

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019

<u>Group</u>	<u>Note</u>	31 March 2019 RM'000	31 December 2018 RM'000
ASSETS			
Cash and short-term funds	14	863,631	834,236
Deposits and placements with a financial institution	15	689,499	858,974
Financial investments portfolio	16	538,167	373,034
Loans and advances	17	371,044	368,646
Derivative assets	21 (i)	115,425	251,224
Other assets	18	748,087	827,135
Tax recoverable		28,590	25,250
Statutory deposit with Bank Negara Malaysia		105	105
Investment in a joint venture		2,236	2,813
Property, plant and equipment		8,473	9,632
Intangible assets		14,478	15,021
Right-of-use assets		20,239	-
Deferred tax assets		11,465	16,378
TOTAL ASSETS		3,411,439	3,582,448
LIABILITIES			
Deposits and placements from a financial institution	19	988,725	1,003,316
Derivative liabilities	21 (i)	157,962	228,382
Other liabilities	20	1,652,024	1,749,769
Provision for zakat		749	656
TOTAL LIABILITIES		2,799,460	2,982,123
SHAREHOLDER'S EQUITY			
Share capital		222,785	222,785
Reserves		389,194	377,540
TOTAL EQUITY		611,979	600,325
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		3,411,439	3,582,448
COMMITMENTS AND CONTINGENCIES	29	1,740,614	1,692,394

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019

<u>Bank</u>	Note	31 March 2019 RM'000	31 December 2018 RM'000
ASSETS			
Cash and short-term funds	14	824,814	795,242
Deposits and placements with a financial institution	15	689,479	858,954
Financial investments portfolio	16	538,167	373,034
Loans and advances	17	371,044	368,646
Derivative assets	21 (i)	115,425	251,224
Other assets	18	746,549	823,930
Tax recoverable		26,813	23,362
Statutory deposit with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,259	203,259
Property, plant and equipment		8,458	9,617
Intangible assets		14,478	15,021
Right-of-use assets		20,239	-
Deferred tax assets		11,465	16,378
TOTAL ASSETS		3,570,295	3,738,772
LIABILITIES			
Deposits and placements from a financial institution	19	988,725	1,003,316
Derivative liabilities	21 (i)	157,962	228,382
Other liabilities	20	1,821,439	1,916,880
Provision for zakat		749	656
TOTAL LIABILITIES		2,968,875	3,149,234
SHAREHOLDER'S EQUITY			
Share capital		222,785	222,785
Reserves		378,635	366,753
TOTAL EQUITY		601,420	589,538
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		3,570,295	3,738,772
COMMITMENTS AND CONTINGENCIES	29	1,740,614	1,692,394

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2019

Group	Notes	First Quarter Ended		Cumulative 3 Months Ended	
		31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Interest income	22	18,642	17,236	18,642	17,236
Interest expense	23	(13,218)	(10,523)	(13,218)	(10,523)
Net interest income		5,424	6,713	5,424	6,713
Income from Islamic Banking Scheme operations	31	10,860	22,646	10,860	22,646
Non-interest income	24	78,439	86,238	78,439	86,238
Direct costs	25	(5,638)	(8,541)	(5,638)	(8,541)
Net income		89,085	107,056	89,085	107,056
Overhead expenses	26	(71,252)	(76,901)	(71,252)	(76,901)
Operating profit		17,833	30,155	17,833	30,155
Writeback of/(allowance for) impairment on loans and advances and other assets, net	27	284	(1,903)	284	(1,903)
		18,117	28,252	18,117	28,252
Share of results of a joint venture		(539)	(815)	(539)	(815)
Profit before taxation and zakat		17,578	27,437	17,578	27,437
Taxation and zakat		(5,832)	(7,488)	(5,832)	(7,488)
Profit for the period, attributable to equity holder of the Bank		11,746	19,949	11,746	19,949
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		23	40	23	40
Other comprehensive loss:					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Net loss on foreign exchange translation		(92)	(718)	(92)	(718)
Other comprehensive loss for the period, net of tax		(92)	(718)	(92)	(718)
Total comprehensive income for the period, attributable to equity holder of the Bank		11,654	19,231	11,654	19,231

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 FIRST QUARTER ENDED 31 MARCH 2019

<u>Bank</u>	Notes	First Quarter Ended		Cumulative 3 Months Ended	
		31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Interest income	22	18,379	16,956	18,379	16,956
Interest expense	23	(13,218)	(10,523)	(13,218)	(10,523)
Net interest income		5,161	6,433	5,161	6,433
Income from Islamic Banking Scheme operations	31	10,860	22,646	10,860	22,646
Non-interest income	24	78,439	85,638	78,439	85,638
Direct costs	25	(5,638)	(8,541)	(5,638)	(8,541)
Net income		88,822	106,176	88,822	106,176
Overhead expenses	26	(71,210)	(76,154)	(71,210)	(76,154)
Operating profit		17,612	30,022	17,612	30,022
Allowance for impairment on loans and advances and other assets, net	27	(66)	(1,853)	(66)	(1,853)
Profit before taxation and zakat		17,546	28,169	17,546	28,169
Taxation and zakat		(5,664)	(7,439)	(5,664)	(7,439)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		11,882	20,730	11,882	20,730

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2019

<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 2019	222,785	34,777	930	(396)	342,229	600,325
Profit for the period	-	-	-	-	11,746	11,746
Other comprehensive loss	-	-	-	(92)	-	(92)
Total comprehensive (loss)/income for the period	-	-	-	(488)	11,746	11,654
Transfer from regulatory reserve	-	(6,153)	-	-	6,153	-
At 31 March 2019	222,785	28,624	930	(488)	360,128	611,979
At 1 January 2018						
- as previously stated	222,785	5,022	-	(380)	416,961	644,388
- effect of adopting MFRS 9	-	28,378	918	-	(28,159)	1,137
At 1 January 2018, as restated	222,785	33,400	918	(380)	388,802	645,525
Profit for the period	-	-	-	-	19,949	19,949
Other comprehensive loss	-	-	-	(718)	-	(718)
Total comprehensive income for the period	-	-	-	(718)	19,949	19,231
Transfer from regulatory reserve	-	(5,327)	-	-	5,327	-
At 31 March 2018	222,785	28,073	918	(1,098)	414,078	664,756

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2019

	<-----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 2019	222,785	34,777	930	331,046	589,538
Profit for the period	-	-	-	11,882	11,882
Total comprehensive income for the period	-	-	-	11,882	11,882
Transfer from regulatory reserve	-	(6,153)	-	6,153	-
At 31 March 2019	222,785	28,624	930	349,081	601,420
At 1 January 2018					
- as previously stated	222,785	5,022	-	407,457	635,264
- effect of adopting MFRS 9	-	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	-	-	-	20,730	20,730
Total comprehensive income for the period	-	-	-	20,730	20,730
Transfer to regulatory reserve	-	(5,327)	-	5,327	-
At 31 March 2018	222,785	28,073	918	405,355	657,131

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MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2019

	Note	Group		Bank	
		31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Cash flows from operating activities					
Profit before taxation and zakat		17,578	27,437	17,546	28,169
Adjustments for:					
Share of results of a joint venture		539	815	-	-
Depreciation of property, plant and equipment	26	1,325	1,710	1,325	1,710
Amortisation of computer software	26	1,287	1,243	1,287	1,243
(Writeback of)/allowance for impairment on loans and advances and other assets, net		(219)	2,433	131	2,383
Gross dividends	24	(343)	(2,262)	(343)	(2,262)
Realised (gain)/loss from sale of financial assets at fair value through profit or loss, net	24	(5,112)	1,427	(5,112)	1,427
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	24	(43,314)	(18,799)	(43,314)	(18,799)
Realised gain from sale of derivative financial instruments, net	24	(7,883)	(6,431)	(7,883)	(6,431)
Unrealised loss on revaluation of derivative financial instruments, net	24	53,154	16,482	53,154	16,482
Operating profit before working capital changes		17,012	24,055	16,791	23,922
Change in cash and short-term funds with original maturity more than three months		38,730	(33,186)	38,730	(33,186)
Change in deposits and placements with original maturity more than three months		193,152	868	193,152	868
Change in financial investments portfolio and derivative financial instruments		(96,599)	(11,465)	(96,599)	(11,465)
Change in loans and advances		(2,383)	57,225	(2,383)	57,225
Change in other assets		58,958	246,595	56,995	252,357
Change in deposits and placements from a financial institution		(14,591)	(94,570)	(14,591)	(94,570)
Change in other liabilities		(97,745)	(227,407)	(95,441)	(232,217)
Cash generated from/(used in) operations		96,534	(37,885)	96,654	(37,066)
Taxation and zakat paid, net		(4,166)	(6,062)	(4,109)	(6,021)
Net cash generated from/(used in) operating activities		92,368	(43,947)	92,545	(43,087)
Cash flows from investing activities					
Purchase of property, plant and equipment		(166)	(458)	(166)	(458)
Proceeds from disposal of computer software		-	269	-	269
Purchase of computer software		(744)	-	(744)	-
Net dividends received		343	2,262	343	2,262
Net cash (used in)/generated from investing activities		(567)	2,073	(567)	2,073
Net increase/(decrease) in cash and cash equivalents		91,801	(41,874)	91,978	(41,014)
Cash and cash equivalents at the beginning of the period		766,134	704,163	727,120	663,644
Cash and cash equivalents at the end of the period		857,935	662,289	819,098	622,630

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2019 (CONT'D.)

	Note	Group		Bank	
		31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Cash and cash equivalents comprise:					
Cash and short-term funds	14	863,631	693,235	824,814	653,596
Deposits and placements with a financial institution	15	689,499	808,150	689,479	808,130
		<u>1,553,130</u>	<u>1,501,385</u>	<u>1,514,293</u>	<u>1,461,726</u>
Less:					
Cash and short-term funds and deposits and placements with original maturity more than three months		(695,195)	(839,096)	(695,195)	(839,096)
		<u>857,935</u>	<u>662,289</u>	<u>819,098</u>	<u>622,630</u>

(These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 2018. 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 2018.

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 2018 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 2019:

Description	Effective for annual periods beginning on or after
MFRS 9 <i>Prepayment Features with Negative Compensation</i> (Amendments to MFRS 9)	1 January 2019
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to MFRS 128)	To be announced by MASB
Annual Improvements to MFRSs 2015-2017 Cycle	
(i) MFRS 3 <i>Business Combinations</i>	1 January 2019
(ii) MFRS 11 <i>Joint Arrangements</i>	1 January 2019
(iii) MFRS 112 <i>Income Tax</i>	1 January 2019
(iv) MFRS 123 <i>Borrowing Costs</i>	1 January 2019
MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i> (Amendments to MFRS 119)	1 January 2019
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced by MASB
IC Interpretation 23: <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 2: <i>Share-Based Payment</i>	1 January 2020
Amendments to MFRS 3: <i>Business Combinations</i>	1 January 2020
Amendments to MFRS 3: <i>Definition of Business</i>	1 January 2020
Amendments to MFRS 14: <i>Regulatory Deferral Accounts</i>	1 January 2020
Amendments to MFRS 101: <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108: <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 134: <i>Interim Financial Reporting</i>	1 January 2020
Amendments to MFRS 137: <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendments to MFRS 138: <i>Intangible Assets</i>	1 January 2020
Amendments to IC Interpretation 12: <i>Service Concession Arrangements</i>	1 January 2020
Amendments to IC Interpretation 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
Amendments to IC Interpretation 22: <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2020

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, except for those discussed below:

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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 16 Leases ("MFRS 16")

Before the adoption of MFRS 16, the Group and the Bank classified each of its leases such as premises for branches, data centres and IT and office equipments at the inception date as either a finance lease or an operating lease in accordance with MFRS 117 Leases. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group or the Bank; otherwise, it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased assets were not capitalised and the lease payments were recognised as rental expense in the statements of comprehensive income on a straight-line basis over the lease term. Any prepaid and accrued rent were recognised under other assets:prepayments and other liabilities:accruals, respectively.

MFRS 16 is mandatorily applicable initially for annual periods beginning on or after 1 January 2019 and replaces MFRS 117, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease — Incentives and IC Interpretation 127 Evaluating the Substance of Transactions involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 17. Therefore, MFRS 16 did not have an impact for leases where the Group or the Bank is the lessor.

The Group and the Bank have analysed the impact of the first-time application of MFRS 16, including existing processes, systems and policies. The Group and the Bank have developed its approach for assessing the different types of leases including applying the recognition exemptions in the standard that allows the Group and the Bank not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets; and incorporating forward-looking assumptions in making certain decisions such as extension and termination options on lease contracts of which management have assessed on a case by case basis.

Leases previously classified as operating leases - The Group and the Bank as lessee

On 1 January 2019, the Group and the Bank have applied MFRS 16 for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying MFRS 16, to the retained earnings brought forward and not restate prior year/period comparatives information which remain as previously reported under MFRS 117 and related interpretations. The Group and the Bank also made use of the transition practical expedient in the standard to not recognise lease arrangements for which the lease term ends within 12 months of the date of initial application. The Group and the Bank have elected, on a lease-by-lease basis, to recognise the right-of-use assets at the amount equal to the lease liabilities, hence there were no impact to the retained earnings brought forward as at 1 January 2019.

The Group and the Bank elected the following transition practical expedients on a lease-by-lease basis for measurement purposes at first-time application of the standard:

- (1) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment;
- (2) Short-term lease contracts with a term not exceeding 12 months at the date of initial application are not recognised under MFRS 16;
- (3) Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application; and
- (4) The Group and the Bank used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The detailed financial impact of the adoption of MFRS 16 on the financial statements of the Group and of the Bank are disclosed in Note 33.

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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 16 Leases ("MFRS 16") (Cont'd)

Right-of-Use Assets

At inception of a contract, the Group and the Bank assess whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Group and the Bank combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Group and the Bank recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

Lease Liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating a lease, if the lease term reflects the Group and the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-Term Leases and Leases of Low-Value Assets

The Group and the Bank apply the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant Judgement in Determining the Lease Term of Contracts with Renewal Options

The Group and the Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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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 16 Leases ("MFRS 16") (Cont'd)

Significant Judgement in Determining the Lease Term of Contracts with Renewal Options (Cont'd)

The Group and the Bank have the option, under some of its leases to lease the assets for additional terms of three to five years. The Group and the Bank apply judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group and the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of premises and IT equipments due to the significance of these assets to its operations.

2. Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018 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 2018 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 2019 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 2018.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2018 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 first quarter ended 31 March 2019.

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

During the first quarter ended 31 March 2019, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank.

7. Changes in Estimates

There were no material changes in estimates during the first quarter ended 31 March 2019.

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

8. Changes in Debt and Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Group and the Bank during the first quarter ended 31 March 2019.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the first quarter ended 31 March 2019.

10. Dividends Paid/Payable

There were no dividends paid or payable during the first quarter ended 31 March 2019.

11. Significant and Subsequent Events

There were no significant and subsequent events during the first quarter ended 31 March 2019.

12. Performance Review

For the financial period ended 31 March 2019, the Group's operating profit dropped by 40.9% to RM17.8 million from RM30.2 million during the same period last year mainly due to lower income.

Net income decreased by 16.8% from RM107.1 million to RM89.1 million. Non-interest income and income from Islamic Banking Scheme operations dropped by RM7.8 million to RM78.4 million and by RM11.8 million to RM10.9 million respectively due to lower investment income and fee and commission income during the period. Net interest income decreased by 19.2% to RM5.4 million mainly due to higher interest expense from deposits and placements from a financial institution.

Overhead expenses decreased by 7.3% or RM5.6 million to RM71.3 million from RM76.9 million in the previous corresponding period. This was mainly contributed by the decrease in marketing costs and personnel expenses during the period.

The Group's profit before taxation and zakat decreased by 35.9% or RM9.9 million from RM27.4 million to RM17.6 million. Profit for the period dropped by 41.1% or RM8.2 million to RM11.7 million from RM19.9 million compared to the previous period.

13. Business Outlook

Global GDP growth is expected to ease in 2019 to +3.3% from +3.6% in 2018 amid fallout from the US-China trade war disrupting global trade flows. Moderating global GDP growth is projected to be led by major advanced economies including the US (2019E: +2.5%; 2018: +2.9%) and Eurozone (2019E: +1.3%; 2018: +1.8%), as well as large emerging markets such as China (2019E: +6.3%; 2018: +6.6%), Brazil (2019E: +1.1%; 2018: +2.0%) and Russia (2019E: +1.5%; 2018: +2.3%).

A slower pace of growth is also projected for the ASEAN-6 countries (2019E: +4.6%; 2018: +5.0%) on the back of global macroeconomic headwinds causing uncertainty. Malaysia is expected to chart stable growth at +4.7% in 2019 (2018: +4.7%) on rebounds in the mining and agriculture sectors as well as stimulus to domestic demand from BNM's interest rate cut and the revival of major infrastructure and Government development spending projects previously put under review. Some considerations that could impact Malaysia's economic growth include the outcome of the US-China trade talks and the Government's long term economic growth policy. The US-China trade war is estimated to shave an average of 0.6%, 0.3% and 0.2% off China's, US's and Malaysia's real GDP growth in 2019-2020.

Against this backdrop, the Malaysia equity market is forecasted to remain volatile amidst downside risks to growth and domestic policy risk which had dented investors' sentiment in 2018. Foreign investors net sold RM2.9 billion worth of Malaysian equities in January to April 2019, continuing from their net sell of RM11.9 billion in 2018. As for the Malaysia fixed income market, a major lookout is regulators' measures to address the "market accessibility" issue, cited as a reason for FTSE Russell to place Malaysia bonds under its watch list ahead of its World Government Bond Index review in September 2019. Foreigners turned net sellers of Ringgit bonds in April 2019 with outflows of RM9.8 billion, erasing previous two months of inflows. The Malaysian Government Securities curve remained resilient, signs that domestic liquidity is ample and able to absorb the selling.

Barring any unforeseen circumstances, Maybank Investment Bank Berhad expects its financial performance for 2019 to be satisfactory against the expected growth prospects in Malaysia.

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14. Cash and short-term funds

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
Cash and bank balances with financial institutions	318,863	254,289	313,067	248,316
Deposit and placements maturing within one month	544,768	579,947	511,747	546,926
Total cash and short-term funds	863,631	834,236	824,814	795,242

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM280,177,000 (2018: RM312,325,000). These amounts are excluded from the cash and short-term funds of the Group and of the Bank in accordance with FRSIC Consensus 18 Monies Held-in-Trust by Participating Organisation at Bursa Malaysia Securities Berhad.

15. Deposits and placements with a financial institution

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
Licensed bank	689,499	858,974	689,479	858,954

16. Financial investments portfolio

		Group and Bank	
		31 March 2019 RM'000	31 December 2018 RM'000
Financial assets at fair value through profit or loss	(i)	537,004	371,871
Financial assets at fair value through other comprehensive income	(ii)	1,130	1,130
Financial assets at amortised cost	(iii)	33	33
Total financial investments portfolio		538,167	373,034

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

	Group and Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
At fair value		
Quoted financial assets:		
Shares in Malaysia	195,522	172,823
Shares outside Malaysia	302,237	159,803
	497,759	332,626
Unquoted financial assets:		
Loan stock in Malaysia	39,245	39,245
	537,004	371,871

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

	Group and Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss		
Unquoted financial assets:		
Shares in Malaysia	1,130	1,130

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16. Financial investments portfolio (Cont'd)

(iii) Financial assets at amortised cost

	Group and Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
At amortised cost less accumulated impairment loss		
Unquoted financial assets:		
Private debt securities in Malaysia	<u>33</u>	<u>33</u>

17. Loans and advances

	Group and Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
Term loans		
- Other term loans	80,459	89,290
Amount due from brokers and clients		
- Margin accounts	267,554	256,553
Staff loans	<u>23,603</u>	<u>23,390</u>
Gross loans and advances	<u>371,616</u>	369,233
Less: Allowance for impairment losses		
ECL allowances:		
- Stage 1 - 12 Months ECL	(307)	(322)
- Stage 3 - Lifetime ECL credit impaired	<u>(265)</u>	<u>(265)</u>
Net loans and advances	<u>371,044</u>	<u>368,646</u>

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

	Group and Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
Domestic business enterprises		
- Small and medium enterprises	32,911	32,442
- Others	98,216	105,750
Individuals	240,116	230,567
Foreign entities	<u>373</u>	<u>474</u>
Gross loans and advances	<u>371,616</u>	<u>369,233</u>

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

	Group and Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
Fixed rate		
- Housing loans	12,706	12,400
- Hire purchase receivables	10,563	10,800
- Other fixed rate loans	334	190
Variable rate		
- Base lending rate (BLR)-plus	267,554	256,553
- Cost-plus	<u>80,459</u>	<u>89,290</u>
Gross loans and advances	<u>371,616</u>	<u>369,233</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	
	31 March 2019 RM'000	31 December 2018 RM'000
Purchase of securities	267,554	256,553
Purchase of transport vehicles	10,562	10,800
Purchase of residential landed property	12,707	12,400
Personal use	334	190
Others	80,459	89,290
Gross loans and advances	371,616	369,233

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

	Group and Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
Within one year	348,721	346,429
More than one year to three years	3,153	3,810
More than three years to five years	7,527	6,688
More than five years	12,215	12,306
Gross loans and advances	371,616	369,233

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

	Group and Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
At 1 January	626	641
Recovered/regularised during the year	-	(15)
Gross impaired loans and advances	626	626
Less: - Stage 3 - Lifetime ECL credit impaired	(265)	(265)
Net impaired loans and advances	361	361
Net impaired loans and advances as a percentage of gross loans and advances less Stage 3 - Lifetime ECL credit impaired/ individual allowance	0.10%	0.10%

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

	Group and Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
Purchase of transport vehicles	159	159
Purchase of residential landed property	467	467
Gross impaired loans and advances	626	626

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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 2019	322	-	265	587
Amount written-back (Note 27)	(15)	-	-	(15)
At 31 March 2019	307	-	265	572
At 1 January 2018				
- as previously stated	642	-	273	915
- effect of adopting MFRS 9	(289)	-	-	(289)
At 1 January 2018, as restated	353	-	273	626
Amount written-back (Note 27)	(31)	-	(8)	(39)
At 31 December 2018	322	-	265	587

18. Other assets

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	575,934	480,451	575,934	480,451
Amount due from ultimate holding company	5,442	6,903	5,442	6,903
Other debtors, deposits and prepayments	186,433	359,734	181,935	353,219
	767,809	847,088	763,311	840,573
Less: Allowance for impairment losses	(19,722)	(19,953)	(16,762)	(16,643)
	748,087	827,135	746,549	823,930

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

19. Deposits and placements from a financial institution

	Group and Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
Licensed bank	988,725	1,003,316

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20. Other liabilities

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
Provisions and accruals	41,654	89,842	41,465	89,667
Amount due to brokers and clients (a)	525,945	469,644	525,945	469,644
Deposits and other creditors	1,013,833	1,160,801	1,011,963	1,156,613
Finance lease obligation	20,191	-	20,191	-
Amount due to:				
- Holding company	41,819	23,159	41,819	23,159
- Related companies	8,582	6,323	8,582	6,323
- Subsidiaries	-	-	171,474	171,474
	<u>1,652,024</u>	<u>1,749,769</u>	<u>1,821,439</u>	<u>1,916,880</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 31 March 2019		
	Contract/ Notional amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Hedging derivatives			
Equity-related derivatives:			
Equity options			
- Less than one year	218,228	87,902	105,506
Equity swaps			
- Less than one year	347,560	27,523	52,456
	<u>565,788</u>	<u>115,425</u>	<u>157,962</u>
	Group and Bank 31 December 2018		
	Contract/ Notional amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Equity-related derivatives:			
Equity options			
- Less than one year	222,927	215,601	219,584
Equity swaps			
- Less than one year	300,366	35,623	8,798
	<u>523,293</u>	<u>251,224</u>	<u>228,382</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			
	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 December	31 March	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Equity-related derivatives:				
Index futures	1,141	-	1,141	-
Equity options	(2,536)	(26,444)	(2,536)	(26,444)
Equity swaps	(51,759)	9,962	(51,759)	9,962
	(53,154)	(16,482)	(53,154)	(16,482)

22. Interest income

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 December	31 March	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Group				
Loans and advances				
- Interest income other than on impaired loans	6,994	8,010	6,994	8,010
- Interest income on impaired loans	19	21	19	21
Money at call and deposits and placements with financial institutions	9,901	8,673	9,901	8,673
Others	1,728	532	1,728	532
Total interest income	18,642	17,236	18,642	17,236

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 December	31 March	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Loans and advances				
- Interest income other than on impaired loans	6,994	8,010	6,994	8,010
- Interest income on impaired loans	19	21	19	21
Money at call and deposits and placements with financial institutions	9,638	8,393	9,638	8,393
Others	1,728	532	1,728	532
Total interest income	18,379	16,956	18,379	16,956

23. Interest expense

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 December	31 March	31 December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Group and Bank				
Deposits and placements from a financial institution	6,120	3,856	6,120	3,856
Derivative financial instruments	7,098	6,667	7,098	6,667
Total interest expense	13,218	10,523	13,218	10,523

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24. Non-interest income

<u>Group</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Fee and commission income:				
Arranger and upfront fees	20,869	7,767	20,869	7,767
Brokerage income	33,524	50,057	33,524	50,057
Corporate advisory fees	6,729	1,767	6,729	1,767
Placement and related fees	-	5,305	-	5,305
Underwriting commission	8,041	622	8,041	622
Others	2,599	2,833	2,599	2,833
	71,762	68,351	71,762	68,351
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	5,112	(1,427)	5,112	(1,427)
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	43,314	18,799	43,314	18,799
Realised gain from sale of derivative financial instruments, net	7,883	6,431	7,883	6,431
Unrealised loss on revaluation of derivative financial instruments, net (Note 21 (ii))	(53,154)	(16,482)	(53,154)	(16,482)
Gross dividends from financial assets at fair value through profit or loss				
- Quoted in Malaysia	330	2,262	330	2,262
- Quoted outside Malaysia	13	-	13	-
	3,498	9,583	3,498	9,583
Other income:				
Foreign exchange gain, net	2,764	7,091	2,764	7,091
Others	415	1,213	415	1,213
	3,179	8,304	3,179	8,304
Total non-interest income	78,439	86,238	78,439	86,238

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24. Non-interest income (Cont'd)

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
<u>Bank</u>				
Fee and commission income:				
Arranger and upfront fees	20,869	7,767	20,869	7,767
Brokerage income	33,524	50,057	33,524	50,057
Corporate advisory fees	6,729	1,167	6,729	1,167
Placement and related fees	-	5,305	-	5,305
Underwriting commission	8,041	622	8,041	622
Others	2,599	2,833	2,599	2,833
	71,762	67,751	71,762	67,751
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	5,112	(1,427)	5,112	(1,427)
Unrealised gain on revaluation of financial assets at fair value through profit or loss, net	43,314	18,799	43,314	18,799
Realised gain from sale of derivative financial instruments, net	7,883	6,431	7,883	6,431
Unrealised loss on revaluation of derivative financial instruments, net (Note 21 (ii))	(53,154)	(16,482)	(53,154)	(16,482)
Gross dividends from financial assets at fair value through profit or loss				
- Quoted in Malaysia	330	2,262	330	2,262
- Quoted outside Malaysia	13	-	13	-
	3,498	9,583	3,498	9,583
Other income:				
Foreign exchange gain, net	2,764	7,091	2,764	7,091
Others	415	1,213	415	1,213
	3,179	8,304	3,179	8,304
Total non-interest income	78,439	85,638	78,439	85,638

25. Direct costs

	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
<u>Group and Bank</u>				
Dealers' incentive	3,080	4,520	3,080	4,520
Trade-related charges	2,558	4,021	2,558	4,021
	5,638	8,541	5,638	8,541

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26. Overhead expenses

<u>Group</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	49,131	53,899	49,131	53,899
- Pension costs - defined contribution plan	5,095	4,833	5,095	4,833
- Employees' Share Scheme expenses	1,367	486	1,367	486
- Other staff-related expenses	2,958	2,363	2,958	2,363
	<u>58,551</u>	<u>61,581</u>	<u>58,551</u>	<u>61,581</u>
Establishment costs				
- Depreciation of property, plant and equipment	1,325	1,710	1,325	1,710
- Amortisation of computer software	1,287	1,243	1,287	1,243
- Rental	341	2,457	341	2,457
- Finance cost on lease liability	217	-	217	-
- Depreciation Right-of-use assets	2,072	-	2,072	-
- Repairs and maintenance of property, plant and equipment	2,580	2,350	2,580	2,350
- Information technology expenses	3,721	3,826	3,721	3,826
- Service chargeback	(6,876)	(6,953)	(6,876)	(6,953)
- Others	610	456	610	456
	<u>5,277</u>	<u>5,089</u>	<u>5,277</u>	<u>5,089</u>
Marketing costs				
- Advertisement and publicity	1,355	4,948	1,355	4,948
- Others	1,336	1,391	1,336	1,391
	<u>2,691</u>	<u>6,339</u>	<u>2,691</u>	<u>6,339</u>
Administration and general expenses				
- Fee and brokerage	3,475	2,163	3,475	2,163
- Administrative expenses	703	728	703	728
- General expenses	555	1,001	555	1,001
	<u>4,733</u>	<u>3,892</u>	<u>4,733</u>	<u>3,892</u>
Total overhead expenses	<u>71,252</u>	<u>76,901</u>	<u>71,252</u>	<u>76,901</u>

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

Bank	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	49,131	53,899	49,131	53,899
- Pension costs - defined contribution plan	5,095	4,833	5,095	4,833
- Employees' Share Scheme expenses	1,367	486	1,367	486
- Other staff related expenses	2,958	2,363	2,958	2,363
	58,551	61,581	58,551	61,581
Establishment costs				
- Depreciation of property, plant and equipment	1,325	1,710	1,325	1,710
- Amortisation of computer software	1,287	1,243	1,287	1,243
- Rental	341	2,457	341	2,457
- Finance cost on lease liability	217	-	217	-
- Depreciation of right-of-use assets	2,072	-	2,072	-
- Repairs and maintenance of property, plant and equipment	2,580	2,349	2,580	2,349
- Information technology expenses	3,721	3,826	3,721	3,826
- Service chargeback	(6,876)	(7,666)	(6,876)	(7,666)
- Others	610	456	610	456
	5,277	4,375	5,277	4,375
Marketing costs				
- Advertisement and publicity	1,355	4,948	1,355	4,948
- Others	1,336	1,397	1,336	1,397
	2,691	6,345	2,691	6,345
Administration and general expenses				
- Fee and brokerage	3,446	2,142	3,446	2,142
- Administrative expenses	690	710	690	710
- General expenses	555	1,001	555	1,001
	4,691	3,853	4,691	3,853
Total overhead expenses	71,210	76,154	71,210	76,154

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

<u>Group</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Writeback of impairment on loans and advances:				
on loans and advances:				
- Stage 1 - 12 months ECL (Note 17 (vii))	15	36	15	36
Bad debts recovered	65	530	65	530
Writeback of/(allowance for) impairment on other assets, net	204	(2,469)	204	(2,469)
Total	284	(1,903)	284	(1,903)

<u>Bank</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Writeback of impairment on loans and advances:				
on loans and advances:				
- Stage 1 - 12 months ECL (Note 17 (vii))	15	36	15	36
Bad debts recovered	65	530	65	530
Allowance for impairment on other assets, net	(146)	(2,419)	(146)	(2,419)
Total	(66)	(1,853)	(66)	(1,853)

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 31 March 2019</u>		
CET1 capital ratio	28.921	27.073
Tier 1 capital ratio	28.921	27.073
Total capital ratio	<u>30.462</u>	<u>28.631</u>
<u>At 31 December 2018</u>		
CET1 capital ratio	24.574	22.976
Tier 1 capital ratio	24.574	22.976
Total capital ratio	<u>26.198</u>	<u>24.616</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 31 March 2019</u>		
Paid-up share capital	222,785	222,785
Other reserves	348,824	338,129
CET1 capital before regulatory adjustments	571,609	560,914
Less: Deferred tax assets	(11,465)	(11,465)
Intangible assets	(14,478)	(14,478)
Investment in subsidiaries and a joint venture ¹	(2,748)	(32,296)
CET1 capital/Tier 1 capital	542,918	502,675
Tier 2 capital		
General provisions	28,931	28,931
Tier 2 capital	28,931	28,931
Total capital	571,849	531,606
<u>At 31 December 2018</u>		
Paid-up share capital	222,785	222,785
Other reserves	342,763	331,976
CET1 capital before regulatory adjustments	565,548	554,761
Less: Deferred tax assets	(16,378)	(16,378)
Intangible assets	(15,021)	(15,021)
Investment in subsidiaries and a joint venture ¹	(2,813)	(31,784)
CET1 capital/Tier 1 capital	531,336	491,578
Tier 2 capital		
General provisions	35,099	35,099
Tier 2 capital	35,099	35,099
Total capital	566,435	526,677

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
31 March 2019				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	440,030	440,030	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,329,668	1,329,668	461,864	36,949
Corporates	131,161	100,626	100,626	8,050
Regulatory retail	241,541	121,971	116,944	9,356
Higher risk assets	40,375	40,375	60,563	4,845
Other assets	230,335	230,335	150,200	12,016
Total on-balance sheet exposures	2,413,110	2,263,005	890,197	71,216
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,174,826	1,174,826	282	23
Total off-balance sheet exposures	1,174,826	1,174,826	282	23
Total on and off-balance sheet exposures	3,587,936	3,437,831	890,479	71,239
(ii) <u>Market Risk</u>				
Equity position risk	-	-	10,811	865
Foreign currency risk	-	-	210,410	16,833
Options risk	-	-	45,638	3,651
Total	-	-	266,859	21,349
(iii) <u>Operational Risk</u>				
	-	-	719,900	57,592
Total RWA and capital requirements	3,587,936	3,437,831	1,877,238	150,180

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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 2018	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	492,339	492,339	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,739,668	1,739,668	690,438	55,235
Corporates	138,225	75,269	75,269	6,022
Regulatory retail	232,748	120,882	116,043	9,283
Higher risk assets	40,375	40,375	60,563	4,845
Other assets	595,058	595,058	346,334	27,707
Total on-balance sheet exposures	3,238,413	3,063,591	1,288,647	103,092
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,169,101	1,169,101	161	13
Total off-balance sheet exposures	1,169,101	1,169,101	161	13
Total on and off-balance sheet exposures	4,407,514	4,232,692	1,288,808	103,105
(ii) <u>Market Risk</u>				
Equity position risk	-	-	4,038	323
Foreign currency risk	-	-	106,003	8,480
Options risk	-	-	15,212	1,217
Total	-	-	125,253	10,020
(iii) <u>Operational Risk</u>				
	-	-	748,111	59,849
Total RWA and capital requirements	4,407,514	4,232,692	2,162,172	172,974

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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
31 March 2019				
Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	440,030	440,030	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,290,874	1,290,874	454,105	36,328
Corporates	131,161	100,626	100,626	8,050
Regulatory retail	241,541	121,971	116,944	9,356
Higher risk assets	40,375	40,375	60,563	4,845
Other assets	228,740	228,740	148,607	11,888
Total on-balance sheet exposures	2,372,721	2,222,616	880,845	70,467
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,740,614	1,740,614	282	23
Total off-balance sheet exposures	1,740,614	1,740,614	282	23
Total on and off-balance sheet exposures	4,113,335	3,963,230	881,127	70,490
(ii) <u>Market Risk</u>				
Equity position risk	-	-	10,811	865
Foreign currency risk	-	-	205,808	16,465
Options risk	-	-	45,639	3,651
Total	-	-	262,258	20,980
(iii) <u>Operational Risk</u>				
	-	-	713,360	57,069
Total RWA and capital requirements	4,113,335	3,963,230	1,856,745	148,540

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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 2018	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	492,339	492,339	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,700,698	1,700,698	682,644	54,612
Corporates	138,225	75,269	75,269	6,022
Regulatory retail	232,748	120,882	116,043	9,283
Higher risk assets	40,375	40,375	60,563	4,845
Other assets	591,797	591,797	343,075	27,445
Total on-balance sheet exposures	3,196,182	3,021,360	1,277,594	102,207
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,169,101	1,169,101	161	13
Total off-balance sheet exposures	1,169,101	1,169,101	161	13
Total on and off-balance sheet exposures	4,365,283	4,190,461	1,277,755	102,220
(ii) <u>Market Risk</u>				
Equity position risk	-	-	4,038	323
Foreign currency risk	-	-	101,335	8,107
Options risk	-	-	15,212	1,217
Total	-	-	120,585	9,647
(iii) <u>Operational Risk</u>				
	-	-	741,195	59,296
Total RWA and capital requirements	4,365,283	4,190,461	2,139,535	171,163

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29. Commitments and contingencies

Group and Bank	31 March 2019			31 December 2018		
	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	1,174,262	-	-	1,168,779	-	-
- Maturity exceeding one year	564	282	282	322	161	161
	1,174,826	282	282	1,169,101	161	161
<u>Derivative financial instruments</u>						
Equity-related contracts						
- Less than one year	565,788	-	-	523,293	-	-
Total commitments and contingencies	1,740,614	282	282	1,692,394	161	161

* 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 Court of Appeal heard the Appeals on 12, 13, 15, 22, 23, 27 – 29 November 2018. The Appeals are now pending decision and clarification at a date to be notified by the Court of Appeal.

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"). On 28 January 2019, the Federal Court dismissed the FC Review Application with costs of RM30,000. On 22 February 2019, Million Westlink 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, Million Westlink 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"). Both the Banks' Striking Out Application and the Reference Application is fixed for hearing on 3 July 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 22 July 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.

The Bank's solicitors are of the view that the Bank has a fairly good chance in succeeding before the Federal Court.

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
31 March 2019	RM'000	RM'000	RM'000	RM'000
Net interest income	38	5,386	-	5,424
Income from Islamic Banking Scheme operations	9,969	891	-	10,860
Non-interest income	37,158	41,281	-	78,439
Direct costs	-	(5,638)	-	(5,638)
Net income	<u>47,165</u>	<u>41,920</u>	-	<u>89,085</u>
Results				
Segment results	47,165	41,920	-	89,085
Overhead expenses	(33,503)	(37,749)	-	(71,252)
Writeback of impairment on loans and advances and other assets, net	214	70	-	284
Share of results of a joint venture	-	-	(539)	(539)
Profit/(loss) before taxation	<u>13,876</u>	<u>4,241</u>	<u>(539)</u>	<u>17,578</u>
Taxation and zakat				(5,832)
Profit for the period				<u><u>11,746</u></u>
Other segment information				
Depreciation of property, plant and equipment	26	1,299	-	1,325
Amortisation of computer software	<u>106</u>	<u>1,181</u>	-	<u>1,287</u>
Group	Pillar 1	Pillar 2	Others	Total
31 March 2018	RM'000	RM'000	RM'000	RM'000
Net interest income	160	6,553	-	6,713
Income from Islamic Banking Scheme operations	20,985	1,661	-	22,646
Non-interest income	19,545	66,693	-	86,238
Direct costs	-	(8,541)	-	(8,541)
Net income	<u>40,690</u>	<u>66,366</u>	-	<u>107,056</u>
Results				
Segment results	40,690	66,366	-	107,056
Overhead expenses	(23,982)	(52,919)	-	(76,901)
(Allowance for)/writeback of impairment on loans and advances and other assets, net	(2,347)	444	-	(1,903)
Share of results of a joint venture	-	-	(815)	(815)
Profit/(loss) before taxation	<u>14,361</u>	<u>13,891</u>	<u>(815)</u>	<u>27,437</u>
Taxation and zakat				(7,488)
Profit for the period				<u><u>19,949</u></u>
Other segment information				
Depreciation of property, plant and equipment	296	1,414	-	1,710
Amortisation of computer software	<u>159</u>	<u>1,084</u>	-	<u>1,243</u>

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

Unaudited Statements of Financial Position as at 31 March 2019

	Notes	Group and Bank	
		31 March 2019 RM'000	31 December 2018 RM'000
ASSETS			
Cash and short-term funds	(a)	24,000	17,582
Other assets	(b)	418,963	417,245
Total assets		442,963	434,827
LIABILITIES			
Other liabilities	(c)	225,832	225,008
Provision for taxation and zakat	(d)	5,239	2,661
Total liabilities		231,071	227,669
ISLAMIC BANKING CAPITAL FUND			
Islamic banking fund		5,000	5,000
Retained earnings		206,892	202,158
		211,892	207,158
Total liabilities and Islamic banking capital fund		442,963	434,827

**Unaudited Statements of Comprehensive Income
For the First Quarter Ended 31 March 2019**

Group and Bank	Notes	First Quarter Ended		Cumulative 3 Months Ended	
		31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Income derived from investment of Islamic banking fund	(e)	10,860	22,646	10,860	22,646
Direct costs		(645)	(1,135)	(645)	(1,135)
Net income attributable to the Group and to the Bank		10,215	21,511	10,215	21,511
Overhead expenses	(f)	(3,057)	(12,877)	(3,057)	(12,877)
Operating profit		7,158	8,634	7,158	8,634
Writeback of impairment on other assets		154	240	154	240
Profit before taxation and zakat		7,312	8,874	7,312	8,874
Taxation		(1,827)	(2,130)	(1,827)	(2,130)
Zakat		(751)	(865)	(751)	(865)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		4,734	5,879	4,734	5,879

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

Unaudited Statements of Changes in Equity
For the First Quarter Ended 31 March 2019

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2019	5,000	202,158	207,158
Profit for the period	-	4,734	4,734
Total comprehensive income for the period	-	4,734	4,734
At 31 March 2019	5,000	206,892	211,892
At 1 January 2018	5,000	196,465	201,465
Profit for the period	-	5,879	5,879
Total comprehensive income for the period	-	5,879	5,879
At 31 March 2018	5,000	202,344	207,344

Unaudited Statements of Cash Flows
For the First Quarter Ended 31 March 2019

	Group and Bank	
	31 March 2019 RM'000	31 March 2018 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	7,312	8,874
Decrease/(increase) in receivables	1,718	(32,531)
(Increase)/decrease in payables	(2,612)	47,246
Net cash generated from operating activities	6,418	23,589
Net increase in cash and cash equivalents	6,418	23,589
Cash and cash equivalents at beginning of the period	17,582	2,757
Cash and cash equivalents at end of the period	24,000	26,346

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

(a) Cash and short-term funds

	Group and Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
Cash and bank balances with financial institutions	<u>24,000</u>	<u>17,582</u>

(b) Other assets

	Group and Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
Debtors	<u>418,963</u>	<u>417,245</u>

(c) Other liabilities

	Group and Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
Provisions and accruals*	<u>225,832</u>	<u>225,008</u>

* Include prohibited sources/means to charitable causes amounting to RM1,497 (2018: RM1,497).

(d) Provision for taxation and zakat

	Group and Bank	
	31 March	31 December
	2019	2018
	RM'000	RM'000
Taxation	3,832	2,005
Zakat	1,407	656
	<u>5,239</u>	<u>2,661</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>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Profit income from financial assets at fair value through profit or loss	28	-	28	-
Realised gain from sale of financial assets at fair value through profit or loss, net	649	236	649	236
Fee and commission income from:				
- Arranger and upfront fees	2,305	18,676	2,305	18,676
- Brokerage income	891	1,661	891	1,661
- Others	6,987	2,073	6,987	2,073
Total	10,860	22,646	10,860	22,646

(f) Overhead expenses

<u>Group and Bank</u>	First Quarter Ended		Cumulative 3 Months Ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Personnel expenses	2,643	10,165	2,643	10,165
Establishment costs				
- Service chargeback	(344)	(494)	(344)	(494)
- Other establishment costs	461	1,581	461	1,581
Marketing costs	144	1,005	144	1,005
Administration and general expenses	153	620	153	620
Total	3,057	12,877	3,057	12,877

(g) Capital adequacy

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

<u>Group and Bank</u>	31 March 2019	31 December 2018
	%	%
CET1 capital ratio	82.713	84.647
Tier 1 capital ratio	82.713	84.647
Total capital ratio	82.713	84.647

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

<u>Group and Bank</u>	31 March 2019	31 December 2018
	RM'000	RM'000
Tier 1 capital		
Islamic banking fund	5,000	5,000
Retained earnings	202,158	202,158
CET1 capital/Tier 1 capital/Total capital	207,158	207,158

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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
31 March 2019				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	22,303	22,303	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,696	1,696	339	27
Other assets	580,669	580,669	148,178	11,854
Total on-balance sheet exposures	604,668	604,668	148,517	11,881
Total on and off-balance sheet exposures *	604,668	604,668	148,517	11,881
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	101,935	8,155
Total RWA and capital requirements	604,668	604,668	250,455	20,036

<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 2018				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	16,051	16,051	-	-
Banks, Development Financial Institutions and Multilateral Development Banks	1,530	1,530	306	24
Other assets	575,496	575,496	147,194	11,775
Total on-balance sheet exposures	593,077	593,077	147,500	11,800
Total on and off-balance sheet exposures *	593,077	593,077	147,500	11,800
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	97,228	7,778
Total RWA and capital requirements	593,077	593,077	244,731	19,578

* 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 31 March 2019 and 31 December 2018.

<u>Group and Bank</u>	<u>Valuation techniques using</u>			Total RM'000
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 31 March 2019				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	497,759	39,245	-	537,004
Derivative assets	-	115,425	-	115,425
	497,759	154,670	-	652,429
Financial liabilities measured at fair values:				
Derivative liabilities	932	157,030	-	157,962
As at 31 December 2018				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	332,626	39,245	-	371,871
Derivative assets	-	251,224	-	251,224
	332,626	290,469	-	623,095
Financial liabilities measured at fair values:				
Derivative liabilities	6,213	222,169	-	228,382

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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 16 Leases

(i) The adoption of MFRS 16 resulted in the following financial effects to the statements of financial position of the Group and of the Bank:

	As at 31 December 2018 RM'000	Impact of adopting MFRS 16 RM'000	As at 1 January 2019 RM'000
Group and Bank			
Extract of Statements of Financial Position			
ASSETS			
Right-of-use assets	-	13,140	13,140
LIABILITIES			
Other liabilities			
- Provisions and accruals	-	160	160
- Finance lease obligation	-	12,980	12,980
	-	12,980	12,980

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

	As at 31 December 2018	Impact of adopting MFRS 16	As at 1 January 2019
Group			
CET1 Capital (RM'000)	531,336	-	531,336
Tier 1 Capital (RM'000)	531,336	-	531,336
Total Capital (RM'000)	566,435	-	566,435
Risk Weighted Assets (RM'000)	2,162,172	13,140	2,175,312
CET1 Capital Ratio	24.574	(0.15)	24.426
Tier 1 Capital Ratio	24.574	(0.15)	24.426
Total Capital Ratio	26.198	(0.16)	26.038

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33. Financial Effects arising from Adoption of MFRS 16 Leases (Cont'd.)

(ii) The following table analyses the impact of Capital Adequacy Ratios of the Group and of the Bank: (Cont'd.)

	As at 31 December 2018	Impact of adopting MFRS 16	As at 1 January 2019
Bank			
CET1 Capital (RM'000)	491,578	-	491,578
Tier 1 Capital (RM'000)	491,578	-	491,578
Total Capital (RM'000)	526,677	-	526,677
Risk Weighted Assets (RM'000)	2,139,535	13,140	2,152,675
CET1 Capital Ratio	22.976	(0.14)	22.836
Tier 1 Capital Ratio	22.976	(0.14)	22.836
Total Capital Ratio	24.616	(0.15)	24.466

34. Reclassification of comparative information

Certain opening balances were reclassified during the year to conform with current year presentation with nil financial impact to the statements of comprehensive income. The reclassification is as follows:

31 December 2018	As previously reported RM'000	Re- classification RM'000	As restated RM'000
Group and Bank			
Extract of Statements of Financial Position			
Financial investments portfolio			
Financial assets at fair value through profit or loss (Note 16 (i))	587,472	(215,601)	371,871
Derivative assets (Note 21 (i))	35,623	215,601	251,224