

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

<u>Group</u>	Note	30 September 2018 RM'000	31 December 2017 RM'000
ASSETS			
Cash and short-term funds	14	1,076,455	703,662
Deposits and placements with a financial institution	15	974,382	807,279
Financial investments portfolio	16	475,966	429,655
Loans and advances	17	411,363	471,360
Derivative assets	21 (i)	26,154	8,855
Other assets	18	1,326,458	951,992
Tax recoverable		30,791	9,615
Statutory deposit with Bank Negara Malaysia		105	105
Investment in a joint venture		3,719	5,746
Property, plant and equipment		10,581	14,911
Intangible assets		13,977	16,312
Deferred tax assets		7,566	19,603
TOTAL ASSETS		4,357,517	3,439,095
LIABILITIES			
Deposits and placements from a financial institution	19	1,099,560	743,958
Derivative liabilities	21 (ii)	168,843	102,728
Other liabilities	20	2,476,308	1,947,040
Provision for zakat		806	981
TOTAL LIABILITIES		3,745,517	2,794,707
SHAREHOLDER'S EQUITY			
Share capital		222,785	222,785
Reserves		389,215	421,603
TOTAL EQUITY		612,000	644,388
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		4,357,517	3,439,095
COMMITMENTS AND CONTINGENCIES	29	1,616,389	1,468,376

(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 FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

<u>Bank</u>	Note	30 September 2018 RM'000	31 December 2017 RM'000
ASSETS			
Cash and short-term funds	14	1,037,926	663,163
Deposits and placements with a financial institution	15	974,361	807,259
Financial investments portfolio	16	475,966	429,655
Loans and advances	17	411,363	471,360
Derivative assets	21 (i)	26,154	8,855
Other assets	18	1,326,380	951,912
Tax recoverable		28,925	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		10,566	14,896
Intangible assets		13,977	16,312
Deferred tax assets		7,566	19,603
TOTAL ASSETS		4,519,144	3,600,118
LIABILITIES			
Deposits and placements from a financial institution	19	1,099,560	743,958
Derivative liabilities	21 (ii)	168,843	102,728
Other liabilities	20	2,647,387	2,117,187
Provision for zakat		806	981
TOTAL LIABILITIES		3,916,596	2,964,854
SHAREHOLDER'S EQUITY			
Share capital		222,785	222,785
Reserves		379,763	412,479
TOTAL EQUITY		602,548	635,264
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		4,519,144	3,600,118
COMMITMENTS AND CONTINGENCIES	29	1,616,389	1,468,376

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

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

<u>Group</u>	Notes	Third Quarter Ended		Cumulative 9 Months Ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Interest income	22	19,426	22,651	54,972	44,951
Interest expense	23	(13,602)	(9,218)	(37,332)	(23,481)
Net interest income		5,824	13,433	17,640	21,470
Income from Islamic Banking Scheme operations	31	7,045	15,769	37,177	64,016
Non-interest income	24	65,842	72,783	236,111	215,897
Direct costs	25	(6,386)	(7,650)	(23,337)	(20,834)
Net income		72,325	94,335	267,591	280,549
Overhead expenses	26	(59,921)	(58,614)	(204,502)	(184,011)
Operating profit		12,404	35,721	63,089	96,538
Writeback of/(allowance for) impairment on loans and advances and other assets, net	27	771	(4,238)	211	(5,207)
		13,175	31,483	63,300	91,331
Share of results of a joint venture		(540)	(1,683)	(2,158)	(3,034)
Profit before taxation and zakat		12,635	29,800	61,142	88,297
Taxation and zakat		(3,596)	(10,166)	(16,115)	(26,349)
Profit for the period, attributable to equity holder of the Bank		9,039	19,634	45,027	61,948
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		18	39	90	124
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		194	(384)	(152)	(1,385)
Total other comprehensive income/(loss) for the period, net of tax		194	(384)	(152)	(1,385)
Total comprehensive income for the period, attributable to equity holder of the Bank		9,233	19,250	44,875	60,563

(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 COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

<u>Bank</u>	Notes	Third Quarter Ended		Cumulative 9 Months Ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Interest income	22	19,152	22,384	54,139	44,173
Interest expense	23	(13,602)	(9,218)	(37,332)	(23,481)
Net interest income		5,550	13,166	16,807	20,692
Income from Islamic Banking Scheme operations	31	7,045	15,769	37,177	64,016
Non-interest income	24	65,842	72,205	236,069	214,274
Direct costs	25	(6,386)	(7,650)	(23,337)	(20,834)
Net income		72,051	93,490	266,716	278,148
Overhead expenses	26	(59,879)	(57,879)	(202,922)	(181,780)
Operating profit		12,172	35,611	63,794	96,368
Allowance for impairment on investment in a joint venture		-	-	(3,400)	-
Writeback of/(allowance for) impairment on loans and advances and other assets, net	27	546	(4,238)	111	(5,207)
Profit before taxation and zakat		12,718	31,373	60,505	91,161
Taxation and zakat		(3,541)	(10,118)	(15,958)	(26,207)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		9,177	21,255	44,547	64,954

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MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 RM'000	Exchange fluctuation reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2018	222,785	-	-	5,022	-	(380)	416,961	644,388
- as previously stated	-	-	-	28,378	918	-	(28,159)	1,137
- effect of adopting MFRS 9 (Note 33)	-	-	-	33,400	918	(380)	388,802	645,525
At 1 January 2018, as restated	222,785	-	-	33,400	918	(380)	388,802	645,525
Profit for the period	-	-	-	-	-	(152)	45,027	45,027
Other comprehensive loss	-	-	-	-	-	(152)	-	(152)
Total comprehensive (loss)/income for the period	-	-	-	(3,925)	-	(152)	45,027	44,875
Transfer to retained earnings	-	-	-	-	-	-	3,925	-
Dividends	-	-	-	-	-	-	(78,400)	(78,400)
At 30 September 2018	222,785	-	-	29,475	918	(532)	359,354	612,000
At 1 January 2017	50,116	172,669	50,116	3,497	-	1,757	265,834	543,989
Profit for the period	-	-	-	-	-	-	61,948	61,948
Other comprehensive loss	-	-	-	-	-	(1,385)	-	(1,385)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(1,385)	61,948	60,563
Transfer to regulatory reserve	-	-	-	971	-	-	(971)	-
Transfer to retained earnings	-	-	(50,116)	-	-	-	50,116	-
Transfer to share capital	172,669	(172,669)	-	-	-	-	-	-
At 30 September 2017	222,785	-	-	4,468	-	372	376,927	604,552

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

	<-----Non-distributable----->				Fair value		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	comprehensive income RM'000	Distributable Retained earnings RM'000	
Bank							
At 1 January 2018							
- as previously stated	222,785	-	-	5,022	-	407,457	635,264
- effect of adopting MFRS 9 (Note 33)	-	-	-	28,378	918	(28,159)	1,137
At 1 January 2018, as restated	222,785	-	-	33,400	918	379,298	636,401
Profit for the period	-	-	-	-	-	44,547	44,547
Total comprehensive income for the period	-	-	-	-	-	44,547	44,547
Transfer to retained earnings	-	-	-	(3,925)	-	3,925	-
Dividends	-	-	-	-	-	(78,400)	(78,400)
At 30 September 2018	222,785	-	-	29,475	918	349,370	602,548
At 1 January 2017							
Profit for the period	50,116	172,669	50,116	3,497	-	255,749	532,147
Total comprehensive income for the period	-	-	-	-	-	64,954	64,954
Transfer to regulatory reserve	-	-	-	971	-	(971)	-
Transfer to retained earnings	-	-	(50,116)	-	-	50,116	-
Transfer to share capital	172,669	(172,669)	-	-	-	-	-
At 30 September 2017	222,785	-	-	4,468	-	369,848	597,101

At 1 January 2018
- as previously stated
- effect of adopting MFRS 9 (Note 33)
At 1 January 2018, as restated
Profit for the period
Total comprehensive income for the period
Transfer to retained earnings
Dividends
At 30 September 2018

At 1 January 2017
Profit for the period
Total comprehensive income for the period
Transfer to regulatory reserve
Transfer to retained earnings
Transfer to share capital
At 30 September 2017

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

	Note	Group		Bank	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Cash flows from operating activities					
Profit before taxation and zakat		61,142	88,297	60,505	91,161
Adjustments for:					
Share of results of a joint venture		2,158	3,034	-	-
Depreciation of property, plant and equipment	26	5,089	4,739	5,089	4,739
Amortisation of computer software	26	3,809	3,126	3,809	3,126
Allowance for impairment on loans and advances and other assets, net		704	6,241	454	6,241
Allowance for impairment on investment in a joint venture		-	-	3,400	-
Gross dividends	24	(5,664)	(1,754)	(10,214)	(1,754)
Realised loss/(gain) from sale of financial assets at fair value through profit or loss, net	24	25,151	(40,354)	25,151	(40,354)
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	24	(78,884)	(65,736)	(78,884)	(65,736)
Realised (gain)/loss from sale of derivative financial instruments, net	24	(42,841)	53,659	(42,841)	53,659
Unrealised loss on revaluation of derivative financial instruments, net	24	56,333	45,411	56,333	45,411
Operating profit before working capital changes		26,997	96,663	22,802	96,493
Change in cash and short-term funds with original maturity more than three months		(49,487)	(746)	(49,487)	(746)
Change in deposits and placements with original maturity more than three months		(125,679)	(357,340)	(125,679)	(357,340)
Change in financial investments portfolio and derivative financial instruments		42,746	183,589	42,746	183,589
Change in loans and advances		60,068	(138,428)	60,068	(138,428)
Change in other assets		(374,387)	(9,379)	(373,856)	(11,384)
Change in deposits and placements from a financial institution		355,602	118,456	355,602	118,456
Change in other liabilities		529,268	294,624	530,200	296,442
Cash generated from operations		465,128	187,439	462,396	187,082
Taxation and zakat paid, net		(25,429)	(17,849)	(25,278)	(17,810)
Net cash generated from operating activities		439,699	169,590	437,118	169,272
Cash flows from investing activities					
Purchase of property, plant and equipment		(458)	(928)	(458)	(928)
Proceeds from disposal of computer software/ (purchase of computer software)		269	(810)	269	(810)
Net dividends received		5,664	1,754	10,214	1,754
Net cash generated from investing activities		5,475	16	10,025	16
Cash flows from financing activity					
Dividends paid, representing net cash used in financing activity		(78,400)	-	(78,400)	-
Net increase in cash and cash equivalents		366,774	169,606	368,743	169,288
Cash and cash equivalents at the beginning of the period		704,163	580,863	663,644	540,864
Cash and cash equivalents at the end of the period		1,070,937	750,469	1,032,387	710,152

(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 THIRD QUARTER ENDED 30 SEPTEMBER 2018

	Note	Group		Bank	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Cash and short-term funds	14	1,076,455	773,199	1,037,926	732,902
Deposits and placements with a financial institution	15	974,382	676,463	974,361	676,443
		<u>2,050,837</u>	<u>1,449,662</u>	<u>2,012,287</u>	<u>1,409,345</u>
Less:					
Cash and short-term funds and deposits and placements with original maturity more than three months		(979,900)	(699,193)	(979,900)	(699,193)
		<u>1,070,937</u>	<u>750,469</u>	<u>1,032,387</u>	<u>710,152</u>

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

MAYBANK INVESTMENT BANK BERHAD
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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 and MFRS 11 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 and 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 33.

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

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

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

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

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

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

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

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

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

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

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

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 third quarter ended 30 September 2018.

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

During the third quarter ended 30 September 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 third quarter ended 30 September 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 third quarter ended 30 September 2018.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the third quarter ended 30 September 2018.

10. Dividends Paid

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

10. Dividends Paid (Cont'd)

- (ii) 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 was approved and subsequently paid to the shareholder on 21 September 2018.

11. Significant and Subsequent Events

There were no significant and subsequent events during the third quarter ended 30 September 2018.

12. Performance Review

For the financial period ended 30 September 2018, the Group's operating profit dropped by 34.6% to RM63.1 million from RM96.5 million a year ago due to higher overhead expenses and lower net income.

Net income decreased by 4.6% from RM280.5 million to RM267.6 million. Income from Islamic Banking Scheme operations decreased by RM26.8 million to RM37.2 million from RM64.0 million a year ago due to lower fee-based income during the period. Net interest income decreased by 17.8% to RM17.6 million mainly due to higher interest expense from derivative financial instruments. These were partly mitigated by higher non-interest income by RM20.2 million to RM236.1 million contributed by higher investment income mainly from equity options and autocallable.

Overhead expenses increased by 11.1% or RM20.5 million to RM204.5 million from RM184.0 million a year ago. This was substantially contributed by higher personnel expenses, administration and general expenses during the period.

The Group's profit before taxation and zakat decreased by 30.8% or RM27.2 million from RM88.3 million to RM61.1 million. Profit for the period dropped by 27.3% or RM16.9 million to RM45.0 million from RM61.9 million in the previous corresponding period.

13. Business Outlook

The world's real Gross Domestic Product ("GDP") growth momentum is expected to be sustained at +3.8% in 2018E (2017: +3.7%), underpinned by a pick-up in the United States ("US") (2018E: +2.9%; 2017: +2.2%) and improved growth in selected BRIC (Brazil, Russia, India and China) markets such as Brazil (2018E: +1.3%; 2017: +1.0%), Russia (2018E: +1.8%; 2017: +1.5%) and India (2018E: +7.4%; 2017: +6.7%). Global growth is projected to see some moderation in second half of 2018 amid the outlook for slower expansion in China (2018E: +6.6%; 2017: +6.9%), the Eurozone (2018E: +2.0%; 2017: +2.4%) and Japan (2018E: +1.1%; 2017: +1.7%).

The ASEAN-6 countries are forecasted to 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. Malaysia and Singapore are likely to see slower growth in 2018E at +4.7% (2017: +5.9%) and +3.2% (2017: +3.6%) respectively, while Indonesia's growth to be slightly higher at +5.2% (2017: +5.1%).

Malaysia'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 projected to moderate after the high growth experienced in 2017. Reviews of major infrastructure projects may affect investment growth.

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 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with financial institutions	388,491	240,105	382,981	233,926
Deposit placements maturing within one month	687,964	463,557	654,945	429,237
Total cash and short-term funds	1,076,455	703,662	1,037,926	663,163

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM224,934,000 (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 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Licensed bank	974,382	807,279	974,361	807,259

16. Financial investments portfolio

		Group and Bank	
		30 September 2018	31 December 2017
		RM'000	RM'000
Financial assets at fair value through profit or loss	(i)	474,815	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
Total financial investments portfolio		475,966	429,655

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

	Group and Bank	
	30 September 2018	31 December 2017
	RM'000	RM'000
At fair value		
Quoted financial assets:		
Shares in Malaysia	203,618	214,202
Shares outside Malaysia	96,576	144,433
	300,194	358,635
Unquoted financial assets:		
Loan stock in Malaysia	39,245	-
Structured product	135,376	31,542
	474,815	390,177

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16. Financial investments portfolio (Cont'd)

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

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss		
Unquoted financial assets:		
Shares in Malaysia	1,118	-

(iii) Financial assets at amortised cost

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
At amortised cost less accumulated impairment loss		
Unquoted financial assets:		
Private debt securities in Malaysia	33	-

(iv) Financial investments available-for-sale

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss		
Unquoted financial investments:		
Shares and loan stock in Malaysia	-	39,445

(v) Financial investments held-to-maturity

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

17. Loans and advances

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Term loans		
- Other term loans	94,314	109,256
Amount due from brokers and clients		
- Margin accounts	293,350	340,987
Staff loans	24,254	22,032
Gross loans and advances	411,918	472,275
Less: Allowance for impairment losses		
- ECL allowances:		
- Stage 1 - 12-month ECL	(289)	-
- Stage 3 - Lifetime ECL credit impaired	(266)	-
- Individual assessment allowance	-	(273)
- Collective assessment allowance	-	(642)
Net loans and advances	411,363	471,360

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

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

	Group and Bank	
	30 September 2018	31 December 2017
	RM'000	RM'000
Domestic business enterprises	143,972	183,846
Individuals	264,577	281,910
Foreign entities	3,369	6,519
Gross loans and advances	411,918	472,275

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

	Group and Bank	
	30 September 2018	31 December 2017
	RM'000	RM'000
Fixed rate		
- Housing loans	13,061	11,489
- Hire purchase receivables	10,965	10,280
- Other fixed rate loans	229	263
Variable rate		
- Base lending rate (BLR)-plus	293,350	340,987
- Cost-plus	94,313	109,256
Gross loans and advances	411,918	472,275

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

	Group and Bank	
	30 September 2018	31 December 2017
	RM'000	RM'000
Purchase of securities	293,350	340,987
Purchase of transport vehicles	10,965	10,280
Purchase of residential landed property	13,061	11,489
Personal use	229	263
Others	94,313	109,256
Gross loans and advances	411,918	472,275

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

	Group and Bank	
	30 September 2018	31 December 2017
	RM'000	RM'000
Within one year	383,246	435,710
More than one year to three years	8,484	3,947
More than three years to five years	6,845	21,258
More than five years	13,343	11,360
Gross loans and advances	411,918	472,275

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17. Loans and advances (Cont'd)

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

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
At 1 January	641	7,083
Impaired during the period/year	-	15
Recovered/regularised during the period/year	(15)	(6,457)
Gross impaired loans and advances	<u>626</u>	<u>641</u>
Less: - Stage 3 - Lifetime ECL credit impaired	(266)	-
- Individual assessment allowance	-	(273)
Net impaired loans and advances	<u>360</u>	<u>368</u>
Net impaired loans and advances as a percentage of gross loans and advances less Stage 3 - Lifetime ECL credit impaired/ individual assessment allowance	<u>0.09%</u>	<u>0.08%</u>

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

	Group and Bank	
	30 September 2018 RM'000	31 December 2017 RM'000
Purchase of securities	-	15
Purchase of transport vehicles	159	159
Purchase of residential landed property	467	467
Gross impaired loans and advances	<u>626</u>	<u>641</u>

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

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
Group and Bank				
At 1 January 2018				
- as previously stated	642	-	273	915
- effect of adopting MFRS 9	(289)	-	-	(289)
At 1 January 2018, as restated	<u>353</u>	<u>-</u>	<u>273</u>	<u>626</u>
Amount written-back (Note 27)	(64)	-	(7)	(71)
At 30 September 2018	<u>289</u>	<u>-</u>	<u>266</u>	<u>555</u>

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

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17. Loans and advances (Cont'd)

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

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

18. Other assets

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	1,093,801	784,480	1,093,801	784,480
Amount due from ultimate holding company	9,238	25,609	9,238	25,609
Other debtors, deposits and prepayments	241,902	159,611	237,846	155,803
	1,344,941	969,700	1,340,885	965,892
Less: Allowance for impairment losses	(18,483)	(17,708)	(14,505)	(13,980)
	1,326,458	951,992	1,326,380	951,912

(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 2018 RM'000	31 December 2017 RM'000
Licensed bank	1,099,560	743,958

20. Other liabilities

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Provisions and accruals	54,534	113,736	54,361	113,553
Amount due to brokers and clients (a)	1,052,392	745,988	1,052,392	745,988
Deposits and other creditors	1,325,355	1,020,434	1,325,133	1,019,290
Amount due to:				
- Holding company	30,897	45,662	30,897	45,662
- Related companies	13,130	21,220	13,130	21,220
- Subsidiaries	-	-	171,474	171,474
	2,476,308	1,947,040	2,647,387	2,117,187

(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 September 2018		31 December 2017	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Hedging derivatives				
Equity-related derivatives:				
Equity swaps				
- Less than one year	249,269	26,154	118,129	8,855

(ii) Derivative liabilities

	Group and Bank			
	30 September 2018		31 December 2017	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Hedging derivatives				
Equity-related derivatives:				
Equity options				
- Less than one year	247,092	167,799	151,143	81,445
Equity swaps				
- Less than one year	1,721	1,044	145,972	21,283
	<u>248,813</u>	<u>168,843</u>	<u>297,115</u>	<u>102,728</u>

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

	Group and Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Equity-related derivatives:				
Index futures	404	-	(79)	5
Equity options	(46,308)	(11,573)	(93,701)	(19,707)
Equity swaps	6,020	55,382	37,447	(25,709)
	<u>(39,884)</u>	<u>43,809</u>	<u>(56,333)</u>	<u>(45,411)</u>

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22. Interest income

<u>Group</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Loans and advances				
- Interest income other than on impaired loans	7,748	14,296	23,386	25,341
- Interest income on impaired loans	20	23	65	70
Money at call and deposits and placements with financial institutions	10,582	8,028	29,009	18,493
Others	1,076	304	2,512	1,047
Total interest income	19,426	22,651	54,972	44,951

<u>Bank</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Loans and advances				
- Interest income other than on impaired loans	7,748	14,296	23,386	25,341
- Interest income on impaired loans	20	23	65	70
Money at call and deposits and placements with financial institutions	10,308	7,761	28,176	17,715
Others	1,076	304	2,512	1,047
Total interest income	19,152	22,384	54,139	44,173

23. Interest expense

<u>Group and Bank</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Deposits and placements from a financial institution	5,234	3,689	13,931	10,093
Derivative financial instruments	8,368	5,529	23,401	13,388
Total interest expense	13,602	9,218	37,332	23,481

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24. Non-interest income

<u>Group</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Fee and commission income:				
Arranger and upfront fees	10,589	8,708	30,824	21,227
Brokerage income	38,797	38,094	128,500	134,660
Corporate advisory fees	2,150	8,552	10,508	13,876
Placement and related fees	405	10,756	6,092	13,856
Underwriting commission	-	1,293	622	2,714
Others	2,312	4,303	7,344	10,828
	<u>54,253</u>	<u>71,706</u>	<u>183,890</u>	<u>197,161</u>
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(11,973)	5,699	(25,151)	41,726
Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss, net	35,250	(26,186)	78,884	65,736
Realised gain/(loss) from sale of derivative financial instruments, net	26,245	(23,900)	42,841	(53,659)
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 21 (iii))	(39,884)	43,809	(56,333)	(45,411)
Gross dividends from:				
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	1,500	(965)	5,069	1,273
- Quoted outside Malaysia	9	50	595	481
	<u>11,147</u>	<u>(1,493)</u>	<u>45,905</u>	<u>10,146</u>
Other income:				
Foreign exchange (loss)/gain, net	(714)	1,107	2,948	4,931
Others	1,156	1,463	3,368	3,659
	<u>442</u>	<u>2,570</u>	<u>6,316</u>	<u>8,590</u>
Total non-interest income	<u>65,842</u>	<u>72,783</u>	<u>236,111</u>	<u>215,897</u>

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24. Non-interest income (Cont'd)

	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Bank				
Fee and commission income:				
Arranger and upfront fees	10,589	8,708	30,824	21,227
Brokerage income	38,797	38,094	128,500	134,660
Corporate advisory fees	2,150	7,974	5,916	12,256
Placement and related fees	405	10,756	6,092	13,856
Underwriting commission	-	1,293	622	2,714
Others	2,312	4,303	7,344	10,828
	<u>54,253</u>	<u>71,128</u>	<u>179,298</u>	<u>195,541</u>
Investment income:				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(11,973)	5,699	(25,151)	41,726
Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss, net	35,250	(26,186)	78,884	65,736
Realised gain/(loss) from sale of derivative financial instruments, net	26,245	(23,900)	42,841	(53,659)
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 21 (iii))	(39,884)	43,809	(56,333)	(45,411)
Gross dividends from:				
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	1,500	(965)	5,069	1,273
- Quoted outside Malaysia	9	50	595	481
Subsidiary	-	-	4,550	-
	<u>11,147</u>	<u>(1,493)</u>	<u>50,455</u>	<u>10,146</u>
Other income:				
Foreign exchange (loss)/gain, net	(714)	1,107	2,948	4,931
Others	1,156	1,463	3,368	3,656
	<u>442</u>	<u>2,570</u>	<u>6,316</u>	<u>8,587</u>
Total non-interest income	<u>65,842</u>	<u>72,205</u>	<u>236,069</u>	<u>214,274</u>

25. Direct costs

	Group and Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Dealers' incentive	2,510	4,370	12,649	11,209
Trade-related charges	3,876	3,280	10,688	9,625
	<u>6,386</u>	<u>7,650</u>	<u>23,337</u>	<u>20,834</u>

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26. Overhead expenses

<u>Group</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Personnel expenses				
- Salaries, allowances and bonuses (Note (i))	48,189	44,167	148,400	128,706
- Pension costs - defined contribution plan	4,189	4,692	13,817	13,896
- Employees' Share Scheme expenses	-	1,248	486	3,673
- Other staff-related expenses	2,563	2,408	7,395	6,980
	<u>54,941</u>	<u>52,515</u>	<u>170,098</u>	<u>153,255</u>
Establishment costs				
- Depreciation of property, plant and equipment	1,671	1,555	5,089	4,739
- Amortisation of computer software	1,290	1,099	3,809	3,126
- Rental	2,684	2,732	7,654	8,258
- Repairs and maintenance of property, plant and equipment	2,739	3,743	7,319	8,501
- Information technology expenses	4,053	3,747	11,801	10,150
- Service chargeback	(14,526)	(14,081)	(27,392)	(26,674)
- Others	484	597	1,487	1,415
	<u>(1,605)</u>	<u>(608)</u>	<u>9,767</u>	<u>9,515</u>
Marketing costs				
- Advertisement and publicity	2,015	2,460	9,705	8,490
- Others	1,098	1,526	4,710	4,332
	<u>3,113</u>	<u>3,986</u>	<u>14,415</u>	<u>12,822</u>
Administration and general expenses				
- Fee and brokerage (Note (i))	1,780	1,047	4,492	3,070
- Administrative expenses	591	794	2,454	2,664
- General expenses (Note (i))	1,101	880	3,276	2,685
	<u>3,472</u>	<u>2,721</u>	<u>10,222</u>	<u>8,419</u>
Total overhead expenses	<u>59,921</u>	<u>58,614</u>	<u>204,502</u>	<u>184,011</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 brokerage income.

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

<u>Bank</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Personnel expenses				
- Salaries, allowances and bonuses (Note (i))	48,189	44,167	148,400	128,706
- Pension costs - defined contribution plan	4,189	4,692	13,817	13,896
- Employees' Share Scheme expenses	-	1,248	486	3,673
- Other staff related expenses	2,563	2,407	7,394	6,979
	<u>54,941</u>	<u>52,514</u>	<u>170,097</u>	<u>153,254</u>
Establishment costs				
- Depreciation of property, plant and equipment	1,671	1,555	5,089	4,739
- Amortisation of computer software	1,290	1,099	3,809	3,126
- Rental	2,684	2,732	7,654	8,258
- Repairs and maintenance of property, plant and equipment	2,739	3,742	7,318	8,499
- Information technology expenses	4,053	3,747	11,801	10,150
- Service chargeback	(14,526)	(14,803)	(28,861)	(28,830)
- Others	484	597	1,487	1,415
	<u>(1,605)</u>	<u>(1,331)</u>	<u>8,297</u>	<u>7,357</u>
Marketing costs				
- Advertisement and publicity	2,015	2,460	9,705	8,490
- Others	1,098	1,535	4,719	4,349
	<u>3,113</u>	<u>3,995</u>	<u>14,424</u>	<u>12,839</u>
Administration and general expenses				
- Fee and brokerage (Note (i))	1,750	1,030	4,419	3,012
- Administrative expenses	579	791	2,409	2,633
- General expenses (Note (i))	1,101	880	3,276	2,685
	<u>3,430</u>	<u>2,701</u>	<u>10,104</u>	<u>8,330</u>
Total overhead expenses	<u>59,879</u>	<u>57,879</u>	<u>202,922</u>	<u>181,780</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 brokerage income.

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27. Writeback of/(allowance for) impairment on loans and advances and other assets, net

<u>Group</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Writeback of/(allowance for) impairment on loans and advances:				
- Collective allowance	-	(680)	-	(689)
- Stage 1 - 12-month ECL (Note 17 (vii))	11	-	64	-
- Stage 3 - Lifetime ECL credit impaired (Note 17 (vii))	7	-	7	-
Bad debts recovered	259	702	915	1,034
Writeback of/(allowance for) impairment on other assets, net	494	(4,260)	(775)	(5,552)
Total	771	(4,238)	211	(5,207)

<u>Bank</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
Writeback of/(allowance for) impairment on loans and advances:				
- Collective allowance	-	(680)	-	(689)
- Stage 1 - 12-month ECL (Note 17 (vii))	11	-	64	-
- Stage 3 - Lifetime ECL credit impaired (Note 17 (vii))	7	-	7	-
Bad debts recovered	34	702	565	1,034
Writeback of/(allowance for) impairment on other assets, net	494	(4,260)	(525)	(5,552)
Total	546	(4,238)	111	(5,207)

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 2018</u>		
CET1 capital ratio	25.233	23.642
Tier 1 capital ratio	25.233	23.642
Total capital ratio	<u>26.580</u>	<u>25.003</u>
<u>At 31 December 2017</u>		
CET1 capital ratio	31.322	29.674
Tier 1 capital ratio	31.322	29.674
Total capital ratio	<u>31.525</u>	<u>29.674</u>

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):

<u>At 30 September 2018</u>	Group RM'000	Bank RM'000
Paid-up share capital	222,785	222,785
Other reserves	359,740	350,288
CET1 capital before regulatory adjustments	582,525	573,073
Less: Deferred tax assets	(7,566)	(7,566)
Intangible assets	(13,977)	(13,977)
Investment in subsidiaries and a joint venture ¹	(3,719)	(34,380)
CET1 capital/Tier 1 capital	557,263	517,150
Tier 2 capital		
General provisions	29,764	29,764
Tier 2 capital	29,764	29,764
Total capital	587,027	546,914
	Group RM'000	Bank RM'000
<u>At 31 December 2017</u>		
Paid-up share capital	222,785	222,785
Other reserves	416,581	407,457
CET1 capital before regulatory adjustments	639,366	630,242
Less: Deferred tax assets	(19,603)	(19,603)
Intangible assets	(16,312)	(16,312)
Investment in subsidiaries and a joint venture ¹	(4,597)	(32,758)
CET1 capital/Tier 1 capital	598,854	561,569
Tier 2 capital		
Regulatory reserve	5,022	5,022
Less: Regulatory adjustment applied in Tier 2 capital	(1,149)	(5,022)
Tier 2 capital	3,873	-
Total capital	602,727	561,569

¹ 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>	Gross credit exposures RM'000	Net credit exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
30 September 2018				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	629,391	629,391	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,849,382	1,849,382	716,358	57,309
Corporates	146,725	83,762	83,762	6,701
Regulatory retail	265,538	130,536	125,443	10,035
Higher risk assets	40,363	40,363	60,545	4,844
Other assets	467,055	467,055	333,705	26,696
Total on-balance sheet exposures	3,398,454	3,200,489	1,319,813	105,585
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,118,307	1,118,307	142	11
Total off-balance sheet exposures	1,118,307	1,118,307	142	11
Total on and off-balance sheet exposures	4,516,761	4,318,796	1,319,955	105,596
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	-	-
Equity position risk	-	-	7,059	565
Foreign currency risk	-	-	64,714	5,177
Options risk	-	-	32,025	2,562
Total	-	-	103,798	8,304
(iii) <u>Operational Risk</u>				
	-	-	784,738	62,779
Total RWA and capital requirements	4,516,761	4,318,796	2,208,491	176,679

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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 RM'000	Net credit exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
31 December 2017				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
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
Total on-balance sheet exposures	2,706,258	2,445,885	1,022,661	81,813
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,053,132	1,053,132	449	36
Total off-balance sheet exposures	1,053,132	1,053,132	449	36
Total on and off-balance sheet exposures	3,759,390	3,499,017	1,023,110	81,849
(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
Total	-	-	124,903	9,992
(iii) <u>Operational Risk</u>				
	-	-	763,899	61,112
Total RWA and capital requirements	3,759,390	3,499,017	1,911,912	152,953

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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 2018				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	629,391	629,391	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,810,874	1,810,874	708,656	56,692
Corporates	146,725	83,762	83,762	6,701
Regulatory retail	265,538	130,536	125,443	10,036
Higher risk assets	40,363	40,363	60,545	4,844
Other assets	466,921	466,921	333,572	26,686
Total on-balance sheet exposures	3,359,812	3,161,847	1,311,978	104,959
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,118,307	1,118,307	142	11
Total off-balance sheet exposures	1,118,307	1,118,307	142	11
Total on and off-balance sheet exposures	4,478,119	4,280,154	1,312,120	104,970
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	-	-
Equity position risk	-	-	7,059	565
Foreign currency risk	-	-	60,163	4,813
Options risk	-	-	32,025	2,562
Total	-	-	99,247	7,940
(iii) <u>Operational Risk</u>				
	-	-	776,040	62,083
Total RWA and capital requirements	4,478,119	4,280,154	2,187,407	174,993

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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 2017	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
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
Total on-balance sheet exposures	2,665,650	2,405,277	1,014,433	81,154
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,053,132	1,053,132	449	36
Total off-balance sheet exposures	1,053,132	1,053,132	449	36
Total on and off-balance sheet exposures	3,718,782	3,458,409	1,014,882	81,190
(ii) <u>Market Risk</u>				
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
Total	-	-	120,036	9,603
(iii) <u>Operational Risk</u>				
	-	-	757,556	60,604
Total RWA and capital requirements	3,718,782	3,458,409	1,892,474	151,397

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29. Commitments and contingencies

Group and Bank	30 September 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
<u>Credit-related</u>						
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,118,023	-	-	1,052,235	-	-
- Maturity exceeding one year	284	142	142	897	449	449
	1,118,307	142	142	1,053,132	449	449
<u>Derivative financial instruments</u>						
Equity-related contracts						
- Less than one year	498,082	-	-	415,244	-	-
Total commitments and contingencies	1,616,389	142	142	1,468,376	449	449

* 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) 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;
- (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 have filed their separate and respective appeals to the Court of Appeal ("the Appeals").

The Appeals are now fixed for hearings on 12, 13, 15, 22, 23, 27-29 November 2018.

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

Case 2

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

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

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

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

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

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

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. The Company and the Guarantor filed their respective motions to the Federal Court to review the Federal Court Decision ("FC Review Application"). The FC Review Application is fixed for hearing on 28 January 2019.

Separately, in respect of the suit filed by another noteholder 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 29 January 2019. 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:

<u>Group</u>	Pillar 1	Pillar 2	Others	Total
30 September 2018	RM'000	RM'000	RM'000	RM'000
Net interest income	1,603	16,037	-	17,640
Income from Islamic Banking Scheme operations	33,025	4,152	-	37,177
Non-interest income	52,599	183,512	-	236,111
Direct costs	-	(23,337)	-	(23,337)
Net income	<u>87,227</u>	<u>180,364</u>	-	<u>267,591</u>
Results				
Segment results	87,227	180,364	-	267,591
Overhead expenses	(62,206)	(142,296)	-	(204,502)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(671)	882	-	211
Share of results of a joint venture	-	-	(2,158)	(2,158)
Profit/(loss) before taxation	<u>24,350</u>	<u>38,950</u>	<u>(2,158)</u>	<u>61,142</u>
Taxation and zakat				(16,115)
Profit for the period				<u>45,027</u>
Other segment information				
Depreciation of property, plant and equipment	870	4,219	-	5,089
Amortisation of computer software	474	3,335	-	3,809
Group				
30 September 2017	Pillar 1	Pillar 2	Others	Total
	RM'000	RM'000	RM'000	RM'000
Net interest income	4,113	17,357	-	21,470
Income from Islamic Banking Scheme operations	60,400	3,616	-	64,016
Non-interest income	63,267	152,630	-	215,897
Direct costs	-	(20,834)	-	(20,834)
Net income	<u>127,780</u>	<u>152,769</u>	-	<u>280,549</u>
Results				
Segment results	127,780	152,769	-	280,549
Overhead expenses	(67,787)	(116,224)	-	(184,011)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(5,317)	110	-	(5,207)
Share of results of a joint venture	-	-	(3,034)	(3,034)
Profit/(loss) before taxation	<u>54,676</u>	<u>36,655</u>	<u>(3,034)</u>	<u>88,297</u>
Taxation and zakat				(26,349)
Profit for the period				<u>61,948</u>
Other segment information				
Depreciation of property, plant and equipment	847	3,892	-	4,739
Amortisation of computer software	463	2,663	-	3,126

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

Unaudited Statements of Financial Position as at 30 September 2018

	Notes	Group and Bank	
		30 September 2018 RM'000	31 December 2017 RM'000
ASSETS			
Cash and short-term funds	(a)	18,729	2,757
Other assets	(b)	207,784	209,295
Total assets		226,513	212,052
LIABILITIES			
Other liabilities	(c)	12,534	430
Provision for taxation and zakat	(d)	3,810	10,157
Total liabilities		16,344	10,587
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking fund		5,000	5,000
Retained earnings		205,169	196,465
		210,169	201,465
Total liabilities and Islamic banking capital funds		226,513	212,052

Unaudited Statements of Comprehensive Income
For the Third Quarter Ended 30 September 2018

Group and Bank	Notes	Third Quarter Ended		Cumulative 9 Months Ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Income derived from investment of Islamic banking fund	(e)	7,045	15,769	37,177	64,016
Direct costs		(555)	(1,196)	(1,925)	(3,013)
Net income attributable to the Group and to the Bank		6,490	14,573	35,252	61,003
Overhead expenses	(f)	(6,788)	(10,635)	(22,848)	(30,962)
Operating profit		(298)	3,938	12,404	30,041
Writeback of impairment on other assets		-	10	110	140
(Loss)/profit before taxation and zakat		(298)	3,948	12,514	30,181
Taxation		72	(948)	(3,003)	(7,243)
Zakat		(185)	(6)	(807)	(1,021)
(Loss)/profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		(411)	2,994	8,704	21,917

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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 2018**

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2018	5,000	196,465	201,465
Profit for the period	-	8,704	8,704
Total comprehensive income for the period	-	8,704	8,704
At 30 September 2018	5,000	205,169	210,169
At 1 January 2017	5,000	168,552	173,552
Profit for the period	-	21,917	21,917
Total comprehensive income for the period	-	21,917	21,917
At 30 September 2017	5,000	190,469	195,469

**Unaudited Statements of Cash Flows
For the Third Quarter Ended 30 September 2018**

	Group and Bank	
	30 September 2018 RM'000	30 September 2017 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	12,514	30,181
Decrease/(increase) in receivables	1,511	(37,117)
Increase in payables	8,294	1,846
Taxation and zakat (paid)/recovered, net	(6,347)	7,472
Net cash generated from operating activities	15,972	2,382
Net increase in cash and cash equivalents	15,972	2,382
Cash and cash equivalents at beginning of the period	2,757	2,880
Cash and cash equivalents at end of the period	18,729	5,262

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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
	2018	2017
	RM'000	RM'000
Cash and bank balances with financial institutions	<u>18,729</u>	<u>2,757</u>

(b) Other assets

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
Debtors	<u>207,784</u>	<u>209,295</u>

(c) Other liabilities

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
Provisions and accruals*	<u>12,534</u>	<u>430</u>

* Include prohibited sources/means to charitable causes amounting to RM288 (2017: RM432).

(d) Provision for taxation and zakat

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
Taxation	3,003	9,176
Zakat	807	981
	<u>3,810</u>	<u>10,157</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>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Profit income from financial assets at fair value through profit or loss	3	212	3	212
Realised gain from sale of financial assets at fair value through profit or loss, net	328	1,064	1,131	1,317
Fee and commission income from:				
- Arranger and upfront fees	1,057	10,780	23,808	37,293
- Brokerage income	1,212	1,090	4,152	3,616
- Corporate advisory fees	-	175	-	16,235
- Placement fees	2,000	750	2,000	750
- Others	2,445	1,713	6,083	4,608
Foreign exchange loss, net	-	(15)	-	(15)
Total	7,045	15,769	37,177	64,016

(f) Overhead expenses

<u>Group and Bank</u>	Third Quarter Ended		Cumulative 9 Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Personnel expenses (Note (i))	4,706	8,352	16,961	22,921
Establishment costs				
- Service chargeback	121	(1,585)	(117)	(2,452)
- Other establishment costs	1,073	2,160	3,103	5,661
Marketing costs	276	563	1,437	1,744
Administration and general expenses (Note (i))	612	1,145	1,464	3,088
Total	6,788	10,635	22,848	30,962

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

(g) Capital adequacy

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

<u>Group and Bank</u>	30 September 2018	31 December 2017
	%	%
CET1 capital ratio	84.526	85.860
Tier 1 capital ratio	84.526	85.860
Total capital ratio	84.526	85.860

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

<u>Group and Bank</u>	30 September 2018 RM'000	31 December 2017 RM'000
	Tier 1 capital	
Islamic banking fund	5,000	5,000
Retained earnings	205,169	196,465
CET1 capital/Tier 1 capital/Total capital	210,169	201,465

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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 2018				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	17,198	17,198	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,530	1,530	306	24
Other assets	558,901	558,901	143,901	11,512
Total on-balance sheet exposures	577,629	577,629	144,207	11,537
Total on and off-balance sheet exposures *	577,629	577,629	144,207	11,537
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	104,433	8,355
Total RWA and capital requirements	577,629	577,629	248,643	19,891

<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 2017				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
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
Total on-balance sheet exposures	532,947	532,947	138,964	11,117
Total on and off-balance sheet exposures *	532,947	532,947	138,964	11,117
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	95,677	7,654
Total RWA and capital requirements	532,947	532,947	234,644	18,771

* 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 seven 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 2018 and 31 December 2017.

<u>Group and Bank</u>	<u>Valuation techniques using</u>			<u>Total</u> RM'000
	<u>Quoted</u> <u>Market Price</u> <u>(Level 1)</u> RM'000	<u>Observable</u> <u>Inputs</u> <u>(Level 2)</u> RM'000	<u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u> RM'000	
As at 30 September 2018				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	300,194	174,621	-	474,815
Derivative assets	-	26,154	-	26,154
	<u>300,194</u>	<u>200,775</u>	<u>-</u>	<u>500,969</u>
Financial liabilities measured at fair values:				
Derivative liabilities	9,236	159,607	-	168,843
As at 31 December 2017				
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	21,530	81,198	-	102,728

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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.

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

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

	As at 31 December 2017 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	As at 1 January 2018 RM'000
Group				
Statements of Financial Position				
ASSETS				
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
TOTAL ASSETS	3,439,095	918	219	3,440,232
LIABILITIES				
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
TOTAL LIABILITIES	2,794,707	-	-	2,794,707
SHAREHOLDER'S EQUITY				
Share capital	222,785	-	-	222,785
Reserves	421,603	918	219	422,740
TOTAL EQUITY	644,388	918	219	645,525
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	3,439,095	918	219	3,440,232

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

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

	As at 31 December 2017 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	As at 1 January 2018 RM'000
Bank				
Statements of Financial Position				
ASSETS				
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
TOTAL ASSETS	3,600,118	918	219	3,601,255
LIABILITIES				
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
TOTAL LIABILITIES	2,964,854	-	-	2,964,854
SHAREHOLDER'S EQUITY				
Share capital	222,785	-	-	222,785
Reserves	412,479	918	219	413,616
TOTAL EQUITY	635,264	918	219	636,401
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	3,600,118	918	219	3,601,255

- (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:

	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines	
	Group RM'000	Bank RM'000
Regulatory reserve		
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	33,400	33,400

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

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

	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines	
	Group RM'000	Bank RM'000
Fair value through other comprehensive income reserve		
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>
Retained earnings		
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:

	As at 31 December 2017 RM'000	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines	As at 1 January 2018 RM'000
		RM'000	
Group			
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>	(1.450)	<u>30.075</u>
Bank			
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>	(1.463)	<u>28.211</u>