

**MAYBANK INVESTMENT BANK BERHAD**

**(15938-H)**

**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018**

<b>Group</b>	<b>Note</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	14	715,131	703,662
Deposits and placements with a financial institution	15	929,243	807,279
Financial investments portfolio	16	449,833	429,655
Loans and advances	17	408,361	471,360
Derivative assets	21 (i)	19,146	8,855
Other assets	18	1,001,113	951,992
Tax recoverable		24,173	9,615
Statutory deposit with Bank Negara Malaysia		105	105
Investment in a joint venture		4,112	5,746
Property, plant and equipment		12,220	14,911
Intangible assets		14,787	16,312
Deferred tax assets		8,389	19,603
<b>TOTAL ASSETS</b>		<b>3,586,613</b>	<b>3,439,095</b>
<b>LIABILITIES</b>			
Deposits and placements from a financial institution	19	900,005	743,958
Derivative liabilities	21 (ii)	126,578	102,728
Other liabilities	20	1,952,142	1,947,040
Provision for zakat		621	981
<b>TOTAL LIABILITIES</b>		<b>2,979,346</b>	<b>2,794,707</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital		222,785	222,785
Reserves		384,482	421,603
<b>TOTAL EQUITY</b>		<b>607,267</b>	<b>644,388</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
		<b>3,586,613</b>	<b>3,439,095</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	29	<b>1,714,035</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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**(15938-H)**  
(Incorporated in Malaysia)

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018**

<u>Bank</u>	<u>Note</u>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	14	679,496	663,163
Deposits and placements with a financial institution	15	929,223	807,259
Financial investments portfolio	16	449,833	429,655
Loans and advances	17	408,361	471,360
Derivative assets	21 (i)	19,146	8,855
Other assets	18	998,357	951,912
Tax recoverable		22,321	7,743
Statutory deposit with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,259	203,259
Investment in a joint venture		2,596	5,996
Property, plant and equipment		12,205	14,896
Intangible assets		14,787	16,312
Deferred tax assets		8,389	19,603
<b>TOTAL ASSETS</b>		<b>3,748,078</b>	<b>3,600,118</b>
<b>LIABILITIES</b>			
Deposits and placements from a financial institution	19	900,005	743,958
Derivative liabilities	21 (ii)	126,578	102,728
Other liabilities	20	2,123,003	2,117,187
Provision for zakat		621	981
<b>TOTAL LIABILITIES</b>		<b>3,150,207</b>	<b>2,964,854</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital		222,785	222,785
Reserves		375,086	412,479
<b>TOTAL EQUITY</b>		<b>597,871</b>	<b>635,264</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>3,748,078</b>	<b>3,600,118</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	29	<b>1,714,035</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**

**(15938-H)**

**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

<b>Group</b>	<b>Notes</b>	<b>Second Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
		<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Interest income	22	18,310	11,778	35,546	22,300
Interest expense	23	(13,207)	(7,502)	(23,730)	(14,263)
Net interest income		5,103	4,276	11,816	8,037
Income from Islamic Banking Scheme operations	31	7,486	4,790	30,132	48,247
Non-interest income	24	84,031	77,096	170,269	143,114
Direct costs	25	(8,410)	(7,515)	(16,951)	(13,184)
Net income		88,210	78,647	195,266	186,214
Overhead expenses	26	(67,680)	(63,086)	(144,581)	(125,397)
Operating profit		20,530	15,561	50,685	60,817
Writeback of/(allowance for) impairment on loans and advances and other assets, net	27	1,343	460	(560)	(969)
		21,873	16,021	50,125	59,848
Share of results of a joint venture		(803)	(1,228)	(1,618)	(1,351)
<b>Profit before taxation and zakat</b>		<b>21,070</b>	<b>14,793</b>	<b>48,507</b>	<b>58,497</b>
Taxation and zakat		(5,031)	(4,069)	(12,519)	(16,183)
<b>Profit for the period, attributable to equity holder of the Bank</b>		<b>16,039</b>	<b>10,724</b>	<b>35,988</b>	<b>42,314</b>
<b>Basic and diluted earnings per share (sen), attributable to equity holder of the Bank</b>		<b>32</b>	<b>21</b>	<b>72</b>	<b>84</b>
<b>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</b>					
Foreign currency translation		372	(648)	(346)	(1,001)
<b>Total other comprehensive income/(loss) for the period, net of tax</b>		<b>372</b>	<b>(648)</b>	<b>(346)</b>	<b>(1,001)</b>
<b>Total comprehensive income for the period, attributable to equity holder of the Bank</b>		<b>16,411</b>	<b>10,076</b>	<b>35,642</b>	<b>41,313</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**

(15938-H)

(Incorporated in Malaysia)

**CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

<b>Bank</b>	<b>Notes</b>	<b>Second Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
		<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Interest income	22	<b>18,031</b>	11,518	<b>34,987</b>	21,789
Interest expense	23	<b>(13,207)</b>	(7,502)	<b>(23,730)</b>	(14,263)
Net interest income		<b>4,824</b>	4,016	<b>11,257</b>	7,526
Income from Islamic Banking Scheme operations	31	<b>7,486</b>	4,790	<b>30,132</b>	48,247
Non-interest income	24	<b>84,589</b>	76,373	<b>170,227</b>	142,069
Direct costs	25	<b>(8,410)</b>	(7,515)	<b>(16,951)</b>	(13,184)
Net income		<b>88,489</b>	77,664	<b>194,665</b>	184,658
Overhead expenses	26	<b>(66,889)</b>	(62,324)	<b>(143,043)</b>	(123,901)
Operating profit		<b>21,600</b>	15,340	<b>51,622</b>	60,757
Allowance for impairment on investment in a joint venture		<b>(3,400)</b>	-	<b>(3,400)</b>	-
Writeback of/(allowance for) impairment on loans and advances and other assets, net	27	<b>1,418</b>	460	<b>(435)</b>	(969)
<b>Profit before taxation and zakat</b>		<b>19,618</b>	15,800	<b>47,787</b>	59,788
Taxation and zakat		<b>(4,978)</b>	(4,021)	<b>(12,417)</b>	(16,089)
<b>Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank</b>		<b>14,640</b>	11,779	<b>35,370</b>	43,699

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**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

<-----Non-distributable----->

	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	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 (Note 34)	-	-	-	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>(380)</b>	<b>388,802</b>	<b>645,525</b>
Profit for the period	-	-	-	-	-	-	35,988	35,988
Other comprehensive loss	-	-	-	-	-	(346)	-	(346)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(346)	35,988	35,642
Transfer to retained earnings	-	-	-	(6,351)	-	-	6,351	-
Dividend	-	-	-	-	-	-	(73,900)	(73,900)
<b>At 30 June 2018</b>	<b>222,785</b>	<b>-</b>	<b>-</b>	<b>27,049</b>	<b>918</b>	<b>(726)</b>	<b>357,241</b>	<b>607,267</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	-	-	-	-	-	-	42,314	42,314
Total comprehensive (loss)/income for the period	-	-	-	-	-	(1,001)	-	(1,001)
Transfer to regulatory reserve	-	-	-	-	-	(1,001)	42,314	41,313
Transfer to retained earnings	-	-	-	90	-	-	(90)	-
Transfer to share capital	172,669	(172,669)	(50,116)	-	-	-	50,116	-
<b>At 30 June 2017</b>	<b>222,785</b>	<b>-</b>	<b>-</b>	<b>3,587</b>	<b>-</b>	<b>756</b>	<b>358,174</b>	<b>585,302</b>

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**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

	Non-distributable					Fair value through other comprehensive income		Distributable		Total
Bank	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000		income reserve RM'000		Retained earnings 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 (Note 34)										
<b>At 1 January 2018, as restated</b>	222,785	-	-	33,400	918	-	-	379,298	-	636,401
Profit for the period	-	-	-	-	-	-	-	35,370	-	35,370
Total comprehensive income for the period	-	-	-	-	-	-	-	35,370	-	35,370
Transfer to retained earnings	-	-	-	(6,351)	-	-	-	6,351	-	-
Dividend	-	-	-	-	-	-	-	(73,900)	-	(73,900)
<b>At 30 June 2018</b>	222,785	-	-	27,049	918	-	-	347,119	-	597,871
<b>At 1 January 2017</b>	50,116	172,669	50,116	3,497	-	-	-	255,749	-	532,147
Profit for the period	-	-	-	-	-	-	-	43,699	-	43,699
Total comprehensive income for the period	-	-	-	-	-	-	-	43,699	-	43,699
Transfer to regulatory reserve	-	-	-	90	-	-	-	(90)	-	-
Transfer to retained earnings	-	-	(50,116)	-	-	-	-	50,116	-	-
Transfer to share capital	172,669	(172,669)	-	-	-	-	-	-	-	-
<b>At 30 June 2017</b>	222,785	-	-	3,587	-	-	-	349,474	-	575,846

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

		Group		Bank	
		30 June	30 June	30 June	30 June
		2018	2017	2018	2017
Note		RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>					
Profit before taxation and zakat		48,507	58,497	47,787	59,788
Adjustments for:					
Share of results of a joint venture		1,097	347	-	-
Depreciation of property, plant and equipment	26	3,418	3,184	3,418	3,184
Amortisation of computer software	26	2,519	2,027	2,519	2,027
Allowance for impairment on loans and advances and other assets, net		1,269	1,301	1,019	1,301
Allowance for impairment on investment in a joint venture		-	-	3,400	-
Gross dividends	24	(4,155)	(2,669)	(8,705)	(2,669)
Realised loss/(gain) from sale of financial assets at fair value through profit or loss, net	24	13,178	(36,026)	13,178	(36,026)
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	24	(43,634)	(91,922)	(43,634)	(91,922)
Realised (gain)/loss from sale of derivative financial instruments, net	24	(16,596)	29,759	(16,596)	29,759
Unrealised loss on revaluation of derivative financial instruments, net	24	16,449	89,220	16,449	89,220
Operating profit before working capital changes		22,052	53,718	18,835	54,662
Change in cash and short-term funds with original maturity more than three months		(16,644)	4,879	(16,644)	4,879
Change in deposits and placements with original maturity more than three months		(122,724)	(199,881)	(122,343)	(199,879)
Change in financial investments portfolio and derivative financial instruments		23,984	35,725	23,984	35,725
Change in loans and advances		62,999	(8,400)	62,999	(8,400)
Change in other assets		(48,681)	126,830	(46,327)	125,654
Change in deposits and placements from a financial institution		156,047	37,335	156,047	37,335
Change in other liabilities		5,102	73,898	5,816	73,558
Cash generated from operations		82,135	124,104	82,367	123,534
Taxation and zakat paid, net		(16,223)	(9,130)	(16,141)	(9,015)
Net cash generated from operating activities		65,912	114,974	66,226	114,519
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(458)	(928)	(458)	(928)
Proceeds from disposal of/(purchase of) computer software		269	(810)	269	(810)
Net dividends received		4,155	2,669	8,705	2,669
Net cash generated from investing activities		3,966	931	8,516	931
<b>Cash flows from financing activity</b>					
Dividends paid, representing net cash used in financing activity		(73,900)	-	(73,900)	-
Net (decrease)/increase in cash and cash equivalents		(4,022)	115,905	842	115,450
Cash and cash equivalents at the beginning of the period		704,163	560,576	663,644	520,577
Cash and cash equivalents at the end of the period		700,141	676,481	664,486	636,027

*(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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**CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

		<b>Group</b>		<b>Bank</b>	
		<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
		<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	<b>14</b>	<b>715,131</b>	680,283	<b>679,496</b>	639,849
Deposits and placements with a financial institution	<b>15</b>	<b>929,243</b>	553,340	<b>929,223</b>	553,320
		<b>1,644,374</b>	1,233,623	<b>1,608,719</b>	1,193,169
Less:					
Cash and short-term funds and deposits and placements with original maturity more than three months		<b>(944,233)</b>	(557,142)	<b>(944,233)</b>	(557,142)
		<b>700,141</b>	676,481	<b>664,486</b>	636,027

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

**1. Basis of Preparation**

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

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

The unaudited condensed interim financial statements do not include all the information and disclosure required in the audited financial statements, and should be read in conjunction with the audited financial statements for the financial year ended 31 December 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:

Description	Effective for annual periods beginning on or after
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
MFRS 140 <i>Transfers of Investment Property</i> (Amendments to MFRS 140)	1 January 2018
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
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
IC Interpretation 22 <i>Foreign Currency Transactions</i> and <i>Advance Consideration</i>	1 January 2018
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</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 for 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 have presented these information in the Unaudited Statements of Changes in Equity and in note 34.

- (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.

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**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 new MFRS, amendments to MFRS, annual improvements to MFRS and IC Interpretations which are effective for annual periods beginning on or after 1 January 2018 and new requirements of the BNM's Policy Document as disclosed in Note 1.

**3. Significant Accounting Estimates and Judgements**

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's and the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the financial year ended 31 December 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 second quarter ended 30 June 2018.

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

During the second quarter ended 30 June 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 second quarter ended 30 June 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 second quarter ended 30 June 2018.

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

There were no changes in the composition of the Group during the second quarter ended 30 June 2018.

**10. Dividends**

**(i) Dividend Paid**

At the Annual General Meeting on 11 April 2018, a single-tier final dividend in respect of the financial year ended 31 December 2017 of approximately RM1.47 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM73,900,000 was approved by the shareholder and subsequently paid to the shareholder on 20 April 2018.

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**10. Dividends (Cont'd)**

(ii) Dividend Payable

The Board of Directors have declared a single-tier interim dividend in respect of the financial year ending 31 December 2018 of approximately RM0.09 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM4,500,000.

**11. Significant and Subsequent Events**

There were no significant and subsequent events during the second quarter ended 30 June 2018.

**12. Performance Review**

For the financial period ended 30 June 2018, the Group's operating profit dropped by 16.7% to RM50.7 million from RM60.8 million a year ago, resulting from higher overhead expenses and lower income from Islamic Banking Scheme operations.

Net income increased by 4.9% from RM186.2 million to RM195.3 million. Net interest income increased by 47.0% to RM11.8 million due to higher interest income from deposits and placements with financial institutions, interest income from other term loans and interest income from margin loans. Non-interest income increased by RM27.2 million from RM143.1 million due to higher investment income from equity swaps, autocallable and structured warrants. These were partly mitigated by lower income from Islamic Banking Scheme operations by RM18.1 million to RM30.1 million from RM48.2 million a year ago due to lower fee-based income from Islamic investment banking business.

Overhead expenses increased by 15.3% or RM19.2 million to RM144.6 million from RM125.4 million. This was substantially contributed by higher personnel expenses incurred during the period.

The Group's profit before taxation and zakat decreased by 17.1% or RM10.0 million from RM58.5 million to RM48.5 million. Profit for the period dropped by 14.9% or RM6.3 million to RM36.0 million from RM42.3 million in the previous corresponding period.

**13. Business Outlook**

The world's real Gross Domestic Product ("GDP") growth momentum is expected to sustain at +3.9% in 2018E (2017: +3.7%), underpinned by a pick up in the United States ("US") (2018E: +2.8%; 2017: +2.3%) and improved growth in selected BRIC (Brazil, Russia, India and China) markets such as Brazil (2018E: +1.9%; 2017: +1.0%), Russia (2018E: +1.8%; 2017: +1.5%) and India (2018E: +7.3%; 2017: +6.7%). However, global growth is expected to see some moderation in second half of 2018 amid the outlook of slower expansion in China (2018E: +6.6%; 2017: +6.9%), the Eurozone (2018E: +2.2%; 2017: +2.4%) and Japan (2018E: +1.2%; 2017: +1.7%).

Meanwhile, the ASEAN-6 countries could chart a stable pace of growth in 2018E at +5.1% (2017: +5.1%), in spite of headwinds such as global monetary policy normalisation and US-China trade war risk. Thailand's growth is expected to quicken to +4.5% (2017: +3.9%) and Indonesia's growth to be slightly higher at +5.3% (2017: +5.1%) which offset slower growth in Malaysia (2018E: +4.8%; 2017: +5.9%) and Philippines (2018E: +6.3%; 2017: +6.7%).

The growth is forecasted to remain stable in Singapore (2018E: +3.5%; 2017: +3.6%) and Vietnam (2018E: +6.8%; 2017: +6.8%) respectively.

Following Malaysia's 14th General Election ("GE14") held on 9 May 2018, the country's real GDP growth in 2018 will be supported by an expected pick-up in consumer spending. External demand growth will also expand in 2018 but the pace of growth is expected to moderate after the high growth experienced in 2017.

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	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Cash and bank balances with financial institutions	205,681	240,105	200,229	233,926
Deposit placements maturing within one month	509,450	463,557	479,267	429,237
<b>Total cash and short-term funds</b>	<b>715,131</b>	<b>703,662</b>	<b>679,496</b>	<b>663,163</b>

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM240,705,000 (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	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Licensed bank	929,243	807,279	929,223	807,259

**16. Financial investments portfolio**

		Group and Bank	
		30 June 2018 RM'000	31 December 2017 RM'000
Financial assets at fair value through profit or loss	(i)	448,682	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>449,833</b>	<b>429,655</b>

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

	Group and Bank	
	30 June 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>		
<b>Quoted financial assets:</b>		
Shares in Malaysia	209,442	214,202
Shares outside Malaysia	102,642	144,433
Islamic debt securities in Malaysia	500	-
	<b>312,584</b>	<b>358,635</b>
<b>Unquoted financial assets:</b>		
Loan stock in Malaysia	39,245	-
Structured product	96,853	31,542
	<b>448,682</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>30 June</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>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost less accumulated impairment loss</b>		
<b>Unquoted financial assets:</b>		
Private debt securities in Malaysia	33	-

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

	<b>Group and Bank</b>	
	<b>30 June</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>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost less accumulated impairment loss</b>		
<b>Unquoted financial investments:</b>		
Private debt securities in Malaysia	-	33

**17. Loans and advances**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loans		
- Other term loans	99,340	109,256
Amount due from brokers and clients		
- Margin accounts	286,921	340,987
Staff loans	22,673	22,032
Gross loans and advances	408,934	472,275
Less: Allowance for impairment losses		
- ECL allowances:		
- Stage 1 - 12-month ECL	(300)	-
- Stage 3 - Lifetime ECL credit impaired	(273)	-
- Individual assessment allowance	-	(273)
- Collective assessment allowance	-	(642)
<b>Net loans and advances</b>	<b>408,361</b>	<b>471,360</b>

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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>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Domestic business enterprises	155,321	183,846
Individuals	249,823	281,910
Foreign entities	3,790	6,519
<b>Gross loans and advances</b>	<b>408,934</b>	<b>472,275</b>

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

	<b>Group and Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Fixed rate		
- Housing loans	12,891	11,489
- Hire purchase receivables	9,279	10,280
- Other fixed rate loans	503	263
Variable rate		
- Base lending rate (BLR)-plus	286,921	340,987
- Cost-plus	99,340	109,256
<b>Gross loans and advances</b>	<b>408,934</b>	<b>472,275</b>

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

	<b>Group and Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Purchase of securities	286,921	340,987
Purchase of transport vehicles	9,279	10,280
Purchase of residential landed property	12,891	11,489
Personal use	503	263
Others	99,340	109,256
<b>Gross loans and advances</b>	<b>408,934</b>	<b>472,275</b>

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

	<b>Group and Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Within one year	377,015	435,710
More than one year to three years	13,165	3,947
More than three years to five years	6,019	21,258
More than five years	12,735	11,360
<b>Gross loans and advances</b>	<b>408,934</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>30 June 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>30 June 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 12-month ECL RM'000</b>	<b>Stage 2 Lifetime ECL not credit impaired RM'000</b>	<b>Stage 3 Lifetime ECL credit impaired RM'000</b>	<b>Total ECL RM'000</b>
<b>Group and Bank</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)	(53)	-	-	(53)
<b>At 30 June 2018</b>	<b>300</b>	<b>-</b>	<b>273</b>	<b>573</b>

	<b>Group and Bank</b>	
	<b>30 June 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 the 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):**

	<b>Group and Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<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 the end of financial period/year</b>	<b>-</b>	<b>642</b>

**18. Other assets**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Amount due from brokers and clients				
- Non-margin accounts (a)	791,959	784,480	791,959	784,480
Amount due from ultimate holding company	21,957	25,609	21,957	25,609
Other debtors, deposits and prepayments	205,984	159,611	199,250	155,803
	<b>1,019,900</b>	<b>969,700</b>	<b>1,013,166</b>	<b>965,892</b>
Less: Allowance for impairment losses	(18,787)	(17,708)	(14,809)	(13,980)
	<b>1,001,113</b>	<b>951,992</b>	<b>998,357</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**

	<b>Group and Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Licensed bank	900,005	743,958

**20. Other liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Provisions and accruals	51,593	113,736	51,397	113,553
Amount due to brokers and clients (a)	743,248	745,988	743,248	745,988
Deposits and other creditors	1,071,632	1,020,434	1,071,215	1,019,290
Amount due to:				
- Holding company	76,684	45,662	76,684	45,662
- Related companies	8,985	21,220	8,985	21,220
- Subsidiaries	-	-	171,474	171,474
	<b>1,952,142</b>	<b>1,947,040</b>	<b>2,123,003</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			
	30 June 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	263,593	19,146	118,129	8,855

**(ii) Derivative liabilities**

	Group and Bank			
	30 June 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	325,251	126,431	151,143	81,445
Equity swaps				
- Less than one year	1,721	147	145,972	21,283
	<b>326,972</b>	<b>126,578</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			
	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
<b>Equity-related derivatives:</b>				
Index futures	(483)	-	(483)	5
Equity options	(20,949)	(646)	(47,393)	(8,134)
Equity swaps	21,465	11,770	31,427	(81,091)
	<b>33</b>	<b>11,124</b>	<b>(16,449)</b>	<b>(89,220)</b>

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**22. Interest income**

<u>Group</u>	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	7,628	5,566	15,638	11,045
- Interest income on impaired loans	24	25	45	47
Money at call and deposits and placements with financial institutions	9,754	5,802	18,427	10,465
Others	904	385	1,436	743
<b>Total interest income</b>	<b>18,310</b>	<b>11,778</b>	<b>35,546</b>	<b>22,300</b>

<u>Bank</u>	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	7,628	5,566	15,638	11,045
- Interest income on impaired loans	24	25	45	47
Money at call and deposits and placements with financial institutions	9,475	5,542	17,868	9,954
Others	904	385	1,436	743
<b>Total interest income</b>	<b>18,031</b>	<b>11,518</b>	<b>34,987</b>	<b>21,789</b>

**23. Interest expense**

<u>Group and Bank</u>	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from a financial institution	4,841	3,337	8,697	6,404
Derivative financial instruments	8,366	4,165	15,033	7,859
<b>Total interest expense</b>	<b>13,207</b>	<b>7,502</b>	<b>23,730</b>	<b>14,263</b>

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**24. Non-interest income**

<u>Group</u>	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Fee and commission income:</b>				
Arranger and upfront fees	12,468	6,475	20,235	12,519
Brokerage income	39,646	50,416	89,703	96,566
Corporate advisory fees	6,591	3,772	8,358	5,324
Placement and related fees	382	3,097	5,687	3,100
Underwriting commission	-	908	622	1,421
Others	2,199	3,430	5,032	6,525
	<b>61,286</b>	<b>68,098</b>	<b>129,637</b>	<b>125,455</b>
<b>Investment income:</b>				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(11,751)	16,077	(13,178)	36,027
Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss, net	24,835	(9,448)	43,634	91,922
Realised gain/(loss) from sale of derivative financial instruments, net	10,165	(14,565)	16,596	(29,759)
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 21 (iii))	33	11,124	(16,449)	(89,220)
Gross dividends from:				
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	1,307	2,170	3,569	2,238
- Quoted outside Malaysia	586	431	586	431
	<b>25,175</b>	<b>5,789</b>	<b>34,758</b>	<b>11,639</b>
<b>Other income:</b>				
Foreign exchange (loss)/gain, net	(3,429)	2,012	3,662	3,824
Others	999	1,197	2,212	2,196
	<b>(2,430)</b>	<b>3,209</b>	<b>5,874</b>	<b>6,020</b>
<b>Total non-interest income</b>	<b>84,031</b>	<b>77,096</b>	<b>170,269</b>	<b>143,114</b>

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

	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
<b>Fee and commission income:</b>				
Arranger and upfront fees	12,468	6,475	20,235	12,519
Brokerage income	39,646	50,416	89,703	96,566
Corporate advisory fees	2,599	3,052	3,766	4,282
Placement and related fees	382	3,097	5,687	3,100
Underwriting commission	-	908	622	1,421
Others	2,199	3,430	5,032	6,525
	<u>57,294</u>	<u>67,378</u>	<u>125,045</u>	<u>124,413</u>
<b>Investment income:</b>				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(11,751)	16,077	(13,178)	36,027
Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss, net	24,835	(9,448)	43,634	91,922
Realised gain/(loss) from sale of derivative financial instruments, net	10,165	(14,565)	16,596	(29,759)
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 21 (iii))	33	11,124	(16,449)	(89,220)
Gross dividends from:				
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	1,307	2,170	3,569	2,238
- Quoted outside Malaysia	586	431	586	431
Subsidiary	4,550	-	4,550	-
	<u>29,725</u>	<u>5,789</u>	<u>39,308</u>	<u>11,639</u>
<b>Other income:</b>				
Foreign exchange (loss)/gain, net	(3,429)	2,012	3,662	3,824
Others	999	1,194	2,212	2,193
	<u>(2,430)</u>	<u>3,206</u>	<u>5,874</u>	<u>6,017</u>
<b>Total non-interest income</b>	<u>84,589</u>	<u>76,373</u>	<u>170,227</u>	<u>142,069</u>

**25. Direct costs**

	Group and Bank			
	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Dealers' incentive	5,619	3,819	10,139	6,839
Trade-related charges	2,791	3,696	6,812	6,345
	<u>8,410</u>	<u>7,515</u>	<u>16,951</u>	<u>13,184</u>

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**26. Overhead expenses**

<b>Group</b>	<b>Second Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses (Note (i))	46,312	42,461	100,211	84,539
- Pension costs - defined contribution plan	4,795	4,732	9,628	9,204
- Employees' Share Scheme expenses	-	1,236	486	2,425
- Other staff-related expenses	2,469	2,680	4,832	4,572
	<u>53,576</u>	<u>51,109</u>	<u>115,157</u>	<u>100,740</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	1,708	1,579	3,418	3,184
- Amortisation of computer software	1,276	1,017	2,519	2,027
- Rental	2,513	2,720	4,970	5,526
- Repairs and maintenance of property, plant and equipment	2,230	2,907	4,580	4,758
- Information technology expenses	3,922	3,263	7,748	6,403
- Service chargeback	(6,538)	(7,708)	(12,866)	(12,593)
- Others	547	439	1,003	818
	<u>5,658</u>	<u>4,217</u>	<u>11,372</u>	<u>10,123</u>
<b>Marketing costs</b>				
- Advertisement and publicity	2,742	3,350	7,690	6,030
- Others	2,221	1,368	3,612	2,806
	<u>4,963</u>	<u>4,718</u>	<u>11,302</u>	<u>8,836</u>
<b>Administration and general expenses</b>				
- Fee and brokerage (Note (i))	1,174	963	2,712	2,023
- Administrative expenses	1,135	1,053	1,863	1,870
- General expenses (Note (i))	1,174	1,026	2,175	1,805
	<u>3,483</u>	<u>3,042</u>	<u>6,750</u>	<u>5,698</u>
<b>Total overhead expenses</b>	<u>67,680</u>	<u>63,086</u>	<u>144,581</u>	<u>125,397</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)**

	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses (Note (i))	46,312	42,461	100,211	84,539
- Pension costs - defined contribution plan	4,795	4,732	9,628	9,204
- Employees' Share Scheme expenses	-	1,236	486	2,425
- Other staff related expenses	2,468	2,680	4,831	4,572
	<u>53,575</u>	<u>51,109</u>	<u>115,156</u>	<u>100,740</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	1,708	1,579	3,418	3,184
- Amortisation of computer software	1,276	1,017	2,519	2,027
- Rental	2,513	2,720	4,970	5,526
- Repairs and maintenance of property, plant and equipment	2,230	2,906	4,579	4,757
- Information technology expenses	3,922	3,263	7,748	6,403
- Service chargeback	(7,294)	(8,438)	(14,335)	(14,027)
- Others	547	439	1,003	818
	<u>4,902</u>	<u>3,486</u>	<u>9,902</u>	<u>8,688</u>
<b>Marketing costs</b>				
- Advertisement and publicity	2,742	3,350	7,690	6,030
- Others	2,224	1,369	3,621	2,814
	<u>4,966</u>	<u>4,719</u>	<u>11,311</u>	<u>8,844</u>
<b>Administration and general expenses</b>				
- Fee and brokerage (Note (i))	1,152	944	2,669	1,982
- Administrative expenses	1,120	1,040	1,830	1,842
- General expenses (Note (i))	1,174	1,026	2,175	1,805
	<u>3,446</u>	<u>3,010</u>	<u>6,674</u>	<u>5,629</u>
<b>Total overhead expenses</b>	<u>66,889</u>	<u>62,324</u>	<u>143,043</u>	<u>123,901</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. Writeback of/(allowance for) impairment on loans and advances and other assets, net**

<u>Group</u>	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Writeback of/(allowance for) impairment on loans and advances:				
- Collective allowance	-	5	-	(9)
- Stage 1 - 12-month ECL (Note 17 (vii))	17	-	53	-
Bad debts recovered	126	236	656	332
Writeback of/(allowance for) impairment on other assets, net	1,200	219	(1,269)	(1,292)
<b>Total</b>	<b>1,343</b>	<b>460</b>	<b>(560)</b>	<b>(969)</b>

<u>Bank</u>	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Writeback of/(allowance for) impairment on loans and advances:				
- Collective allowance	-	5	-	(9)
- Stage 1 - 12-month ECL (Note 17 (vii))	17	-	53	-
Bad debts recovered	1	236	531	332
Writeback of/(allowance for) impairment on other assets, net	1,400	219	(1,019)	(1,292)
<b>Total</b>	<b>1,418</b>	<b>460</b>	<b>(435)</b>	<b>(969)</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:

	<b>Group %</b>	<b>Bank %</b>
<b><u>At 30 June 2018</u></b>		
CET1 capital ratio	25.310	23.749
Tier 1 capital ratio	25.310	23.749
Total capital ratio	26.562	25.015
<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



**28. 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):

	Group RM'000	Bank RM'000
<b><u>At 30 June 2018</u></b>		
Paid-up share capital	222,785	222,785
Other reserves	357,433	348,037
<b>CET1 capital before regulatory adjustments</b>	<b>580,218</b>	<b>570,822</b>
Less: Deferred tax assets	(8,389)	(8,389)
Intangible assets	(14,787)	(14,787)
Investment in subsidiaries and a joint venture <sup>1</sup>	(4,112)	(34,380)
<b>CET1 capital/Tier 1 capital</b>	<b>552,930</b>	<b>513,266</b>
<b>Tier 2 capital</b>		
General provisions	27,349	27,349
<b>Tier 2 capital</b>	<b>27,349</b>	<b>27,349</b>
<b>Total capital</b>	<b>580,279</b>	<b>540,615</b>
<b><u>At 31 December 2017</u></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>
30 June 2018 Exposure Class	RM'000	RM'000	RM'000	RM'000
<b>(i) Credit Risk</b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	477,667	477,667	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,565,662	1,565,662	637,857	51,028
Corporates	162,543	95,711	95,711	7,657
Regulatory retail	251,319	118,169	113,615	9,089
Higher risk assets	40,363	40,363	60,545	4,844
Other assets	352,248	352,248	266,063	21,285
<b>Total on-balance sheet exposures</b>	<b>2,849,802</b>	<b>2,649,820</b>	<b>1,173,791</b>	<b>93,903</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,123,470	1,123,470	195	16
<b>Total off-balance sheet exposures</b>	<b>1,123,470</b>	<b>1,123,470</b>	<b>195</b>	<b>16</b>
<b>Total on and off-balance sheet exposures</b>	<b>3,973,272</b>	<b>3,773,290</b>	<b>1,173,986</b>	<b>93,919</b>
<b>(ii) Market Risk</b>				
Interest rate risk	-	-	-	-
Equity position risk	-	-	11,831	946
Foreign currency risk	-	-	156,795	12,544
Options risk	-	-	59,738	4,779
<b>Total</b>	<b>-</b>	<b>-</b>	<b>228,363</b>	<b>18,269</b>
<b>(iii) Operational Risk</b>				
	-	-	782,266	62,581
<b>Total RWA and capital requirements</b>	<b>3,973,272</b>	<b>3,773,290</b>	<b>2,184,616</b>	<b>174,769</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
(i) <u>Credit Risk</u>				
<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>
(ii) <u>Market Risk</u>				
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>
(iii) <u>Operational Risk</u>	-	-	763,899	61,112
<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>
30 June 2018	RM'000	RM'000	RM'000	RM'000
Exposure Class				
<b>(i) <u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	477,667	477,667	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,530,048	1,530,048	630,734	50,458
Corporates	162,543	95,711	95,711	7,657
Regulatory retail	251,319	118,169	113,615	9,089
Higher risk assets	40,363	40,363	60,545	4,844
Other assets	349,438	349,438	263,255	21,060
<b>Total on-balance sheet exposures</b>	<b>2,811,378</b>	<b>2,611,396</b>	<b>1,163,860</b>	<b>93,108</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,123,470	1,123,470	195	16
<b>Total off-balance sheet exposures</b>	<b>1,123,470</b>	<b>1,123,470</b>	<b>195</b>	<b>16</b>
<b>Total on and off-balance sheet exposures</b>	<b>3,934,848</b>	<b>3,734,866</b>	<b>1,164,055</b>	<b>93,124</b>
<b>(ii) <u>Market Risk</u></b>				
Interest rate risk	-	-	-	-
Equity position risk	-	-	11,825	946
Foreign currency risk	-	-	152,283	12,183
Options risk	-	-	59,736	4,779
<b>Total</b>	<b>-</b>	<b>-</b>	<b>223,843</b>	<b>17,908</b>
<b>(iii) <u>Operational Risk</u></b>				
	-	-	773,289	61,863
<b>Total RWA and capital requirements</b>	<b>3,934,848</b>	<b>3,734,866</b>	<b>2,161,187</b>	<b>172,895</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	30 June 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	1,123,081	-	-	1,052,235	-	-
- Maturity exceeding one year	389	195	195	897	449	449
	<b>1,123,470</b>	<b>195</b>	<b>195</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	590,565	-	-	415,244	-	-
<b>Total commitments and contingencies</b>	<b>1,714,035</b>	<b>195</b>	<b>195</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) Further case management on 15 October 2018 pending filing of the Appellants' respective Reply Submissions.

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.

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").

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

**Contingent liabilities (Cont'd)**

Case 2 (cont'd)

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 Appeals with costs of RM20,000 for each appeal respectively. On 9 August 2018, the Guarantor filed an application to the Federal Court for the Federal Court to review the Federal Court Decision ("FC Review Application"). The FC Review Application is fixed for case management on 7 September 2018.

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 1 November 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>30 June 2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net interest income	1,342	10,474	-	11,816
Income from Islamic Banking Scheme operations	27,192	2,940	-	30,132
Non-interest income	38,762	131,632	-	170,394
Direct costs	-	(16,951)	-	(16,951)
Net income	67,296	128,095	-	195,391
<b>Results</b>				
Segment results	67,296	128,095	-	195,391
Overhead expenses	(46,822)	(97,759)	-	(144,581)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(1,147)	462	-	(685)
Share of results of a joint venture	-	-	(1,618)	(1,618)
Profit/(loss) before taxation	19,327	30,798	(1,618)	48,507
Taxation and zakat				(12,519)
Profit for the period				35,988
<b>Other segment information</b>				
Depreciation of property, plant and equipment	589	2,829	-	3,418
Amortisation of computer software	316	2,203	-	2,519
<b>Group</b>	<b>Pillar 1</b>	<b>Pillar 2</b>	<b>Others</b>	<b>Total</b>
<b>30 June 2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net interest income	2,247	5,790	-	8,037
Income from Islamic Banking Scheme operations	45,721	2,526	-	48,247
Non-interest income	26,039	117,075	-	143,114
Direct costs	-	(13,184)	-	(13,184)
Net income	74,007	112,207	-	186,214
<b>Results</b>				
Segment results	74,007	112,207	-	186,214
Overhead expenses	(44,694)	(80,703)	-	(125,397)
Allowance for impairment on loans and advances and other assets, net	(766)	(203)	-	(969)
Share of results of a joint venture	-	-	(1,351)	(1,351)
Profit/(loss) before taxation	28,547	31,301	(1,351)	58,497
Taxation and zakat				(16,183)
Profit for the period				42,314
<b>Other segment information</b>				
Depreciation of property, plant and equipment	578	2,606	-	3,184
Amortisation of computer software	308	1,719	-	2,027

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

**Unaudited Statements of Financial Position as at 30 June 2018**

Group and Bank			
		30 June 2018 RM'000	31 December 2017 RM'000
	Notes		
<b>ASSETS</b>			
Cash and short-term funds	(a)	11,558	2,757
Financial assets at fair value through profit or loss	(b)	500	-
Other assets	(c)	392,147	371,079
<b>Total assets</b>		<b>404,205</b>	<b>373,836</b>
<b>LIABILITIES</b>			
Other liabilities	(d)	189,928	162,214
Provision for taxation and zakat	(e)	3,697	10,157
<b>Total liabilities</b>		<b>193,625</b>	<b>172,371</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>			
Islamic banking fund		5,000	5,000
Retained earnings		205,580	196,465
		<b>210,580</b>	<b>201,465</b>
<b>Total liabilities and Islamic banking capital funds</b>		<b>404,205</b>	<b>373,836</b>

**Unaudited Statements of Comprehensive Income  
For the Second Quarter Ended 30 June 2018**

Group and Bank	Notes	Second Quarter Ended		Cumulative 6 Months Ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income derived from investment of Islamic banking fund	(f)	7,486	4,790	30,132	48,247
Direct costs		(235)	(378)	(1,370)	(1,817)
<b>Net income attributable to the Group and to the Bank</b>		<b>7,251</b>	<b>4,412</b>	<b>28,762</b>	<b>46,430</b>
Overhead expenses	(g)	(3,183)	(3,982)	(16,060)	(20,327)
<b>Operating profit</b>		<b>4,068</b>	<b>430</b>	<b>12,702</b>	<b>26,103</b>
(Allowance for)/writeback of impairment on other assets		(130)	-	110	130
<b>Profit before taxation and zakat</b>		<b>3,938</b>	<b>430</b>	<b>12,812</b>	<b>26,233</b>
Taxation		(945)	(103)	(3,075)	(6,296)
Zakat		243	(174)	(622)	(1,015)
<b>Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank</b>		<b>3,236</b>	<b>153</b>	<b>9,115</b>	<b>18,922</b>

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

**Unaudited Statements of Changes in Equity**  
**For the Second Quarter Ended 30 June 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	-	9,115	9,115
Total comprehensive income for the period	-	9,115	9,115
<b>At 30 June 2018</b>	<b>5,000</b>	<b>205,580</b>	<b>210,580</b>
<b>At 1 January 2017</b>	<b>5,000</b>	<b>168,552</b>	<b>173,552</b>
Profit for the period	-	18,922	18,922
Total comprehensive income for the period	-	18,922	18,922
<b>At 30 June 2017</b>	<b>5,000</b>	<b>187,474</b>	<b>192,474</b>

**Unaudited Statements of Cash Flows**  
**For the Second Quarter Ended 30 June 2018**

	<b>Group and Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat, representing operating profit before working capital changes	12,812	26,233
Increase in receivables	(21,568)	(11,594)
Increase/(decrease) in payables	17,557	(9,538)
Net cash generated from operating activities	8,801	5,101
<b>Net increase in cash and cash equivalents</b>	<b>8,801</b>	<b>5,101</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>11,558</b>	<b>7,981</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>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances with financial institutions	<b>11,558</b>	<b>2,757</b>

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

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<b>Quoted financial assets:</b>		
Islamic debt securities in Malaysia	<b>500</b>	<b>-</b>

**(c) Other assets**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Debtors and prepayments	<b>392,147</b>	<b>371,079</b>

**(d) Other liabilities**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Provisions and accruals *	<b>189,928</b>	<b>162,214</b>

\* Include prohibited sources/means to charitable causes amounting to RM108 (2017: RM432).

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

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Taxation	<b>3,075</b>	<b>9,176</b>
Zakat	<b>622</b>	<b>981</b>
	<b>3,697</b>	<b>10,157</b>

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

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

	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<u>Group and Bank</u>	RM'000	RM'000	RM'000	RM'000
Realised gain from sale of financial assets at fair value through profit or loss, net	567	253	803	253
Fee and commission income from:				
- Arranger and upfront fees	4,075	1,182	22,751	26,513
- Brokerage income	1,279	1,230	2,940	2,526
- Corporate advisory fees	-	520	-	16,060
- Others	1,565	1,605	3,638	2,895
<b>Total</b>	<b>7,486</b>	<b>4,790</b>	<b>30,132</b>	<b>48,247</b>

**(g) Overhead expenses**

	Second Quarter Ended		Cumulative 6 Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<u>Group and Bank</u>	RM'000	RM'000	RM'000	RM'000
Personnel expenses (Note (i))	2,090	2,821	12,255	14,569
Establishment costs				
- Service chargeback	256	40	(238)	(867)
- Other establishment costs	449	649	2,030	3,501
Marketing costs	156	240	1,161	1,181
Administration and general expenses (Note (i))	232	232	852	1,943
<b>Total</b>	<b>3,183</b>	<b>3,982</b>	<b>16,060</b>	<b>20,327</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.

**(h) Capital adequacy**

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

	30 June 2018	31 December 2017
<u>Group and Bank</u>	%	%
CET1 capital ratio	85.248	85.860
Tier 1 capital ratio	85.248	85.860
Total capital ratio	85.248	85.860

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

	30 June 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	205,580	196,465
<b>CET1 capital/Tier 1 capital/Total capital</b>	<b>210,580</b>	<b>201,465</b>

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

**(h) 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>
30 June 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	10,027	10,027	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	517,637	517,637	103,527	8,282
Other assets	40,147	40,147	40,147	3,212
<b>Total on-balance sheet exposures</b>	<b>567,811</b>	<b>567,811</b>	<b>143,674</b>	<b>11,494</b>
<b>Total on and off-balance sheet exposures *</b>	<b>567,811</b>	<b>567,811</b>	<b>143,674</b>	<b>11,494</b>
<b>(ii) <u>Market Risk</u></b>				
Foreign currency risk	-	-	297	24
<b>(iii) <u>Operational Risk</u></b>				
	-	-	103,049	8,244
<b>Total RWA and capital requirements</b>	<b>567,811</b>	<b>567,811</b>	<b>247,020</b>	<b>19,761</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)**

**(i) 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.

**(j) 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.

**(k) 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 30 June 2018 and 31 December 2017.

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

  

<b>As at 30 June 2018</b>				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	312,084	136,598	-	448,682
Derivative assets	-	19,146	-	19,146
	<u>312,084</u>	<u>155,744</u>	<u>-</u>	<u>467,828</u>
Financial liabilities measured at fair values:				
Derivative liabilities	<u>11,698</u>	<u>114,880</u>	<u>-</u>	<u>126,578</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. Credit Exposures Arising from Credit Transactions with Connected Parties:**

There are no credit exposures arising from credit transactions with connected parties based on requirement of Paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties as at the end of the current and previous financial years.

**34. 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:

	31 December 2017 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1 January 2018 RM'000
<b>Group</b>				
<b>Statements of Financial Position</b>				
<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	-	289	471,649
Derivative assets	8,855	-	-	8,855
Other assets	951,992	-	-	951,992
Tax recoverable	9,615	-	(70)	9,545
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>

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**34. 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)

	31 December 2017 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	1 January 2018 RM'000
<b>Group (Cont'd)</b>				
<b>Statements of Financial Position</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>
<b>Bank</b>				
<b>Statements of Financial Position</b>				
<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	-	289	471,649
Derivative assets	8,855	-	-	8,855
Other assets	951,912	-	-	951,912
Tax recoverable	7,743	-	(70)	7,673
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>

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**34. 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 changes in equity 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	<u>33,400</u>	<u>33,400</u>
<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	289	289
- Tax in respect of writeback of expected credit loss	(70)	(70)
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>