and impairment of financial assets are amended to comply with this standard. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact of the adoption of the standard is recognised in retained earnings, fair value through other comprehensive income reserve and regulatory reserve as at 1 January 2018.

**Revised Financial Reporting Guidelines issued by Bank Negara Malaysia ("BNM")**

On 2 February 2018, BNM issued a revised Financial Reporting Guidelines. The revised guidelines apply to financial institutions in Malaysia that covers licensed banks, licensed investment banks, licensed Islamic banks and licensed insurers. The revised guidelines have superseded two guidelines issued by BNM previously, namely *Financial Reporting* dated 28 January 2015 and *Classification and Impairment Provision for Loans/Financing* dated 6 April 2015. The revised guidelines were updated to include as follows:

- (i) Require a banking institution to maintain, in aggregate, loss allowance for non-credit impaired exposures (commonly known as Stage 1 and Stage 2 provisions) and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures;

The Group and the Bank has presented these information in the Unaudited Statements of Changes in Equity and note 33.

- (ii) Additional disclosure in annual financial statements i.e. intercompany charges with a breakdown by type of services received and geographical distribution;

The Group and the Bank will present these information in the annual financial statements for the year ending 31 December 2018 accordingly.

- (iii) Additional disclosure on placement of funds in an investment account with an Islamic banking institution:

- (a) present the placement, as a separate line item in the statement of financial position, as either "investment account placement" or "investment account placement – (asset description)"; and

- (b) disclose in the explanatory notes the nature of the underlying assets for the investment; and

- (iv) Clarify on the classification of a credit facility as credit-impaired:

- (a) where the principal or interest/profit or both of the credit facility is past due for more than 90 days or 3 months. In the case of revolving credit facilities (e.g. overdraft facilities), the facility shall be classified as credit-impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;

- (b) where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the banking institution's credit risk measurement framework; or

- (c) when the credit facility is classified as rescheduled or restructured in the Central Credit Reference Information System (CCRIS) in accordance with the CCRIS reporting requirements in Appendix 1 of the revised guidelines.

The Group and the Bank have adopted the above classification criteria in deriving the credit-impaired exposures, which leads to the computation of regulatory reserves and loss allowance for credit-impaired exposures as required in (i) above.

**2. Significant Accounting Policies**

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2017 were prepared in accordance with MFRS, International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2017 except for the adoption of the requirements of the BNM's policy document as disclosed in Note 1.

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

**3. Significant Accounting Estimates and Judgements**

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's and the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the financial year ended 31 December 2017.

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

The auditors' report on the audited financial statements for the financial year ended 31 December 2017 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 first quarter ended 31 March 2018.

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

During the first quarter ended 31 March 2018, 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 first quarter ended 31 March 2018.

**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 first quarter ended 31 March 2018.

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

There were no changes in the composition of the Group during the first quarter ended 31 March 2018.

**10. Dividends Payable**

During the Annual General Meeting held on 11 April 2018, a single-tier final dividend in respect of the financial year ended 31 December 2017 of approximately RM1.47 per share on 50,116,000 ordinary shares, amounting to a net dividend payable of RM73,900,000 was approved by the shareholders.

The financial statements for the current quarter do not reflect the final dividend as approval from shareholders have yet been obtained as at 31 March 2018.

**11. Significant and Subsequent Events**

There were no significant and subsequent events during the first quarter ended 31 March 2018.

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

**12. Performance Review**

For the financial period ended 31 March 2018, the Group's operating profit dropped as compared to the previous corresponding period. Operating profit decreased by 33.3% from RM45.3 million to RM30.2 million.

Net interest income increased by 78.5% to RM6.7 million due to higher interest income from deposits and placements with financial institutions and other term loans. Income from Islamic Banking Scheme operations decreased by RM20.9 million from RM43.5 million to RM22.6 million due to lower fee-based income from Islamic investment banking business. The non-interest income increased by RM20.2 million from RM66.0 million to RM86.2 million due to higher fee-based income. Overall, net income reduced slightly by 0.5% from RM107.6 million to RM107.1 million.

Overhead expenses increased by 23.4% or RM14.6 million to RM76.9 million from RM62.3 million. This was mainly due to higher personnel expenses, marketing costs, administration and general expenses.

The Group's profit before taxation and zakat decreased by 37.3% or RM16.3 million from RM43.7 million to RM27.4 million. Profit for the period dropped by 36.9% or RM11.6 million to RM19.9 million compared to the previous period.

**13. Business Outlook**

The world's real Gross Domestic Product ("GDP") growth momentum is expected to sustain at +3.8% in 2018E (2017: +3.8%), underpinned by a pick up in the United States (2018E: +2.8%; 2017: +2.3%), stable growth in China (2018E: +6.6%; 2017: +6.9%), the Eurozone (2018E: +2.3%; 2017: +2.5%) and Japan (2018E: +1.4%; 2017: +1.7%), as well as improved growth in selected BRIC (Brazil, Russia, India and China) markets.

Meanwhile, the ASEAN-6 countries could chart a similar pace of growth in 2018E at +5.2% (2017: +5.1%) benefitting from the spillover effects to domestic demand arising from expansion in external demand. Malaysia is projected to expand by +5.3% (2017: +5.9%), Singapore forecasted to grow at +3.5% (2017: +3.6%) and Indonesia to remain resilient at +5.3% (2017: +5.1%).

Following Malaysia's 14th General Election ("GE14") held on 9 May 2018, we maintain the view that the country's real GDP growth in 2018 will be driven by improved consumer spending growth and healthy net external demand. Several policy changes announced by the new government including the zero-rating of the Goods and Services Tax effective 1 June 2018 and the maintaining of current domestic fuel prices are expected to help improve consumer spending. Exports and imports of goods and services are projected to expand further in 2018 on the back of the sustained global and domestic growth momentum, but the pace of growth is expected to moderate after the high base in 2017.

Maybank Investment Bank Berhad Group will focus on opportunities across its business segments during the transition period for the new government.

Barring any unforeseen circumstances, Maybank Investment Bank Berhad Group's performance in 2018 is expected to be satisfactory.

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**14. Cash and short-term funds**

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Cash and bank balances with financial institutions	253,195	240,105	247,244	233,926
Deposit placements maturing within one month	440,040	463,557	406,352	429,237
<b>Total cash and short-term funds</b>	<b>693,235</b>	<b>703,662</b>	<b>653,596</b>	<b>663,163</b>

The monies held-in-trust for clients by the Group and the Bank as at the reporting date are approximately RM241,863,000 (2017: RM266,353,000). These amounts are excluded from the cash and short-term funds of the Group and of the Bank in accordance with FRSIC Consensus 18 Monies Held-in-Trust by Participating Organisation at Bursa Malaysia Securities Berhad.

**15. Deposits and placements with a financial institution**

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Licensed bank	808,150	807,279	808,130	807,259

**16. Financial investments portfolio**

		Group and Bank	
		31 March 2018 RM'000	31 December 2017 RM'000
Financial assets at fair value through profit or loss	(i)	441,570	390,177
Financial assets at fair value through other comprehensive income	(ii)	1,118	-
Financial assets at amortised cost	(iii)	33	-
Financial investments available-for-sale	(iv)	-	39,445
Financial investments held-to-maturity	(v)	-	33
<b>Total financial investments portfolio</b>		<b>442,721</b>	<b>429,655</b>

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

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>		
<b>Quoted financial assets:</b>		
Shares in Malaysia	218,651	214,202
Shares outside Malaysia	124,528	144,433
	<b>343,179</b>	<b>358,635</b>
<b>Unquoted financial assets:</b>		
Loan stock in Malaysia	39,245	-
Structured product	59,146	31,542
	<b>441,570</b>	<b>390,177</b>

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

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

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</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 assets:</b>		
Shares in Malaysia	1,118	-

**(iii) Financial assets at amortised cost**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted financial assets:</b>		
Private debt securities in Malaysia	33	-

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

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</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 stock in Malaysia	-	39,445

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

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted financial investments:</b>		
Private debt securities in Malaysia	-	33

**17. Loans and advances**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Term loans</b>		
- Other term loans	106,317	109,256
<b>Amount due from brokers and clients</b>		
- Margin accounts	286,083	340,987
<b>Staff loans</b>	22,325	22,032
<b>Gross loans and advances</b>	414,725	472,275
<b>Less: Allowance for impairment losses</b>		
- ECL allowances:		
- Stage 1 - 12-month ECL	(317)	-
- Stage 3 - Lifetime ECL credit impaired	(273)	-
- Individual assessment allowance	-	(273)
- Collective assessment allowance	-	(642)
<b>Net loans and advances</b>	414,135	471,360

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

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

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Domestic business enterprises	166,861	183,846
Individuals	241,858	281,910
Foreign entities	6,006	6,519
<b>Gross loans and advances</b>	<b>414,725</b>	<b>472,275</b>

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

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Fixed rate		
- Housing loans	12,624	11,489
- Hire purchase receivables	9,231	10,280
- Other fixed rate loans	470	263
Variable rate		
- Base lending rate (BLR)-plus	286,083	340,987
- Cost-plus	106,317	109,256
<b>Gross loans and advances</b>	<b>414,725</b>	<b>472,275</b>

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

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Purchase of securities	286,083	340,987
Purchase of transport vehicles	9,231	10,280
Purchase of residential landed property	12,624	11,489
Personal use	470	263
Others	106,317	109,256
<b>Gross loans and advances</b>	<b>414,725</b>	<b>472,275</b>

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

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Within one year	377,984	435,710
More than one year to three years	18,264	3,947
More than three years to five years	6,019	21,258
More than five years	12,458	11,360
<b>Gross loans and advances</b>	<b>414,725</b>	<b>472,275</b>

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

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

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
At 1 January	641	7,083
Impaired during the period/year	-	15
Recovered/regularised during the period/year	-	(6,457)
Gross impaired loans and advances	641	641
Less: - Stage 3 - Lifetime ECL credit impaired	(273)	-
- Individual assessment allowance	-	(273)
<b>Net impaired loans and advances</b>	<b>368</b>	<b>368</b>
Net impaired loans and advances as a percentage of gross loans and advances less Stage 3 - Lifetime ECL credit impaired/ individual assessment allowance	0.09%	0.08%

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

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Purchase of securities	15	15
Purchase of transport vehicles	159	159
Purchase of residential landed property	467	467
<b>Gross impaired loans and advances</b>	<b>641</b>	<b>641</b>

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12 month ECL</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>Total ECL</b>
<b>Group and Bank</b>	<b>RM'000</b>	<b>not credit</b>	<b>credit</b>	<b>RM'000</b>
		<b>impaired</b>	<b>impaired</b>	
		<b>RM'000</b>	<b>RM'000</b>	
At 1 January 2018				
- as previously stated	642	-	273	915
- effect of adopting MFRS 9	(289)	-	-	(289)
At 1 January 2018, as restated	353	-	273	626
Amount written-back (Note 27)	(36)	-	-	(36)
<b>At 31 March 2018</b>	<b>317</b>	<b>-</b>	<b>273</b>	<b>590</b>

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Individual assessment allowance</b>		
At 1 January		
- as previously stated	273	6,270
- effect of adopting MFRS 9	(273)	-
At 1 January, as restated	-	6,270
Allowance made	-	7
Amount written-off	-	(6,004)
<b>Balance as at end of financial period/year</b>	<b>-</b>	<b>273</b>

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

(vii) Movements in the allowance for impairment losses are as follows (Cont'd):

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
<b>Collective assessment allowance</b>		
At 1 January		
- as previously stated	642	104
- effect of adopting MFRS 9	(642)	-
At 1 January, as restated	-	104
Allowance made	-	538
<b>Balance as at end of financial period/year</b>	<b>-</b>	<b>642</b>

**18. Other assets**

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	537,231	784,480	537,231	784,480
Amount due from ultimate holding company	22,530	25,609	22,530	25,609
Other debtors, deposits and prepayments	163,521	159,611	154,669	155,803
	<b>723,282</b>	<b>969,700</b>	<b>714,430</b>	<b>965,892</b>
Less: Allowance for impairment losses	(19,935)	(17,708)	(16,157)	(13,980)
	<b>703,347</b>	<b>951,992</b>	<b>698,273</b>	<b>951,912</b>

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

**19. Deposits and placements from a financial institution**

	Group and Bank	
	31 March 2018 RM'000	31 December 2017 RM'000
Licensed bank	649,388	743,958

**20. Other liabilities**

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Provisions and accruals	40,154	113,736	39,965	113,553
Amount due to brokers and clients (a)	467,801	745,988	467,801	745,988
Deposits and other creditors	1,096,733	1,020,434	1,091,067	1,019,290
Amount due to:				
- Holding company	107,531	45,662	107,531	45,662
- Related companies	7,096	21,220	7,096	21,220
- Subsidiaries	-	-	171,474	171,474
	<b>1,719,315</b>	<b>1,947,040</b>	<b>1,884,934</b>	<b>2,117,187</b>

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



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**21. Derivative financial instruments**

**(i) Derivative assets**

	Group and Bank			
	31 March 2018		31 December 2017	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
<b>Hedging derivatives</b>				
<b>Equity-related derivatives:</b>				
Equity swaps				
- Less than one year	114,292	15,968	118,129	8,855

**(ii) Derivative liabilities**

	Group and Bank			
	31 March 2018		31 December 2017	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
<b>Hedging derivatives</b>				
<b>Equity-related derivatives:</b>				
Equity options				
- Less than one year	308,846	85,687	151,143	81,445
Equity swaps				
- Less than one year	139,637	18,434	145,972	21,283
	<b>448,483</b>	<b>104,121</b>	<b>297,115</b>	<b>102,728</b>

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

	Group and Bank			
	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	RM'000	RM'000	RM'000	RM'000
<b>Equity-related derivatives:</b>				
Index futures	-	5	-	5
Equity options	(26,444)	(7,488)	(26,444)	(7,488)
Equity swaps	9,962	(92,861)	9,962	(92,861)
	<b>(16,482)</b>	<b>(100,344)</b>	<b>(16,482)</b>	<b>(100,344)</b>

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**22. Interest income**

<u>Group</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	8,010	5,479	8,010	5,479
- Interest income on impaired loans	21	22	21	22
Money at call and deposits and placements with financial institutions	8,673	4,663	8,673	4,663
Others	532	358	532	358
<b>Total interest income</b>	<b>17,236</b>	<b>10,522</b>	<b>17,236</b>	<b>10,522</b>

<u>Bank</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	8,010	5,479	8,010	5,479
- Interest income on impaired loans	21	22	21	22
Money at call and deposits and placements with financial institutions	8,393	4,412	8,393	4,412
Others	532	358	532	358
<b>Total interest income</b>	<b>16,956</b>	<b>10,271</b>	<b>16,956</b>	<b>10,271</b>

**23. Interest expense**

<u>Group and Bank</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from a financial institution	3,856	3,067	3,856	3,067
Derivative financial instruments	6,667	3,694	6,667	3,694
<b>Total interest expense</b>	<b>10,523</b>	<b>6,761</b>	<b>10,523</b>	<b>6,761</b>

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**24. Non-interest income**

<u>Group</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
<b>Fee and commission income:</b>				
Arranger and upfront fees	7,767	6,044	7,767	6,044
Brokerage income	50,057	46,150	50,057	46,150
Corporate advisory fees	1,767	1,552	1,767	1,552
Placement and related fees	5,305	3	5,305	3
Underwriting commission	622	513	622	513
Others	2,833	3,095	2,833	3,095
	<u>68,351</u>	<u>57,357</u>	<u>68,351</u>	<u>57,357</u>
<b>Investment income:</b>				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(1,427)	19,950	(1,427)	19,950
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	18,799	101,370	18,799	101,370
Realised gain/(loss) from sale of derivative financial instruments, net	6,431	(15,194)	6,431	(15,194)
Unrealised loss on revaluation of derivative financial instruments, net (Note 21 (iii))	(16,482)	(100,344)	(16,482)	(100,344)
Gross dividends from financial assets at fair value through profit or loss				
- Quoted in Malaysia	2,262	68	2,262	68
	<u>9,583</u>	<u>5,850</u>	<u>9,583</u>	<u>5,850</u>
<b>Other income:</b>				
Foreign exchange gain, net	7,091	1,812	7,091	1,812
Others	1,213	999	1,213	999
	<u>8,304</u>	<u>2,811</u>	<u>8,304</u>	<u>2,811</u>
<b>Total non-interest income</b>	<u>86,238</u>	<u>66,018</u>	<u>86,238</u>	<u>66,018</u>

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

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
<b>Fee and commission income:</b>				
Arranger and upfront fees	7,767	6,044	7,767	6,044
Brokerage income	50,057	46,150	50,057	46,150
Corporate advisory fees	1,167	1,230	1,167	1,230
Placement and related fees	5,305	3	5,305	3
Underwriting commission	622	513	622	513
Others	2,833	3,095	2,833	3,095
	<b>67,751</b>	<b>57,035</b>	<b>67,751</b>	<b>57,035</b>
<b>Investment income:</b>				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(1,427)	19,950	(1,427)	19,950
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	18,799	101,370	18,799	101,370
Realised gain/(loss) from sale of derivative financial instruments, net	6,431	(15,194)	6,431	(15,194)
Unrealised loss on revaluation of derivative financial instruments, net (Note 21 (iii))	(16,482)	(100,344)	(16,482)	(100,344)
Gross dividends from financial assets at fair value through profit or loss				
- Quoted in Malaysia	2,262	68	2,262	68
	<b>9,583</b>	<b>5,850</b>	<b>9,583</b>	<b>5,850</b>
<b>Other income:</b>				
Foreign exchange gain, net	7,091	1,812	7,091	1,812
Others	1,213	999	1,213	999
	<b>8,304</b>	<b>2,811</b>	<b>8,304</b>	<b>2,811</b>
<b>Total non-interest income</b>	<b>85,638</b>	<b>65,696</b>	<b>85,638</b>	<b>65,696</b>

**25. Direct costs**

	Group and Bank			
	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Dealers' incentive	4,520	3,020	4,520	3,020
Trade-related charges	4,021	2,649	4,021	2,649
	<b>8,541</b>	<b>5,669</b>	<b>8,541</b>	<b>5,669</b>

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**26. Overhead expenses**

<u>Group</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses (Note (i))	53,899	42,078	53,899	42,078
- Pension costs - defined contribution plan	4,833	4,472	4,833	4,472
- Employees' Share Scheme expenses	486	1,189	486	1,189
- Other staff-related expenses	2,363	1,892	2,363	1,892
	<u>61,581</u>	<u>49,631</u>	<u>61,581</u>	<u>49,631</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	1,710	1,605	1,710	1,605
- Amortisation of computer software	1,243	1,010	1,243	1,010
- Rental	2,457	2,806	2,457	2,806
- Repairs and maintenance of property, plant and equipment	2,350	1,851	2,350	1,851
- Information technology expenses	3,826	3,140	3,826	3,140
- Service chargeback	(6,328)	(4,885)	(6,328)	(4,885)
- Others	456	379	456	379
	<u>5,714</u>	<u>5,906</u>	<u>5,714</u>	<u>5,906</u>
<b>Marketing costs</b>				
- Advertisement and publicity	4,948	2,680	4,948	2,680
- Others	1,391	1,438	1,391	1,438
	<u>6,339</u>	<u>4,118</u>	<u>6,339</u>	<u>4,118</u>
<b>Administration and general expenses</b>				
- Fee and brokerage (Note (i))	1,538	1,060	1,538	1,060
- Administrative expenses	728	817	728	817
- General expenses (Note (i))	1,001	779	1,001	779
	<u>3,267</u>	<u>2,656</u>	<u>3,267</u>	<u>2,656</u>
<b>Total overhead expenses</b>	<u>76,901</u>	<u>62,311</u>	<u>76,901</u>	<u>62,311</u>

Note (i): Dealers' incentive and trade-related charges have been reclassified to Note 25 Direct costs as these are directly attributable expenses in generating non-interest income.

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

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
<b><u>Bank</u></b>				
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses (Note (i))	53,899	42,078	53,899	42,078
- Pension costs - defined contribution plan	4,833	4,472	4,833	4,472
- Employees' Share Scheme expenses	486	1,189	486	1,189
- Other staff related expenses	2,363	1,892	2,363	1,892
	<u>61,581</u>	<u>49,631</u>	<u>61,581</u>	<u>49,631</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	1,710	1,605	1,710	1,605
- Amortisation of computer software	1,243	1,010	1,243	1,010
- Rental	2,457	2,806	2,457	2,806
- Repairs and maintenance of property, plant and equipment	2,349	1,851	2,349	1,851
- Information technology expenses	3,826	3,140	3,826	3,140
- Service chargeback	(7,041)	(5,589)	(7,041)	(5,589)
- Others	456	379	456	379
	<u>5,000</u>	<u>5,202</u>	<u>5,000</u>	<u>5,202</u>
<b>Marketing costs</b>				
- Advertisement and publicity	4,948	2,680	4,948	2,680
- Others	1,397	1,445	1,397	1,445
	<u>6,345</u>	<u>4,125</u>	<u>6,345</u>	<u>4,125</u>
<b>Administration and general expenses</b>				
- Fee and brokerage (Note (i))	1,517	1,038	1,517	1,038
- Administrative expenses	710	802	710	802
- General expenses (Note (i))	1,001	779	1,001	779
	<u>3,228</u>	<u>2,619</u>	<u>3,228</u>	<u>2,619</u>
<b>Total overhead expenses</b>	<u>76,154</u>	<u>61,577</u>	<u>76,154</u>	<u>61,577</u>

Note (i): Dealers' incentive and trade-related charges have been reclassified to Note 25 Direct costs as these are directly attributable expenses in generating non-interest income.

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**27. Allowance for impairment on loans and advances and other assets, net**

<u>Group</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Writeback of/(allowance for) impairment on loans and advances:				
- Collective allowance made	-	(14)	-	(14)
- Writeback of Stage 1 - 12-month ECL	36	-	36	-
Bad debts recovered	530	96	530	96
Allowance for impairment on other assets, net	(2,469)	(1,511)	(2,469)	(1,511)
<b>Total</b>	<b>(1,903)</b>	<b>(1,429)</b>	<b>(1,903)</b>	<b>(1,429)</b>

<u>Bank</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Writeback of/(allowance for) impairment on loans and advances:				
- Collective allowance made	-	(14)	-	(14)
- Writeback of Stage 1 - 12-month ECL	36	-	36	-
Bad debts recovered	530	96	530	96
Allowance for impairment on other assets, net	(2,419)	(1,511)	(2,419)	(1,511)
<b>Total</b>	<b>(1,853)</b>	<b>(1,429)</b>	<b>(1,853)</b>	<b>(1,429)</b>

**28. Capital adequacy**

(I) Capital Adequacy Framework

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

The computation of capital adequacy ratios are based on Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) issued on 4 August 2017 and 2 March 2017 respectively.

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

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

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

	Group %	Bank %
<b><u>At 31 March 2018</u></b>		
CET1 capital ratio	28.480	26.711
Tier 1 capital ratio	28.480	26.711
Total capital ratio	29.866	28.110
<b><u>At 31 December 2017</u></b>		
CET1 capital ratio	31.322	29.674
Tier 1 capital ratio	31.322	29.674
Total capital ratio	31.525	29.674

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

(I) Capital Adequacy Framework (Cont'd)

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

	Group RM'000	Bank RM'000
<b>At 31 March 2018</b>		
Paid-up share capital	222,785	222,785
Other reserves	393,946	385,544
<b>CET1 capital before regulatory adjustments</b>	<b>616,731</b>	<b>608,329</b>
Less: Deferred tax assets	(13,610)	(13,610)
Intangible assets	(14,800)	(14,800)
Investment in subsidiaries and a joint venture <sup>1</sup>	(4,649)	(37,780)
<b>CET1 capital/Tier 1 capital</b>	<b>583,672</b>	<b>542,139</b>
<b>Tier 2 capital</b>		
General provisions	28,390	28,390
<b>Tier 2 capital</b>	<b>28,390</b>	<b>28,390</b>
<b>Total capital</b>	<b>612,062</b>	<b>570,529</b>
<b>At 31 December 2017</b>		
Paid-up share capital	222,785	222,785
Other reserves	416,581	407,457
<b>CET1 capital before regulatory adjustments</b>	<b>639,366</b>	<b>630,242</b>
Less: Deferred tax assets	(19,603)	(19,603)
Intangible assets	(16,312)	(16,312)
Investment in subsidiaries and a joint venture <sup>1</sup>	(4,597)	(32,758)
<b>CET1 capital/Tier 1 capital</b>	<b>598,854</b>	<b>561,569</b>
<b>Tier 2 capital</b>		
Regulatory reserve	5,022	5,022
Less: Regulatory adjustment applied in Tier 2 capital	(1,149)	(5,022)
<b>Tier 2 capital</b>	<b>3,873</b>	<b>-</b>
<b>Total capital</b>	<b>602,727</b>	<b>561,569</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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**28. Capital adequacy (Cont'd)**

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

<u>Group</u>	<u>Gross credit exposures</u>	<u>Net credit exposures</u>	<u>Risk-weighted assets</u>	<u>Capital requirements</u>
31 March 2018 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	387,145	387,145	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,471,052	1,471,052	575,250	46,020
Corporates	170,041	98,443	98,443	7,875
Regulatory retail	246,009	112,514	107,601	8,608
Higher risk assets	40,363	40,363	60,545	4,844
Other assets	299,557	299,557	279,103	22,328
<b>Total on-balance sheet exposures</b>	<b>2,614,167</b>	<b>2,409,074</b>	<b>1,120,942</b>	<b>89,675</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,102,357	1,102,357	171	14
<b>Total off-balance sheet exposures</b>	<b>1,102,357</b>	<b>1,102,357</b>	<b>171</b>	<b>14</b>
<b>Total on and off-balance sheet exposures</b>	<b>3,716,524</b>	<b>3,511,431</b>	<b>1,121,113</b>	<b>89,689</b>
<b>(ii) <u>Market Risk</u></b>				
Interest rate risk	-	-	536	43
Equity position risk	-	-	15,718	1,257
Foreign currency risk	-	-	33,831	2,706
Options risk	-	-	95,400	7,632
<b>Total</b>	<b>-</b>	<b>-</b>	<b>145,485</b>	<b>11,638</b>
<b>(iii) <u>Operational Risk</u></b>				
	-	-	782,794	62,624
<b>Total RWA and capital requirements</b>	<b>3,716,524</b>	<b>3,511,431</b>	<b>2,049,392</b>	<b>163,951</b>

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

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

<u>Group</u>	<u>Gross credit exposures</u>	<u>Net credit exposures</u>	<u>Risk-weighted assets</u>	<u>Capital requirements</u>
31 December 2017 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	415,652	415,652	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,399,983	1,399,983	535,897	42,872
Corporates	184,052	98,545	98,545	7,884
Regulatory retail	287,564	112,698	107,567	8,605
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	379,562	379,562	221,484	17,719
<b>Total on-balance sheet exposures</b>	<b>2,706,258</b>	<b>2,445,885</b>	<b>1,022,661</b>	<b>81,813</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,053,132	1,053,132	449	36
<b>Total off-balance sheet exposures</b>	<b>1,053,132</b>	<b>1,053,132</b>	<b>449</b>	<b>36</b>
<b>Total on and off-balance sheet exposures</b>	<b>3,759,390</b>	<b>3,499,017</b>	<b>1,023,110</b>	<b>81,849</b>
<b>(ii) <u>Market Risk</u></b>				
Interest rate risk	-	-	550	44
Equity position risk	-	-	14,488	1,159
Foreign currency risk	-	-	66,778	5,342
Options risk	-	-	43,087	3,447
<b>Total</b>	<b>-</b>	<b>-</b>	<b>124,903</b>	<b>9,992</b>
<b>(iii) <u>Operational Risk</u></b>	<b>-</b>	<b>-</b>	<b>763,899</b>	<b>61,112</b>
<b>Total RWA and capital requirements</b>	<b>3,759,390</b>	<b>3,499,017</b>	<b>1,911,912</b>	<b>152,953</b>

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

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

<u>Bank</u>	<u>Gross credit exposures</u>	<u>Net credit exposures</u>	<u>Risk-weighted assets</u>	<u>Capital requirements</u>
31 March 2018 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	387,145	387,145	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,431,436	1,431,436	567,326	45,386
Corporates	170,041	98,443	98,443	7,875
Regulatory retail	246,009	112,514	107,601	8,608
Higher risk assets	40,363	40,363	60,545	4,844
Other assets	294,429	294,429	273,976	21,918
<b>Total on-balance sheet exposures</b>	<b>2,569,423</b>	<b>2,364,330</b>	<b>1,107,891</b>	<b>88,631</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,102,357	1,102,357	171	14
<b>Total off-balance sheet exposures</b>	<b>1,102,357</b>	<b>1,102,357</b>	<b>171</b>	<b>14</b>
<b>Total on and off-balance sheet exposures</b>	<b>3,671,780</b>	<b>3,466,687</b>	<b>1,108,062</b>	<b>88,645</b>
<b>(ii) <u>Market Risk</u></b>				
Interest rate risk	-	-	536	43
Equity position risk	-	-	15,718	1,257
Foreign currency risk	-	-	33,833	2,707
Options risk	-	-	95,400	7,633
<b>Total</b>	<b>-</b>	<b>-</b>	<b>145,487</b>	<b>11,640</b>
<b>(iii) <u>Operational Risk</u></b>				
	-	-	776,106	62,088
<b>Total RWA and capital requirements</b>	<b>3,671,780</b>	<b>3,466,687</b>	<b>2,029,655</b>	<b>162,373</b>

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

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

<u>Bank</u>	<u>Gross credit exposures</u>	<u>Net credit exposures</u>	<u>Risk-weighted assets</u>	<u>Capital requirements</u>
31 December 2017 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	415,652	415,652	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,359,507	1,359,507	527,801	42,224
Corporates	184,052	98,545	98,545	7,884
Regulatory retail	287,564	112,698	107,566	8,605
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	379,430	379,430	221,353	17,708
<b>Total on-balance sheet exposures</b>	<b>2,665,650</b>	<b>2,405,277</b>	<b>1,014,433</b>	<b>81,154</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,053,132	1,053,132	449	36
<b>Total off-balance sheet exposures</b>	<b>1,053,132</b>	<b>1,053,132</b>	<b>449</b>	<b>36</b>
<b>Total on and off-balance sheet exposures</b>	<b>3,718,782</b>	<b>3,458,409</b>	<b>1,014,882</b>	<b>81,190</b>
<b>(ii) <u>Market Risk</u></b>				
Interest rate risk	-	-	550	44
Equity position risk	-	-	14,488	1,159
Foreign currency risk	-	-	61,911	4,953
Options risk	-	-	43,087	3,447
<b>Total</b>	<b>-</b>	<b>-</b>	<b>120,036</b>	<b>9,603</b>
<b>(iii) <u>Operational Risk</u></b>				
	-	-	757,556	60,604
<b>Total RWA and capital requirements</b>	<b>3,718,782</b>	<b>3,458,409</b>	<b>1,892,474</b>	<b>151,397</b>

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**29. Commitments and contingencies**

Group and Bank	31 March 2018			31 December 2017		
	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>						
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,102,015	-	-	1,052,235	-	-
- Maturity exceeding one year	342	171	171	897	449	449
	<b>1,102,357</b>	<b>171</b>	<b>171</b>	<b>1,053,132</b>	<b>449</b>	<b>449</b>
<b><u>Derivative financial instruments</u></b>						
Equity-related contracts						
- Less than one year	562,775	-	-	415,244	-	-
Total commitments and contingencies	<b>1,665,132</b>	<b>171</b>	<b>171</b>	<b>1,468,376</b>	<b>449</b>	<b>449</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 defending all of the claims under litigation, through their solicitors, the outcomes of which are subject matter for the Courts to eventually determine.

**Case 1**

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

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

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

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

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

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

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

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

**Contingent liabilities (Cont'd)**

Case 1 (Cont'd)

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

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

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

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

The Appeals are now fixed for:

- (1) Hearings on 12, 13, 15, 16, 21-23, 26-29 November 2018; and
- (2) Case management on 8 August 2018.

The court further gave directions for the filing of written submissions as follows:

- (1) The filing of the Common Agreed Core Bundle of Documents – by 6 April 2018;
- (2) Appellants to file and serve written submissions – by 7 May 2018;
- (3) Respondents to file and serve written submissions – by 9 July 2018; and
- (4) Appellants to file and serve rebuttal submissions – by 8 August 2018.

The Bank's solicitors are optimistic of the Bank's chances of succeeding in its appeal to the Court of Appeal.

Case 2

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

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

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

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

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

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

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

**Contingent liabilities (Cont'd)**

Case 2 (cont'd)

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"). On 26 April 2017, the Federal Court allowed the FC Leave Application. The 1st Defendant and the 2nd Defendant can now file their appeals to the Federal Court against the Summary Judgment ("FC Appeals"). On 15 March 2018, the Federal Court unanimously dismissed the FC Appeal with costs of RM20,000 for each appeal respectively.

Separately, in respect of the suit filed by Pavilion Yields Sdn Bhd ("Pavilion Yields") against the Trustee and the Banks to seek various declarations on or in respect of resolutions relating to the recovery of outstanding amounts owed under the Notes, the suit is now pending hearing of the appeal to the Federal Court on 17 July 2018. The Guarantor also obtained an ex parte Receiving Order on the grounds that there is a purported scheme of arrangement for the creditors' consideration. The Banks successfully set aside the Receiving Order on 17 May 2017. The Guarantor has appealed to the Court of Appeal against the setting aside of the Receiving Order.

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

**30. Segment information**

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

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

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

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

**(i) Pillar 1 - Investment banking and advisory**

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

**(ii) Pillar 2 - Equities**

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

**(iii) Others**

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

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

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

<b>Group</b>	<b>Pillar 1</b>	<b>Pillar 2</b>	<b>Others</b>	<b>Total</b>
<b>31 March 2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net interest income	971	5,742	-	6,713
Income from Islamic Banking Scheme operations	20,985	1,661	-	22,646
Non-interest income	19,545	66,693	-	86,238
Direct costs	-	(8,541)	-	(8,541)
Net income	41,501	65,555	-	107,056
Overhead expenses	(23,982)	(52,919)	-	(76,901)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(2,347)	444	-	(1,903)
Share of results of a joint venture	-	-	(815)	(815)
Profit/(loss) before taxation	56,673	78,635	(815)	27,437
Taxation and zakat	-	-	-	(7,488)
Profit for the period	-	-	-	19,949

**Other segment information**

Depreciation of property, plant and equipment	296	1,414	-	1,710
Amortisation of computer software	159	1,084	-	1,243

<b>Group</b>	<b>Pillar 1</b>	<b>Pillar 2</b>	<b>Others</b>	<b>Total</b>
<b>31 March 2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net interest income	1,250	2,511	-	3,761
Income from Islamic Banking Scheme operations	42,161	1,296	-	43,457
Non-interest income	8,717	57,301	-	66,018
Direct costs	-	(5,669)	-	(5,669)
Net income	52,128	55,439	-	107,567
Overhead expenses	(22,102)	(40,209)	-	(62,311)
Allowance for impairment on loans and advances and other assets, net	(1,293)	(136)	-	(1,429)
Share of results of a joint venture	-	-	(123)	(123)
Profit/(loss) before taxation	28,733	15,094	(123)	43,704
Taxation and zakat	-	-	-	(12,114)
Profit for the period	-	-	-	31,590

**Other segment information**

Depreciation of property, plant and equipment	295	1,310	-	1,605
Amortisation of computer software	154	856	-	1,010



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

**Unaudited Statements of Financial Position as at 31 March 2018**

		Group and Bank	
		31 March 2018 RM'000	31 December 2017 RM'000
	Notes		
<b>ASSETS</b>			
Cash and short-term funds	(a)	26,346	2,757
Other assets	(b)	403,610	371,079
<b>Total assets</b>		<b>429,956</b>	<b>373,836</b>
<b>LIABILITIES</b>			
Other liabilities	(c)	219,618	162,214
Provision for taxation and zakat	(d)	2,994	10,157
<b>Total liabilities</b>		<b>222,612</b>	<b>172,371</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>			
Islamic banking fund		5,000	5,000
Retained earnings		202,344	196,465
		<b>207,344</b>	<b>201,465</b>
<b>Total liabilities and Islamic banking capital funds</b>		<b>429,956</b>	<b>373,836</b>

**Unaudited Statements of Comprehensive Income  
For the First Quarter Ended 31 March 2018**

Group and Bank	Notes	First Quarter Ended		Cumulative 3 Months Ended	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Income derived from investment of Islamic banking fund	(e)	22,646	43,457	22,646	43,457
Direct costs		(1,135)	(1,439)	(1,135)	(1,439)
<b>Net income attributable to the Group and the Bank</b>		<b>21,511</b>	<b>42,018</b>	<b>21,511</b>	<b>42,018</b>
Overhead expenses	(f)	(12,877)	(16,345)	(12,877)	(16,345)
<b>Operating profit</b>		<b>8,634</b>	<b>25,673</b>	<b>8,634</b>	<b>25,673</b>
Writeback of impairment on other assets		240	130	240	130
<b>Profit before taxation and zakat</b>		<b>8,874</b>	<b>25,803</b>	<b>8,874</b>	<b>25,803</b>
Taxation		(2,130)	(6,193)	(2,130)	(6,193)
Zakat		(865)	(841)	(865)	(841)
<b>Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank</b>		<b>5,879</b>	<b>18,769</b>	<b>5,879</b>	<b>18,769</b>

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

**Unaudited Statements of Changes in Equity**  
**For the First Quarter Ended 31 March 2018**

<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 2018</b>	<b>5,000</b>	<b>196,465</b>	<b>201,465</b>
Profit for the period	-	5,879	5,879
Total comprehensive income for the period	-	5,879	5,879
<b>At 31 March 2018</b>	<b>5,000</b>	<b>202,344</b>	<b>207,344</b>
<b>At 1 January 2017</b>	<b>5,000</b>	<b>168,552</b>	<b>173,552</b>
Profit for the period	-	18,769	18,769
Total comprehensive income for the period	-	18,769	18,769
<b>At 31 March 2017</b>	<b>5,000</b>	<b>187,321</b>	<b>192,321</b>

**Unaudited Statements of Cash Flows**  
**For the First Quarter Ended 31 March 2018**

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat, representing operating profit before working capital changes	8,874	25,803
Increase in receivables	(32,531)	(48,852)
Increase in payables	47,246	22,116
Net cash generated from/(used in) operating activities	23,589	(933)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>23,589</b>	<b>(933)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>2,757</b>	<b>2,880</b>
<b>Cash and cash equivalents at end of the period</b>	<b>26,346</b>	<b>1,947</b>

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

**(a) Cash and short-term funds**

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Cash and bank balances with financial institutions	<b>26,346</b>	<b>2,757</b>

**(b) Other assets**

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Debtors and prepayments	<b>403,610</b>	<b>371,079</b>

**(c) Other liabilities**

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Provisions and accruals *	<b>219,618</b>	<b>162,214</b>

\* Include prohibited sources/means to charitable causes amounting to RM4,683 (2017: RM432).

**(d) Provision for taxation and zakat**

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Taxation	<b>2,129</b>	<b>9,176</b>
Zakat	<b>865</b>	<b>981</b>
	<b>2,994</b>	<b>10,157</b>

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

	<b>First Quarter Ended</b>		<b>Cumulative 3 Months Ended</b>	
	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
<b>Group and Bank</b>				
Realised gain from sale of financial assets at fair value through profit or loss, net	<b>236</b>	<b>-</b>	<b>236</b>	<b>-</b>
Fee and commission income from:				
- Arranger and upfront fees	<b>18,676</b>	<b>25,331</b>	<b>18,676</b>	<b>25,331</b>
- Brokerage income	<b>1,661</b>	<b>1,296</b>	<b>1,661</b>	<b>1,296</b>
- Corporate advisory fees	<b>-</b>	<b>15,540</b>	<b>-</b>	<b>15,540</b>
- Others	<b>2,073</b>	<b>1,290</b>	<b>2,073</b>	<b>1,290</b>
<b>Total</b>	<b>22,646</b>	<b>43,457</b>	<b>22,646</b>	<b>43,457</b>

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

**(f) Overhead expenses**

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
<u>Group and Bank</u>	RM'000	RM'000	RM'000	RM'000
Personnel expenses (Note (i))	10,165	11,748	10,165	11,748
Establishment costs				
- Service chargeback	(494)	(907)	(494)	(907)
- Other establishment costs	1,581	2,852	1,581	2,852
Marketing costs	1,005	941	1,005	941
Administration and general expenses (Note (i))	620	1,711	620	1,711
<b>Total</b>	<b>12,877</b>	<b>16,345</b>	<b>12,877</b>	<b>16,345</b>

Note (i): Dealers' incentive and trade-related charges have been reclassified to direct costs as these are directly attributable expenses in generating non-interest income.

**(g) Capital adequacy**

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

	31 March 2018	31 December 2017
<u>Group and Bank</u>	%	%
CET1 capital ratio	82.199	85.860
Tier 1 capital ratio	82.199	85.860
Total capital ratio	82.199	85.860

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

	31 March 2018	31 December 2017
<u>Group and Bank</u>	RM'000	RM'000
<b>Tier 1 capital</b>		
Islamic banking fund	5,000	5,000
Retained earnings	196,465	196,465
<b>CET1 capital/Tier 1 capital/Total capital</b>	<b>201,465</b>	<b>201,465</b>

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

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

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

<u>Group and Bank</u>	<u>Gross credit exposures</u>	<u>Net credit exposures</u>	<u>Risk-weighted assets</u>	<u>Capital requirements</u>
31 March 2018 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	25,613	25,613	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	732	732	146	12
Other assets	532,738	532,738	138,584	11,087
<b>Total on-balance sheet exposures</b>	<b>559,083</b>	<b>559,083</b>	<b>138,730</b>	<b>11,099</b>
<b>Total on and off-balance sheet exposures *</b>	<b>559,083</b>	<b>559,083</b>	<b>138,730</b>	<b>11,099</b>
<b>(ii) <u>Market Risk</u></b>				
Foreign currency risk	-	-	3	-
<b>(iii) <u>Operational Risk</u></b>				
	-	-	106,361	62,088
<b>Total RWA and capital requirements</b>	<b>559,083</b>	<b>559,083</b>	<b>245,094</b>	<b>73,187</b>

<u>Group and Bank</u>	<u>Gross credit exposures</u>	<u>Net credit exposures</u>	<u>Risk-weighted assets</u>	<u>Capital requirements</u>
31 December 2017 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	2,323	2,323	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	431	431	86	7
Other assets	530,193	530,193	138,878	11,110
<b>Total on-balance sheet exposures</b>	<b>532,947</b>	<b>532,947</b>	<b>138,964</b>	<b>11,117</b>
<b>Total on and off-balance sheet exposures *</b>	<b>532,947</b>	<b>532,947</b>	<b>138,964</b>	<b>11,117</b>
<b>(ii) <u>Market Risk</u></b>				
Foreign currency risk	-	-	3	-
<b>(iii) <u>Operational Risk</u></b>				
	-	-	95,677	7,654
<b>Total RWA and capital requirements</b>	<b>532,947</b>	<b>532,947</b>	<b>234,644</b>	<b>18,771</b>

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

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

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

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

**(i) Allocation of income**

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

**(j) Shariah committee**

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

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

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

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

The Group and the Bank presently have five Shariah members.

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**32. Fair value of financial instruments**

**Fair value hierarchy**

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

**(a) Level 1: Quoted prices**

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

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

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

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

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

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 31 March 2018 and 31 December 2017.

<u>Group and Bank</u>	<u>Valuation techniques using</u>			<u>Total</u> RM'000
	<u>Quoted</u> <u>Market Price</u> <u>(Level 1)</u> RM'000	<u>Observable</u> <u>Inputs</u> <u>(Level 2)</u> RM'000	<u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u> RM'000	

  

<b>As at 31 March 2018</b>				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	343,179	98,391	-	441,570
Derivative assets	-	15,968	-	15,968
	<u>343,179</u>	<u>114,359</u>	<u>-</u>	<u>457,538</u>
Financial liabilities measured at fair values:				
Derivative liabilities	<u>14,223</u>	<u>89,898</u>	<u>-</u>	<u>104,121</u>

  

<b>As at 31 December 2017</b>				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	358,635	31,542	-	390,177
Derivative assets	-	8,855	-	8,855
	<u>358,635</u>	<u>40,397</u>	<u>-</u>	<u>399,032</u>
Financial liabilities measured at fair values:				
Derivative liabilities	<u>21,530</u>	<u>81,198</u>	<u>-</u>	<u>102,728</u>

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

**Valuation techniques**

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

**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.

**33. Financial Effects arising from Adoption of MFRS 9 Financial Instruments**

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statements of financial position of the Group and of the Bank:

**Group  
Statements of Financial Position**

	31 December 2017 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1 January 2018 RM'000
<b>ASSETS</b>				
Cash and short-term funds	703,662	-	-	703,662
Deposits and placements with a financial institution	807,279	-	-	807,279
Financial investments portfolio	429,655	918	-	430,573
Loans and advances	471,360	-	288	471,648
Derivative assets	8,855	-	-	8,855
Other assets	951,992	-	-	951,992
Tax recoverable	9,615	-	(69)	9,546
Statutory deposit with Bank Negara Malaysia	105	-	-	105
Investment in a joint venture	5,746	-	-	5,746
Property, plant and equipment	14,911	-	-	14,911
Intangible assets	16,312	-	-	16,312
Deferred tax assets	19,603	-	-	19,603
<b>TOTAL ASSETS</b>	<b>3,439,095</b>	<b>918</b>	<b>219</b>	<b>3,440,232</b>
<b>LIABILITIES</b>				
Deposits and placements from a financial institution	743,958	-	-	743,958
Derivative liabilities	102,728	-	-	102,728
Other liabilities	1,947,040	-	-	1,947,040
Provision for zakat	981	-	-	981
<b>TOTAL LIABILITIES</b>	<b>2,794,707</b>	<b>-</b>	<b>-</b>	<b>2,794,707</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	222,785	-	-	222,785
Reserves	421,603	918	219	422,740
<b>TOTAL EQUITY</b>	<b>644,388</b>	<b>918</b>	<b>219</b>	<b>645,525</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>3,439,095</b>	<b>918</b>	<b>219</b>	<b>3,440,232</b>



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**33. Financial Effects arising from Adoption of MFRS 9 Financial Instruments (Cont'd)**

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statements of financial position of the Group and of the Bank: (Cont'd)

**Bank**

**Statements of Financial Position**

	31 December 2017 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1 January 2018 RM'000
<b>ASSETS</b>				
Cash and short-term funds	663,163	-	-	663,163
Deposits and placements with a financial institution	807,259	-	-	807,259
Financial investments portfolio	429,655	918	-	430,573
Loans and advances	471,360	-	288	471,648
Derivative assets	8,855	-	-	8,855
Other assets	951,912	-	-	951,912
Tax recoverable	7,743	-	(69)	7,674
Statutory deposit with Bank Negara Malaysia	105	-	-	105
Investment in subsidiaries	203,259	-	-	203,259
Investment in a joint venture	5,996	-	-	5,996
Property, plant and equipment	14,896	-	-	14,896
Intangible assets	16,312	-	-	16,312
Deferred tax assets	19,603	-	-	19,603
<b>TOTAL ASSETS</b>	<b>3,600,118</b>	<b>918</b>	<b>219</b>	<b>3,601,255</b>
<b>LIABILITIES</b>				
Deposits and placements from a financial institution	743,958	-	-	743,958
Derivative liabilities	102,728	-	-	102,728
Other liabilities	2,117,187	-	-	2,117,187
Provision for zakat	981	-	-	981
<b>TOTAL LIABILITIES</b>	<b>2,964,854</b>	<b>-</b>	<b>-</b>	<b>2,964,854</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	222,785	-	-	222,785
Reserves	412,479	918	219	413,616
<b>TOTAL EQUITY</b>	<b>635,264</b>	<b>918</b>	<b>219</b>	<b>636,401</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>3,600,118</b>	<b>918</b>	<b>219</b>	<b>3,601,255</b>

- (ii) The following table analyses the impact, net of tax, of transition to MFRS 9 and Revised Financial Reporting Guidelines issued by BNM on the statements of financial position of the Group and of the Bank:

	<b>Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines</b>	
	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Regulatory reserve</b>		
Closing balance as at 31 December 2017	5,022	5,022
- Transfer from retained earnings	28,378	28,378
Opening balance as at 1 January 2018	<b>33,400</b>	<b>33,400</b>

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**33. Financial Effects arising from Adoption of MFRS 9 Financial Instruments (Cont'd)**

- (ii) The following table analyses the impact, net of tax, of transition to MFRS 9 and Revised Financial Reporting Guidelines issued by BNM on the statements of financial position of the Group and of the Bank: (Cont'd)

	<b>Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines</b>	
	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Fair value through other comprehensive income reserve</b>		
Closing balance as at 31 December 2017	-	-
- Unrealised gain on financial assets at FVOCI	918	918
Opening balance as at 1 January 2018	<u>918</u>	<u>918</u>
<b>Retained earnings</b>		
Closing balance as at 31 December 2017	416,961	407,457
- Transfer to regulatory reserve	(28,378)	(28,378)
- Writeback of expected credit loss	288	288
- Tax in respect of writeback of expected credit loss	(69)	(69)
Opening balance as at 1 January 2018	<u>388,802</u>	<u>379,298</u>

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

	<b>31 December 2017 RM'000</b>	<b>Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines RM'000</b>	<b>1 January 2018 RM'000</b>
<b>Group</b>			
CET1 capital	598,854	(27,241)	571,613
Tier 1 capital	598,854	(27,241)	571,613
Total capital	602,727	(27,241)	575,486
Risk-weighted assets	1,911,912	1,596	1,913,508
CET1 capital ratio (%)	31.322	(1.449)	29.873
Tier 1 capital ratio (%)	31.322	(1.449)	29.873
Total capital ratio (%)	<u>31.525</u>	<u>(1.450)</u>	<u>30.075</u>
<b>Bank</b>			
CET1 capital	561,569	(27,241)	534,328
Tier 1 capital	561,569	(27,241)	534,328
Total capital	561,569	(27,241)	534,328
Risk-weighted assets	1,892,474	1,596	1,894,070
CET1 capital ratio (%)	29.674	(1.463)	28.211
Tier 1 capital ratio (%)	29.674	(1.463)	28.211
Total capital ratio (%)	<u>29.674</u>	<u>(1.463)</u>	<u>28.211</u>