

MAYBANK INVESTMENT BANK BERHAD
(Co. Reg. No.: 197301002412)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

<u>Group</u>	<u>Note</u>	<u>30 September 2020 RM'000</u>	<u>31 December 2019 RM'000</u>
ASSETS			
Cash and short-term funds	14	1,478,536	815,210
Deposits and placements with a financial institution	15	794,330	644,478
Financial investments portfolio	16	1,486,527	911,394
Loans and advances	17	182,236	346,616
Derivative assets	21 (i)	191,791	50,348
Other assets	18	834,807	491,786
Tax recoverable		-	23,223
Statutory deposit with Bank Negara Malaysia		105	105
Investment in a joint venture		451	1,147
Property, plant and equipment		5,195	6,556
Right-of-use assets		10,017	13,229
Intangible assets		9,474	11,841
Deferred tax assets		15,135	13,102
TOTAL ASSETS		5,008,604	3,329,035
LIABILITIES			
Deposits and placements from a financial institution	19	2,198,057	1,193,885
Derivative liabilities	21 (i)	344,352	280,221
Other liabilities	20	1,704,571	1,220,235
Provision for taxation and zakat		7,989	1,102
TOTAL LIABILITIES		4,254,969	2,695,443
SHAREHOLDER'S EQUITY			
Share capital		222,785	222,785
Reserves		530,850	410,807
TOTAL EQUITY		753,635	633,592
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		5,008,604	3,329,035
COMMITMENTS AND CONTINGENCIES	29	3,003,906	2,401,701

(These condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these financial statements)

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<u>Bank</u>	Note	30 September 2020 RM'000	31 December 2019 RM'000
ASSETS			
Cash and short-term funds	14	1,445,934	777,622
Deposits and placements with a financial institution	15	794,310	644,458
Financial investments portfolio	16	1,486,527	911,394
Loans and advances	17	182,236	346,616
Derivative assets	21 (i)	191,791	50,348
Other assets	18	835,372	491,703
Tax recoverable		-	22,512
Statutory deposit with Bank Negara Malaysia		105	105
Investment in subsidiaries		197,267	203,259
Property, plant and equipment		5,195	6,556
Right-of-use assets		10,017	13,229
Intangible assets		9,474	11,841
Deferred tax assets		15,135	13,102
TOTAL ASSETS		5,173,363	3,492,745
LIABILITIES			
Deposits and placements from a financial institution	19	2,198,057	1,193,885
Derivative liabilities	21 (i)	344,352	280,221
Other liabilities	20	1,875,593	1,391,070
Provision for taxation and zakat		7,998	1,102
TOTAL LIABILITIES		4,426,000	2,866,278
SHAREHOLDER'S EQUITY			
Share capital		222,785	222,785
Reserves		524,578	403,682
TOTAL EQUITY		747,363	626,467
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		5,173,363	3,492,745
COMMITMENTS AND CONTINGENCIES	29	3,003,906	2,401,701

(These condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

<u>Group</u>	Notes	Unaudited		Unaudited	
		Third Quarter Ended 30 September 2020 RM'000	30 September 2019 RM'000	Cumulative 9 Months Ended 30 September 2020 RM'000	30 September 2019 RM'000
Interest income	22	9,644	14,341	34,690	48,821
Interest expense	23	(9,168)	(9,753)	(32,279)	(34,010)
Net interest income		476	4,588	2,411	14,811
Income from Islamic Banking Scheme operations	31	29,555	8,105	45,521	41,541
Non-interest income	24	192,860	59,325	381,195	212,662
Direct costs	25	(30,822)	(6,200)	(55,167)	(17,758)
Net income		192,069	65,818	373,960	251,256
Overhead expenses	26	(73,304)	(61,082)	(213,585)	(204,095)
Operating profit		118,765	4,736	160,375	47,161
Allowance for impairment on loans and advances and other assets, net	27	(441)	(1,703)	(212)	(292)
Provision for contingent liability		-	(4,500)	-	(4,500)
		118,324	(1,467)	160,163	42,369
Share of results of a joint venture		(212)	(381)	(718)	(1,247)
Profit/(loss) before taxation and zakat		118,112	(1,848)	159,445	41,122
Taxation and zakat		(30,053)	(605)	(39,774)	(12,772)
Profit/(loss) for the period, attributable to equity holder of the Bank		88,059	(2,453)	119,671	28,350
Basic and diluted earnings/(loss) per share (sen), attributable to equity holder of the Bank		176	(5)	239	57
Other comprehensive (loss)/income:					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Net (loss)/gain on revaluation of financial asset at fair value through other comprehensive income		-	(14)	54	(14)
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Net (loss)/gain on foreign exchange translation		(60)	44	318	168
Other comprehensive (loss)/income for the period, net of tax		(60)	30	372	154
Total comprehensive income/(loss) for the period, attributable to equity holder of the Bank		87,999	(2,423)	120,043	28,504

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

<u>Bank</u>	Notes	Unaudited		Unaudited	
		Third Quarter Ended 30 September 2020 RM'000	30 September 2019 RM'000	Cumulative 9 Months Ended 30 September 2020 RM'000	30 September 2019 RM'000
Interest income	22	9,388	14,092	34,220	48,017
Interest expense	23	(9,168)	(9,753)	(32,279)	(34,010)
Net interest income		220	4,339	1,941	14,007
Income from Islamic Banking Scheme operations	31	29,555	8,105	45,521	41,541
Non-interest income	24	192,860	59,325	387,166	216,022
Direct costs	25	(30,822)	(6,200)	(55,167)	(17,758)
Net income		191,813	65,569	379,461	253,812
Overhead expenses	26	(73,271)	(61,044)	(213,484)	(203,979)
Operating profit		118,542	4,525	165,977	49,833
Impairment on investment in a subsidiary		-	-	(5,250)	-
Allowance for impairment on loans and advances and other assets, net	27	(441)	(1,928)	(212)	(1,092)
Provision for contingent liability		-	(4,500)	-	(4,500)
Profit/(loss) before taxation and zakat		118,101	(1,903)	160,515	44,241
Taxation and zakat		(29,995)	(941)	(39,673)	(12,847)
Profit/(loss) for the period, attributable to equity holder of the Bank		88,106	(2,844)	120,842	31,394
Other comprehensive (loss)/income:					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Net (loss)/gain on revaluation of financial asset at fair value through other comprehensive income		-	(14)	54	(14)
Other comprehensive (loss)/income for the period, net of tax		-	(14)	54	(14)
Total comprehensive income/(loss) for the period, attributable to equity holder of the Bank		88,106	(2,858)	120,896	31,380

(These condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020

<u>Group</u>	<-----Non-distributable----->				Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Fair value through other comprehensive income reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2020	222,785	30,388	916	(298)	379,801	633,592
Profit for the period	-	-	-	-	119,671	119,671
Other comprehensive income	-	-	54	318	-	372
Total comprehensive income for the period	-	-	54	318	119,671	120,043
Transfer from regulatory reserve	-	(4,656)	-	-	4,656	-
At 30 September 2020	222,785	25,732	970	20	504,128	753,635
At 1 January 2019	222,785	34,777	930	(396)	342,229	600,325
Profit for the period	-	-	-	-	28,350	28,350
Other comprehensive (loss)/income	-	-	(14)	168	-	154
Total comprehensive (loss)/income for the period	-	-	(14)	168	28,350	28,504
Transfer from regulatory reserve	-	(6,832)	-	-	6,832	-
Dividends	-	-	-	-	(34,238)	(34,238)
At 30 September 2019	222,785	27,945	916	(228)	343,173	594,591

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020

	<-----Non-distributable----->			Distributable	
	Share capital RM'000	Regulatory reserve RM'000	Fair value through other comprehensive income reserve RM'000	Retained earnings RM'000	Total RM'000
Bank					
At 1 January 2020	222,785	30,388	916	372,378	626,467
Profit for the period	-	-	-	120,842	120,842
Other comprehensive income	-	-	54	-	54
Total comprehensive income for the period	-	-	54	120,842	120,896
Transfer from regulatory reserve	-	(4,656)	-	4,656	-
At 30 September 2020	222,785	25,732	970	497,876	747,363
At 1 January 2019	222,785	34,777	930	331,046	589,538
Profit for the period	-	-	-	31,394	31,394
Other comprehensive loss	-	-	(14)	-	(14)
Total comprehensive (loss)/income for the period	-	-	(14)	31,394	31,380
Transfer from regulatory reserve	-	(6,832)	-	6,832	-
Dividend	-	-	-	(34,238)	(34,238)
At 30 September 2019	222,785	27,945	916	335,034	586,680

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MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020

	Note	Group		Bank	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Cash flows from operating activities					
Profit before taxation and zakat		159,445	41,122	160,515	44,241
Adjustments for:					
Share of results of a joint venture		718	1,247	-	-
Depreciation of property, plant and equipment	26	1,880	3,554	1,880	3,554
Depreciation of right-of-use assets	26	6,200	6,223	6,200	6,223
Amortisation of computer software	26	2,885	3,859	2,885	3,859
Allowance for impairment on loans and advances and other assets, net		524	641	524	1,441
Impairment on investment in a subsidiary		-	-	5,250	-
Gross dividends	24	(14,793)	(4,124)	(20,764)	(7,484)
Realised loss/(gain) from sale of financial assets at fair value through profit or loss, net	24	39,878	(31,953)	39,878	(31,953)
Unrealised loss/(gain) on revaluation of financial assets at fair value through profit or loss, net	24	82,524	(113,436)	82,524	(113,436)
Realised (gain)/loss from sale of derivative financial instruments, net	24	(28,264)	33,575	(28,264)	33,575
Unrealised (gain)/loss on revaluation of derivative financial instruments, net	24	(237,336)	79,474	(237,336)	79,474
Operating profit before working capital changes		13,661	20,182	13,292	19,494
Change in cash and short-term funds with original maturity more than three months		(34,175)	61,905	(34,175)	61,905
Change in deposits and placements with original maturity more than three months		(150,957)	306,785	(150,957)	306,785
Change in financial investments portfolio and derivative financial instruments		(509,193)	(252,391)	(509,193)	(252,391)
Change in loans and advances		164,589	1,423	164,589	1,423
Change in other assets		(346,742)	388,522	(347,390)	385,092
Change in deposits and placements from a financial institution		1,004,172	185,759	1,004,172	185,759
Change in other liabilities		490,931	(568,965)	491,118	(565,404)
Cash generated from operations		632,286	143,220	631,456	142,663
Taxation and zakat paid, net		(11,697)	(14,233)	(12,298)	(14,465)
Net cash generated from operating activities		620,589	128,987	619,158	128,198
Cash flows from investing activities					
Purchase of property, plant and equipment		(519)	(700)	(519)	(700)
Purchase of computer software		(518)	(1,787)	(518)	(1,788)
Proceeds from disposal of a subsidiary		-	-	742	-
Net dividends received		14,793	4,124	20,764	7,484
Net cash generated from investing activities		13,756	1,637	20,469	4,996
Cash flows from financing activities					
Dividends paid		-	(34,238)	-	(34,238)
Repayment of lease liabilities		(6,595)	(6,531)	(6,595)	(6,531)
Net cash used in financing activities		(6,595)	(40,769)	(6,595)	(40,769)
Net increase in cash and cash equivalents		627,750	89,855	633,032	92,425
Cash and cash equivalents at the beginning of the period		812,313	766,134	774,705	727,120
Effects of foreign exchange rate changes		296	128	-	-
Cash and cash equivalents at the end of the period		1,440,359	856,117	1,407,737	819,545

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D.)

	Note	Group		Bank	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Cash and cash equivalents comprise:					
Cash and short-term funds	14	1,478,536	877,095	1,445,934	840,543
Deposits and placements with a financial institution	15	794,330	537,409	794,310	537,389
		<u>2,272,866</u>	<u>1,414,504</u>	<u>2,240,244</u>	<u>1,377,932</u>
Less:					
Cash and short-term funds and deposits and placements with original maturity more than three months		(832,507)	(558,387)	(832,507)	(558,387)
		<u>1,440,359</u>	<u>856,117</u>	<u>1,407,737</u>	<u>819,545</u>

(These condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to these financial statements)

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

1. Basis of Preparation

The 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 2019. These explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2019.

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 by the Bank are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2019 except for adoption of the following Malaysian Financial Reporting Standards (“MFRSs”) and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2020:

Description	Effective for annual periods beginning on or after
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 3 - <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 - <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 7, MFRS 9 and MFRS 139 - <i>Interest Rate Benchmark Reform</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 - <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

Adoption of the above standards and annual improvements to standards do not have any significant financial impact on the financial statements of the Group and of the Bank in the period of initial application.

2. Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2019 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 2019 except for the adoption of the new MFRS, amendments to MFRS and annual improvements to MFRS which are effective for annual periods beginning on or after 1 January 2020 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 were applied to the audited financial statements for the financial year ended 31 December 2019.

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

4. Auditors' Report on Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2019 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 during the financial period ended 30 September 2020.

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

During the financial period ended 30 September 2020, 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 financial period ended 30 September 2020.

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 financial period ended 30 September 2020.

9. Changes in the Composition of the Group

On 13 March 2020, the Bank had completed the sale of its 100% owned subsidiary, BinaFikir Sdn Bhd ("Binafikir"). Accordingly, Binafikir ceased to be a subsidiary of the Group.

10. Dividends Paid/Payable

There were no dividends paid or payable during the period ended 30 September 2020.

11. Significant and Subsequent Event

There were no significant and subsequent events after the period ended 30 September 2020.

12. Performance Review

For the financial period ended 30 September 2020, the Group's operating profit increased by 240.1% to RM160.4 million from RM47.2 million during the same period last year mainly due to higher income.

Net income increased by 48.8% from RM251.3 million to RM374.0 million. Non-interest income increased by RM168.5 million to RM381.2 million due to higher investment income. Income from Islamic Banking Scheme operations increased by RM4.0 million to RM45.5 million as a result of higher fee income during the period. Net interest income decreased by 83.7% to RM2.4 million mainly due to lower interest income from loans and advances and deposits and placements with financial institutions.

Overhead expenses increased by 4.6% or RM9.5 million from RM204.1 million to RM213.6 million in the previous corresponding period. This was mainly contributed by higher personnel, establishment and administrative and general expenses. The increases were, however, mitigated by lower marketing expenses.

The Group profit before taxation and zakat increased by 287.7% or RM118.3 million from RM41.1 million to RM159.4 million. Profit for the period increased by 322.1% or RM91.3 million to RM119.7 million compared to the previous period.

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Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting (Cont’d)

13. Business Outlook

Gross Domestic Product (“GDP”) performance across economies improved in 3Q 2020, after sharp declines in 2Q 2020, driven by recovery in movement and mobility, reopening of businesses and industries, resumption of supply chain and trade as well as release of pent up demand following the rollback of lockdowns.

However, the global economic outlook is contingent on the effects of the pandemic, with a baseline scenario of a recession in 2020 and recovery in 2021 premised on the assumption that the pandemic will be contained next year.

To support the recovery process, the Malaysian government has extended the wage subsidy programme. In addition, banks have continued to offer targeted repayment assistance plans, which have been made available since the expiry of the automatic deferment of loan/financing repayments on 30 September 2020.

In Malaysia, 3Q 2020 GDP declined -2.7% YoY compared to -17.1% in 2Q 2020, reflecting the easing of COVID-19 containment measures and improved external demand conditions. The recently announced Budget 2021 remains expansionary. It enhances the targeted financial support and fiscal reliefs for the vulnerable and hardest-hit segments of the population and businesses affected by the pandemic.

The Malaysian equity market earnings risks remain tilted to the downside, underscored by expiry of income supports, especially the blanket loan moratorium, sustained volatility in energy (oil & gas) prices which poses a direct fiscal constraint on the potential for follow-on fiscal support/stimulus for the economy and continuing political uncertainty. The FBM KLCI is forecasted to report a third straight year of earnings contraction in 2020.

For equity capital markets, secondary issuances and a revival of Initial Public Offerings (“IPOs”) in 3Q 2020 are expected to continue in 4Q 2020 or early 2021. For mergers and acquisitions, there are select opportunities for privatisations or accumulation of stake and divestment of state-owned firms to reduce budget deficits following emergency fiscal actions arising from COVID-19. These activities however may roll over to 2021 given prolonged uncertainty in the market.

For the Malaysian fixed income market, gross Private Debt Securities supply is forecasted at RM90.0 billion in 2020. Issuance may pick up in 2021 due to continuation of existing and new large infrastructure projects, higher sustainable bond issuance with the government planning to issue its first sustainable bond in 2021 and economic recovery as the Ministry of Finance forecasts GDP growth of 6.5-7.5% in 2021 on the back of an expansionary fiscal budget.

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14. Cash and short-term funds

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
Cash and bank balances with financial institutions	387,690	290,844	380,605	283,370
Deposit and placements maturing within one month	1,090,846	524,366	1,065,329	494,252
Total cash and short-term funds	1,478,536	815,210	1,445,934	777,622

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM650,185,000 (2019: RM324,559,000). 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 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
Licensed bank	794,330	644,478	794,310	644,458

16. Financial investments portfolio

		Group and Bank	
		30 September 2020 RM'000	31 December 2019 RM'000
Financial assets at fair value through profit or loss	(i)	1,485,357	910,278
Financial assets at fair value through other comprehensive income	(ii)	1,170	1,116
Total financial investments portfolio		1,486,527	911,394

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

	Group and Bank	
	30 September 2020 RM'000	31 December 2019 RM'000
At fair value		
Quoted financial assets:		
Shares in Malaysia	1,138,121	488,055
Shares outside Malaysia	298,362	373,349
	1,436,483	861,404
Unquoted financial assets:		
Loan stock in Malaysia	48,874	48,874
	1,485,357	910,278

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

	Group and Bank	
	30 September 2020 RM'000	31 December 2019 RM'000
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss		
Unquoted financial assets:		
Shares in Malaysia	1,170	1,116

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17. Loans and advances

	Group and Bank	
	30 September 2020 RM'000	31 December 2019 RM'000
Term loans		
- Other term loans	-	66,620
Amount due from brokers and clients		
- Margin accounts	139,882	251,372
Staff loans	42,549	29,074
Gross loans and advances at amortised cost	<u>182,431</u>	<u>347,066</u>
Less: Allowances for impaired loans and advances:		
- Stage 1 - 12 Months ECL	(23)	(185)
- Stage 3 - Lifetime ECL credit impaired	(172)	(265)
Net loans and advances	<u>182,236</u>	<u>346,616</u>

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

	Group and Bank	
	30 September 2020 RM'000	31 December 2019 RM'000
Domestic business enterprises		
- Small and medium enterprises	15,619	30,071
- Others	24,001	84,668
Individuals	142,623	231,602
Foreign entities	188	725
Gross loans and advances	<u>182,431</u>	<u>347,066</u>

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

	Group and Bank	
	30 September 2020 RM'000	31 December 2019 RM'000
Fixed rate		
- Housing loans	28,955	16,931
- Hire purchase receivables	13,168	11,902
- Other fixed rate loans	426	241
Variable rate		
- Base lending rate (BLR) plus	139,882	251,372
- Cost plus	-	66,620
Gross loans and advances	<u>182,431</u>	<u>347,066</u>

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

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

	Group and Bank	
	30 September 2020	31 December 2019
	RM'000	RM'000
Purchase of securities	139,882	251,372
Purchase of transport vehicles	13,168	11,902
Purchase of residential landed property	28,955	16,931
Personal use	426	241
Others	-	66,620
Gross loans and advances	182,431	347,066

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

	Group and Bank	
	30 September 2020	31 December 2019
	RM'000	RM'000
Within one year	141,827	318,849
More than one year to three years	5,391	2,826
More than three years to five years	7,072	9,272
More than five years	28,141	16,119
Gross loans and advances	182,431	347,066

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

	Group and Bank	
	30 September 2020	31 December 2019
	RM'000	RM'000
At 1 January	1,326	626
Impaired during the period	387	700
Reclassified as non-impaired	(203)	-
Amount recovered	(391)	-
Amount written off	(46)	-
Gross impaired loans and advances	1,073	1,326
Less: - Stage 3 - Lifetime ECL credit impaired	(172)	(265)
Net impaired loans and advances	901	1,061
Net impaired loans and advances as a percentage of gross loans and advances less Stage 3 - Lifetime ECL credit impaired	0.49%	0.31%

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

	Group and Bank	
	30 September 2020	31 December 2019
	RM'000	RM'000
Purchase of transport vehicles	172	159
Purchase of residential landed property	901	1,167
Gross impaired loans and advances	1,073	1,326

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17. Loans and advances (Cont'd)

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

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 January 2020	185	-	265	450
Amount written-back (Note 27)	(162)	-	(47)	(209)
Amount written-off	-	-	(46)	(46)
At 30 September 2020	23	-	172	195
At 1 January 2019	322	-	265	587
Amount written-back	(137)	-	-	(137)
At 31 December 2019	185	-	265	450

18. Other assets

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	705,389	320,668	705,389	320,668
Amount due from ultimate holding company	6,042	14,269	6,042	14,269
Other debtors, deposits and prepayments	136,535	176,220	137,100	173,600
	847,966	511,157	848,531	508,537
Less: Allowance for impairment losses	(13,159)	(19,371)	(13,159)	(16,834)
	834,807	491,786	835,372	491,703

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

19. Deposits and placements from a financial institution

	Group and Bank	
	30 September 2020 RM'000	31 December 2019 RM'000
Licensed bank	2,198,057	1,193,885

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20. Other liabilities

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
Provisions and accruals	85,404	70,836	85,402	70,643
Amount due to brokers and clients (a)	559,988	329,575	559,988	329,575
Provision for contingent liability	4,500	4,500	4,500	4,500
Deposits and other creditors	1,024,275	772,872	1,023,825	772,210
Finance lease obligation	10,274	13,377	10,274	13,377
Amount due to:				
- Holding company	11,243	26,752	11,243	26,752
- Related companies	8,887	2,323	8,887	2,323
- Subsidiaries	-	-	171,474	171,690
	<u>1,704,571</u>	<u>1,220,235</u>	<u>1,875,593</u>	<u>1,391,070</u>

(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.

21. Derivative financial instruments

(i) Derivative financial assets/liabilities

	Group and Bank 30 September 2020		
	Contract/ Notional amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Hedging derivatives			
Equity-related derivatives:			
Equity options			
- Less than one year	1,387,471	175,347	309,015
Equity swaps			
- Less than one year	396,248	16,444	35,337
	<u>1,783,719</u>	<u>191,791</u>	<u>344,352</u>
	Group and Bank 31 December 2019		
	Contract/ Notional amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Equity-related derivatives:			
Equity options			
- Less than one year	926,562	37,095	229,031
Equity swaps			
- Less than one year	318,095	13,253	51,190
	<u>1,244,657</u>	<u>50,348</u>	<u>280,221</u>

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21. Derivative financial instruments (cont'd.)

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

	Group and Bank			
	Unaudited		Unaudited	
	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Equity-related derivatives:				
Index futures	(524)	(1)	(191)	1,153
Equity options	76,810	37,458	218,483	40,587
Equity swaps	9,726	(57,146)	19,044	(121,214)
	86,012	(19,689)	237,336	(79,474)

22. Interest income

	Group			
	Unaudited		Unaudited	
	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	3,284	7,117	13,584	21,302
- Interest income on impaired loans	47	103	630	150
Money at call and deposits and placements with financial institutions	5,971	6,637	19,255	24,321
Others	342	484	1,221	3,048
Total interest income	9,644	14,341	34,690	48,821

	Bank			
	Unaudited		Unaudited	
	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	3,284	7,117	13,584	21,302
- Interest income on impaired loans	47	103	630	150
Money at call and deposits and placements with financial institutions	5,715	6,388	18,785	23,517
Others	342	484	1,221	3,048
Total interest income	9,388	14,092	34,220	48,017

23. Interest expense

	Group and Bank			
	Unaudited		Unaudited	
	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from a financial institution	5,650	5,465	18,547	17,124
Derivative financial instruments	3,518	4,288	13,732	16,886
Total interest expense	9,168	9,753	32,279	34,010

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24. Non-interest income

<u>Group</u>	Unaudited Third Quarter Ended		Unaudited Cumulative 9 Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Fee and commission income:				
Arranger and upfront fees	2,993	6,114	15,747	29,400
Brokerage income	94,321	31,454	199,189	99,493
Corporate advisory fees	960	3,115	3,325	18,813
Placement and related fees	-	775	250	7,245
Underwriting commission	85	2,037	1,416	11,190
Others	2,476	2,672	7,902	7,152
	100,835	46,167	227,829	173,293
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	59,621	13,825	(39,878)	31,953
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(27,199)	61,279	(82,524)	113,436
Realised (loss)/gain from sale of derivative financial instruments, net	(38,194)	(43,511)	28,264	(33,575)
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 21 (ii))	86,012	(19,689)	237,336	(79,474)
Gross dividends from financial assets at fair value through profit or loss				
- Quoted in Malaysia	4,502	903	10,991	2,154
- Quoted outside Malaysia	2,317	884	3,802	1,970
	87,059	13,691	157,991	36,464
Other income:				
Foreign exchange gain/(loss), net	4,048	(1,623)	(7,579)	(125)
Others	918	1,090	2,954	3,030
	4,966	(533)	(4,625)	2,905
Total non-interest income	192,860	59,325	381,195	212,662

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24. Non-interest income (Cont'd)

	Unaudited		Unaudited	
	Third Quarter Ended		Cumulative 9 Months Ended	
<u>Bank</u>	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Arranger and upfront fees	2,993	6,114	15,747	29,400
Brokerage income	94,321	31,454	199,189	99,493
Corporate advisory fees	960	3,115	3,325	18,813
Placement and related fees	-	775	250	7,245
Underwriting commission	85	2,037	1,416	11,190
Others	2,476	2,672	7,902	7,152
	100,835	46,167	227,829	173,293
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	59,621	13,825	(39,878)	31,953
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(27,199)	61,279	(82,524)	113,436
Realised (loss)/gain from sale of derivative financial instruments, net	(38,194)	(43,511)	28,264	(33,575)
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 21 (ii))	86,012	(19,689)	237,336	(79,474)
Gross dividends from financial assets at fair value through profit or loss				
- Quoted in Malaysia	4,502	903	10,991	2,154
- Quoted outside Malaysia	2,317	884	3,802	1,970
Gross dividend from subsidiaries	-	-	5,971	3,360
	87,059	13,691	163,962	39,824
Other income:				
Foreign exchange gain/(loss), net	4,048	(1,623)	(7,579)	(125)
Others	918	1,090	2,954	3,030
	4,966	(533)	(4,625)	2,905
Total non-interest income	192,860	59,325	387,166	216,022

25. Direct costs

	Unaudited		Unaudited	
	Third Quarter Ended		Cumulative 9 Months Ended	
<u>Group and Bank</u>	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Dealers' incentive	23,180	3,166	39,040	9,279
Trade-related charges	7,642	3,034	16,127	8,479
	30,822	6,200	55,167	17,758

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26. **Overhead expenses**

Group	Unaudited Third Quarter Ended		Unaudited Cumulative 9 Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	47,533	38,041	146,301	137,429
- Pension costs - defined contribution plan	5,257	5,165	15,717	15,316
- Employees' Share Scheme expenses	2,519	1,367	7,556	4,102
- Other staff-related expenses	2,567	5,052	7,427	10,683
	57,876	49,625	177,001	167,530
Establishment costs				
- Depreciation of property, plant and equipment	584	1,050	1,880	3,554
- Amortisation of computer software	896	1,281	2,885	3,859
- Rental	387	373	1,065	1,083
- Finance cost on lease liability	117	169	524	583
- Depreciation of right-of-use assets	2,086	2,079	6,200	6,223
- Repairs and maintenance of property, plant and equipment	2,470	3,855	9,790	8,887
- Information technology expenses	6,649	4,520	16,950	13,959
- Service chargeback	(6,008)	(8,984)	(23,799)	(25,792)
- Others	779	681	2,649	1,956
	7,960	5,024	18,144	14,312
Marketing costs				
- Advertisement and publicity	257	1,298	1,306	6,081
- Others	168	1,577	1,532	4,892
	425	2,875	2,838	10,973
Administration and general expenses				
- Fee and brokerage	2,649	2,269	7,933	7,234
- Administrative expenses	3,112	982	5,076	2,549
- General expenses	1,282	307	2,593	1,497
	7,043	3,558	15,602	11,280
Total overhead expenses	73,304	61,082	213,585	204,095

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

<u>Bank</u>	Unaudited Third Quarter Ended		Unaudited Cumulative 9 Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	47,533	38,041	146,301	137,429
- Pension costs - defined contribution plan	5,257	5,165	15,717	15,316
- Employees' Share Scheme expenses	2,519	1,367	7,556	4,102
- Other staff related expenses	2,567	5,052	7,427	10,683
	<u>57,876</u>	<u>49,625</u>	<u>177,001</u>	<u>167,530</u>
Establishment costs				
- Depreciation of property, plant and equipment	584	1,050	1,880	3,554
- Amortisation of computer software	896	1,281	2,885	3,859
- Rental	387	373	1,065	1,083
- Finance cost on lease liability	117	169	524	583
- Depreciation of right-of-use assets	2,086	2,079	6,200	6,223
- Repairs and maintenance of property, plant and equipment	2,470	3,855	9,790	8,887
- Information technology expenses	6,649	4,520	16,950	13,959
- Service chargeback	(6,008)	(8,984)	(23,799)	(25,792)
- Others	779	681	2,649	1,956
	<u>7,960</u>	<u>5,024</u>	<u>18,144</u>	<u>14,312</u>
Marketing costs				
- Advertisement and publicity	257	1,298	1,306	6,081
- Others	168	1,577	1,532	4,892
	<u>425</u>	<u>2,875</u>	<u>2,838</u>	<u>10,973</u>
Administration and general expenses				
- Fee and brokerage	2,635	2,247	7,880	7,161
- Administrative expenses	3,093	966	5,028	2,506
- General expenses	1,282	307	2,593	1,497
	<u>7,010</u>	<u>3,520</u>	<u>15,501</u>	<u>11,164</u>
Total overhead expenses	<u>73,271</u>	<u>61,044</u>	<u>213,484</u>	<u>203,979</u>

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

<u>Group</u>	Unaudited Third Quarter Ended		Unaudited Cumulative 9 Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Writeback of impairment on loans and advances:				
- Stage 1 - 12 months ECL (Note 17 (vii))	122	40	162	88
- Stage 3 - Lifetime ECL credit impaired (Note 17 (vii))	106	-	47	-
Bad debts recovered	23	45	312	349
Allowance for impairment on other assets, net	(692)	(1,788)	(733)	(729)
Total	(441)	(1,703)	(212)	(292)

<u>Bank</u>	Unaudited Third Quarter Ended		Unaudited Cumulative 9 Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Writeback of impairment on loans and advances:				
- Stage 1 - 12 months ECL (Note 17 (vii))	122	40	162	88
- Stage 3 - Lifetime ECL credit impaired (Note 17 (vii))	106	-	47	-
Bad debts recovered	23	45	312	349
Allowance for impairment on other assets, net	(692)	(2,013)	(733)	(1,529)
Total	(441)	(1,928)	(212)	(1,092)

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 2 February 2018 respectively.

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

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

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

	Group %	Bank %
<u>At 30 September 2020</u>		
CET1 capital ratio	24.028	22.813
Tier 1 capital ratio	24.028	22.813
Total capital ratio	<u>25.090</u>	<u>23.882</u>
<u>At 31 December 2019</u>		
CET1 capital ratio	24.507	23.080
Tier 1 capital ratio	24.507	23.080
Total capital ratio	<u>25.807</u>	<u>24.389</u>

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28. Capital adequacy (Cont'd)

(I) Capital Adequacy Framework (Cont'd)

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

	Group RM'000	Bank RM'000
<u>At 30 September 2020</u>		
Paid-up share capital	222,785	222,785
Other reserves	411,179	403,736
CET1 capital before regulatory adjustments	633,964	626,521
Less: Deferred tax assets	(15,135)	(15,135)
Intangible assets	(9,474)	(9,474)
Gains on financial instruments classified as 'fair value through other comprehensive income'	(534)	(534)
Regulatory reserve	(25,732)	(25,732)
Investment in subsidiaries and a joint venture ¹	(451)	(25,793)
CET1 capital/Tier 1 capital	582,638	549,853
Tier 2 capital		
General provisions	25,755	25,755
Tier 2 capital	25,755	25,755
Total capital	608,393	575,608
<u>At 31 December 2019</u>		
Paid-up share capital	222,785	222,785
Other reserves	410,807	403,682
CET1 capital before regulatory adjustments	633,592	626,467
Less: Deferred tax assets	(13,102)	(13,102)
Intangible assets	(11,841)	(11,841)
Gains on financial instruments classified as 'fair value through other comprehensive income'	(504)	(504)
Regulatory reserve	(30,388)	(30,388)
Investment in subsidiaries and a joint venture ¹	(1,147)	(31,784)
CET1 capital/Tier 1 capital	576,610	538,848
Tier 2 capital		
General provisions	30,573	30,573
Tier 2 capital	30,573	30,573
Total capital	607,183	569,421

¹ Excludes the cost of investment in a subsidiary, Maysec Sdn. Bhd. of RM171,474,000 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>	Gross credit exposures RM'000	Net credit exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
30 September 2020				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	1,052,931	1,052,931	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,874,721	1,874,721	440,021	35,202
Corporates	41,119	21,296	21,296	1,704
Regulatory retail	145,609	73,292	63,168	5,053
Higher risk assets	50,044	50,044	75,066	6,005
Other assets	242,916	240,863	195,578	15,646
Total on-balance sheet exposures	3,407,340	3,313,147	795,129	63,610
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,220,187	1,220,187	1,313	105
Total off-balance sheet exposures	1,220,187	1,220,187	1,313	105
Total on and off-balance sheet exposures	4,627,527	4,533,334	796,442	63,715
(ii) <u>Market Risk</u>				
Equity position risk	-	-	80,462	6,437
Foreign currency risk	-	-	298,290	23,863
Options risk	-	-	451,748	36,140
Total	-	-	830,500	66,440
(iii) <u>Operational Risk</u>				
	-	-	797,857	63,829
Total RWA and capital requirements	4,627,527	4,533,334	2,424,799	193,984

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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>	Gross credit exposures	Net credit exposures	Risk-weighted assets	Capital requirements
31 December 2019	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	503,110	503,110	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,210,278	1,210,278	445,999	35,680
Corporates	116,031	64,955	64,955	5,196
Regulatory retail	230,161	108,064	107,031	8,562
Higher risk assets	49,990	49,990	74,985	5,999
Other assets	554,575	550,588	513,528	41,082
Total on-balance sheet exposures	2,664,145	2,486,985	1,206,498	96,519
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,157,044	1,157,044	924	74
Total off-balance sheet exposures	1,157,044	1,157,044	924	74
Total on and off-balance sheet exposures	3,821,189	3,644,029	1,207,422	96,593
(ii) <u>Market Risk</u>				
Equity position risk	-	-	58,053	4,644
Foreign currency risk	-	-	205,008	16,400
Options risk	-	-	139,275	11,142
Total	-	-	402,336	32,186
(iii) <u>Operational Risk</u>				
	-	-	743,034	59,443
Total RWA and capital requirements	3,821,189	3,644,029	2,352,792	188,222

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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>	Gross credit exposures RM'000	Net credit exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
30 September 2020				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	1,052,931	1,052,931	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,842,117	1,842,117	433,500	34,680
Corporates	41,119	21,296	21,296	1,704
Regulatory retail	145,609	73,292	63,168	5,053
Higher risk assets	50,044	50,044	75,066	6,005
Other assets	243,463	241,410	196,128	15,690
Total on-balance sheet exposures	3,375,283	3,281,090	789,158	63,132
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,220,187	1,220,187	1,313	105
Total off-balance sheet exposures	1,220,187	1,220,187	1,313	105
Total on and off-balance sheet exposures	4,595,470	4,501,277	790,471	63,237
(ii) <u>Market Risk</u>				
Equity position risk	-	-	80,462	6,437
Foreign currency risk	-	-	293,138	23,451
Options risk	-	-	451,745	36,140
Total	-	-	825,345	66,028
(iii) <u>Operational Risk</u>				
	-	-	794,429	63,554
Total RWA and capital requirements	4,595,470	4,501,277	2,410,245	192,819

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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>	Gross credit exposures	Net credit exposures	Risk- weighted assets	Capital requirements
31 December 2019	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	503,110	503,110	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,172,705	1,172,705	438,484	35,079
Corporates	116,031	64,955	64,955	5,196
Regulatory retail	230,161	108,064	107,031	8,562
Higher risk assets	49,990	49,990	74,985	5,999
Other assets	554,441	550,454	513,396	41,072
Total on-balance sheet exposures	2,626,438	2,449,278	1,198,851	95,908
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,157,044	1,157,044	924	74
Total off-balance sheet exposures	1,157,044	1,157,044	924	74
Total on and off-balance sheet exposures	3,783,482	3,606,322	1,199,775	95,982
(ii) <u>Market Risk</u>				
Equity position risk	-	-	58,053	4,644
Foreign currency risk	-	-	199,111	15,929
Options risk	-	-	139,275	11,142
Total	-	-	396,439	31,715
(iii) <u>Operational Risk</u>				
	-	-	738,487	59,079
Total RWA and capital requirements	3,783,482	3,606,322	2,334,701	186,776

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29. Commitments and contingencies

Group and Bank	30 September 2020			31 December 2019		
	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
<u>Credit-related</u>						
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,217,561	-	-	1,155,197	-	-
- Maturity exceeding one year	2,626	1,313	1,313	1,847	924	924
	1,220,187	1,313	1,313	1,157,044	924	924
<u>Derivative financial instruments</u>						
Equity-related contracts						
- Less than one year	1,783,719	-	-	1,244,657	-	-
Total commitments and contingencies	3,003,906	1,313	1,313	2,401,701	924	924

* 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
- (d) Costs as awarded against the Defendants in favour of the Plaintiffs:
 - (i) 1st – 3rd Defendants : RM350,000;
 - (ii) The 3rd Defendant to pay costs of RM100,000 for the dismissal of his counterclaim;
 - (iii) The Bank to pay costs of RM300,000;

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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 (cont'd.):

- (iv) The 5th Defendant to pay costs of RM150,000; and
- (v) The 6th Defendant to pay costs of RM200,000 and reimburse the Plaintiffs' expert witness costs of RM250,000.

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

The Court of Appeal heard the Appeals on 12, 13, 15, 22, 23, 27 – 29 November 2018. On 18 September 2019, the Court of Appeal affirmed the High Court's judgment and dismissed the Appeals with costs:

- (i) 1st – 3rd Defendants : RM233,000;
- (ii) The 3rd Defendant: RM70,000;
- (iii) The Bank: RM200,000;
- (iv) The 5th Defendant: RM100,000; and
- (v) The 6th Defendant: RM110,000

On 16 October 2019, the Bank filed an application for leave to appeal to the Federal Court against the Court of Appeal's Judgment ("Leave Application"). The Leave Application is fixed for hearing on 21 January 2021.

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 Defendants 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 ("FC Appeals"). On 15 March 2018, the Federal Court unanimously dismissed the FC Appeals with costs of RM20,000 for each appeal respectively. The Company and the Guarantor filed their respective motions to the Federal Court to review the Federal Court Decision ("FC Review Application"). On 28 January 2019, the Federal Court dismissed the FC Review Application with costs of RM30,000. On 22 February 2019, the 1st Defendant and the Guarantor filed an originating summons before the High Court for declaratory reliefs with a view to have the Federal Court Decision set aside ("2019 OS"). On 22 March 2019, the 1st Defendant and the Guarantor filed an application for the High Court to refer the constitutional issues before it is filed to the Federal Court for determination ("Reference Application"). The Banks filed an application to strike out the 2019 OS ("Banks' Striking Out Application"). The 2019 OS, Reference Application and the Banks' Striking Out application were initially fixed for case management on 26 October 2020 but the case management date had been adjourned to a new date to be advised by the Court in light of the Conditional Movement Control Order.

On 31 January 2020, the 1st Defendant filed a claim against the Bank, another financial institution and The Trustee, alleging among others that the banks breached the SPA and acted to prevent the 1st Defendant from carrying out its obligations under the SPA, thereby causing damage to the 1st Defendant ("2020 OS"). The 1st Defendant applied for an injunction ("Injunction Application") and claimed for declaratory orders and damages to be assessed. The 2020 OS and Injunction Application were heard and dismissed by the High Court on 8 July 2020 ("High Court Decision"). On 6 August 2020, the 1st Defendant appealed against the High Court Decision and the appeal is fixed for hearing on 5 July 2021.

The Guarantor also obtained an ex parte order where the Director General of Insolvency is made the receiver of the Guarantor's property and pursuant to which, no creditor shall have a remedy against the property or the person of the Guarantor in respect of the debt, or commence legal action in respect of a debt unless with the leave of court ("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 and this appeal is fixed for hearing on 14 April 2021.

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:

Group	Pillar 1	Pillar 2	Others	Total
30 September 2020	RM'000	RM'000	RM'000	RM'000
Net interest income	-	2,411	-	2,411
Income from Islamic Banking Scheme operations	31,503	14,018	-	45,521
Non-interest income	21,238	359,957	-	381,195
Direct costs	-	(55,167)	-	(55,167)
Net income	52,741	321,219	-	373,960
Results				
Segment results	52,741	321,219	-	373,960
Overhead expenses	(66,673)	(146,912)	-	(213,585)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(443)	231	-	(212)
Share of results of a joint venture	-	-	(718)	(718)
(Loss)/profit before taxation	(14,375)	174,538	(718)	159,445
Taxation and zakat				(39,774)
Profit for the period				119,671
Other segment information				
Depreciation of property, plant and equipment	340	1,540	-	1,880
Depreciation of right-of-use assets	1,826	4,374	-	6,200
Amortisation of computer software	118	2,767	-	2,885
Group				
30 September 2019	RM'000	RM'000	RM'000	RM'000
Net interest income	693	14,118	-	14,811
Income from Islamic Banking Scheme operations	38,725	2,816	-	41,541
Non-interest income	70,884	141,778	-	212,662
Direct costs	-	(17,758)	-	(17,758)
Net income	110,302	140,954	-	251,256
Results				
Segment results	110,302	140,954	-	251,256
Overhead expenses	(75,806)	(128,289)	-	(204,095)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(441)	149	-	(292)
Provision for contingent liability	(4,500)	-	-	(4,500)
Share of results of a joint venture	-	-	(1,247)	(1,247)
Profit/(loss) before taxation	29,555	12,814	(1,247)	41,122
Taxation and zakat				(12,772)
Profit for the period				28,350
Other segment information				
Depreciation of property, plant and equipment	427	3,127	-	3,554
Depreciation of right-of-use assets	2,192	4,031	-	6,223
Amortisation of computer software	451	3,408	-	3,859

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

Unaudited Statements of Financial Position as at 30 September 2020

	Notes	Group and Bank	
		30 September 2020 RM'000	31 December 2019 RM'000
ASSETS			
Cash and short-term funds	(a)	31,777	29,315
Other assets	(b)	475,055	437,842
Total assets		506,832	467,157
LIABILITIES			
Other liabilities	(c)	271,244	246,243
Provision for taxation and zakat	(d)	8,297	4,405
Total liabilities		279,541	250,648
ISLAMIC BANKING CAPITAL FUND			
Islamic banking fund		5,000	5,000
Retained earnings		222,291	211,509
		227,291	216,509
Total liabilities and Islamic banking capital fund		506,832	467,157

**Unaudited Statements of Comprehensive Income
For the Third Quarter Ended 30 September 2020**

Group and Bank	Notes	Unaudited Third Quarter Ended		Unaudited Cumulative 9 Months Ended	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Income derived from investment of Islamic banking fund	(e)	29,555	8,105	45,521	41,541
Direct costs		(3,727)	(2,010)	(5,508)	(2,655)
Net income attributable to the Group and to the Bank		25,828	6,095	40,013	38,886
Overhead expenses	(f)	(12,856)	(5,609)	(23,938)	(31,404)
Operating profit		12,972	486	16,075	7,482
Allowance for impairment on other assets		(192)	(226)	(296)	(71)
Profit before taxation and zakat		12,780	260	15,779	7,411
Taxation		(3,067)	(62)	(3,787)	(1,778)
Zakat		(720)	233	(1,210)	(557)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		8,993	431	10,782	5,076

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

Unaudited Statements of Changes in Equity
For the Third Quarter Ended 30 September 2020

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2020	5,000	211,509	216,509
Profit for the period	-	10,782	10,782
Total comprehensive income for the period	-	10,782	10,782
At 30 September 2020	5,000	222,291	227,291
At 1 January 2019	5,000	202,158	207,158
Profit for the period	-	5,076	5,076
Total comprehensive income for the period	-	5,076	5,076
At 30 September 2019	5,000	207,234	212,234

Unaudited Statements of Cash Flows
For the Third Quarter Ended 30 September 2020

	Group and Bank	
	30 September 2020 RM'000	30 September 2019 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	15,779	7,411
Increase in receivables	(37,213)	(32,907)
Increase in payables	25,001	22,738
Taxation and zakat paid, net	(1,105)	-
Net cash generated from/(used in) operating activities	<u>2,462</u>	<u>(2,758)</u>
Net increase/(decrease) in cash and cash equivalents	2,462	(2,758)
Cash and cash equivalents at beginning of the period	29,315	17,582
Cash and cash equivalents at end of the period	<u>31,777</u>	<u>14,824</u>

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

(a) Cash and short-term funds

	Group and Bank	
	30 September	31 December
	2020	2019
	RM'000	RM'000
Cash and bank balances with financial institutions	<u>31,777</u>	<u>29,315</u>

(b) Other assets

	Group and Bank	
	30 September	31 December
	2020	2019
	RM'000	RM'000
Debtors	<u>475,055</u>	<u>437,842</u>

(c) Other liabilities

	Group and Bank	
	30 September	31 December
	2020	2019
	RM'000	RM'000
Provisions and accruals*	<u>271,244</u>	<u>246,243</u>

* Include prohibited sources/means to charitable causes amounting to RM2,259 (2019: RM2,259).

(d) Provision for taxation and zakat

	Group and Bank	
	30 September	31 December
	2020	2019
	RM'000	RM'000
Taxation	7,088	3,300
Zakat	1,209	1,105
	<u>8,297</u>	<u>4,405</u>

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

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

<u>Group and Bank</u>	Unaudited Third Quarter Ended		Unaudited Cumulative 9 Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Profit income from financial assets at fair value through profit or loss	-	-	-	28
Realised gain from sale of financial assets at fair value through profit or loss, net	-	154	2	1,103
Fee and commission income from:				
- Arranger and upfront fees	16,460	750	19,410	22,183
- Brokerage income	6,263	1,004	14,018	2,816
- Corporate advisory fees	254	-	354	45
- Underwriting commission	800	817	841	867
- Placement fees	2,794	3,435	3,795	4,285
- Others	2,990	1,942	7,092	10,211
Foreign exchange (loss)/gain, net	(6)	3	9	3
Total	29,555	8,105	45,521	41,541

(f) Overhead expenses

<u>Group and Bank</u>	Unaudited Third Quarter Ended		Unaudited Cumulative 9 Months Ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	8,959	17,102	17,672	19,745
Establishment costs				
- Service chargeback	(1,075)	(2,471)	(2,376)	(2,815)
- Other establishment costs	2,130	3,879	4,158	4,340
Marketing costs	107	1,212	283	1,356
Administration and general expenses	2,735	1,726	4,201	1,879
Total	12,856	21,448	23,938	24,505

(g) Capital adequacy

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

<u>Group and Bank</u>	30 September 2020	31 December 2019
	%	%
CET1 capital ratio	74.511	84.865
Tier 1 capital ratio	74.511	84.865
Total capital ratio	74.511	84.865

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

<u>Group and Bank</u>	30 September 2020	31 December 2019
	RM'000	RM'000
Tier 1 capital		
Islamic banking fund	5,000	5,000
Retained earnings	211,509	211,509
CET1 capital/Tier 1 capital/Total capital	216,509	216,509

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

(g) Capital adequacy (Cont'd)

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

<u>Group and Bank</u>	Gross credit exposures RM'000	Net credit exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
30 September 2020				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	31,531	31,531	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	246	246	49	4
Other assets	669,397	669,397	179,624	14,370
Total on-balance sheet exposures	701,174	701,174	179,673	14,374
Total on and off-balance sheet exposures *	701,174	701,174	179,673	14,374
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	110,899	8,872
Total RWA and capital requirements	701,174	701,174	290,575	23,246

<u>Group and Bank</u>	Gross credit exposures RM'000	Net credit exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
31 December 2019				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	22,077	22,077	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	7,238	7,238	1,448	116
Other assets	599,668	599,668	131,211	10,497
Total on-balance sheet exposures	628,983	628,983	132,659	10,613
Total on and off-balance sheet exposures *	628,983	628,983	132,659	10,613
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	122,460	9,797
Total RWA and capital requirements	628,983	628,983	255,122	20,410

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

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

(h) Fair values of financial assets and liabilities

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

(i) Allocation of income

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

(j) Shariah committee

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

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

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

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

The Group and the Bank presently have five Shariah members.

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32. Fair value of financial instruments

Fair value hierarchy

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

(a) Level 1: Quoted prices

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

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

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

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

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

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 30 September 2020 and 31 December 2019.

<u>Group and Bank</u>	<u>Valuation techniques using</u>			Total
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 30 September 2020				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	1,436,483	48,874	-	1,485,357
Derivative assets	-	191,791	-	191,791
	1,436,483	240,665	-	1,677,148
Financial liabilities measured at fair values:				
Derivative liabilities	172,946	171,406	-	344,352
As at 31 December 2019				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	861,404	48,874	-	910,278
Derivative assets	-	50,348	-	50,348
	861,404	99,222	-	960,626
Financial liabilities measured at fair values:				
Derivative liabilities	31,703	248,518	-	280,221

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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:

(a) 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.

(b) 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.