

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012**

	Notes	Group		Bank	
		30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
<b>ASSETS</b>					
Cash and short-term funds	13	1,564,875	1,200,265	1,526,999	1,169,338
Deposits and placements with banks and other financial institutions	14	26,694	12,590	20,701	9,199
Securities portfolio held-for-trading	15 (i)	67,722	18,238	67,722	18,238
Securities portfolio available-for-sale	15 (ii)	130,763	578,196	85,867	531,600
Securities portfolio held-to-maturity	15 (iii)	33	33	33	33
Loans and advances	16	313,258	209,437	313,258	209,437
Derivative assets	19 (i)	212	-	212	-
Other assets	17	408,547	426,262	403,562	425,230
Statutory deposits with Bank Negara Malaysia		105	105	105	105
Investment in subsidiaries		-	-	233,269	233,279
Investment in associates		6,537	10,407	4,200	4,200
Property, plant and equipment		16,025	13,641	15,879	13,484
Intangible assets		7,655	6,028	7,655	6,028
Deferred tax assets		16,433	5,524	16,433	5,524
<b>TOTAL ASSETS</b>		<b>2,558,859</b>	<b>2,480,726</b>	<b>2,695,895</b>	<b>2,625,695</b>
<b>LIABILITIES</b>					
Deposits and placements of a licensed bank		186,622	606,414	186,622	606,414
Other liabilities	18	1,646,424	1,351,328	1,807,630	1,518,432
Derivative liabilities	19 (ii)	24,594	7,508	24,594	7,508
Deferred tax liabilities		1,072	773	-	-
<b>TOTAL LIABILITIES</b>		<b>1,858,712</b>	<b>1,966,023</b>	<b>2,018,846</b>	<b>2,132,354</b>
<b>SHAREHOLDER'S EQUITY</b>					
Share capital		50,116	50,116	50,116	50,116
Reserves		650,031	464,587	626,933	443,225
<b>TOTAL EQUITY</b>		<b>700,147</b>	<b>514,703</b>	<b>677,049</b>	<b>493,341</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>2,558,859</b>	<b>2,480,726</b>	<b>2,695,895</b>	<b>2,625,695</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	26	717,607	492,641	717,607	492,641

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)*

**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**

<u>Group</u>	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
Interest income	20	11,462	6,222	28,133	16,348
Interest expense	21	(1,380)	(1,030)	(8,329)	(2,497)
Net interest income		10,082	5,192	19,804	13,851
Net income from Islamic Banking Scheme operations	28	33,543	37,977	174,744	74,386
Non-interest income	22	40,088	89,468	265,698	212,127
Net income		83,713	132,637	460,246	300,364
Overhead expenses	23	(45,985)	(47,282)	(191,703)	(143,917)
Operating profit		37,728	85,355	268,543	156,447
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	24	(506)	(436)	304	(631)
		37,222	84,919	268,847	155,816
Share of results of associate		46	140	(3,870)	358
<b>Profit before taxation and zakat</b>		37,268	85,059	264,977	156,174
Taxation and zakat		(8,520)	(22,264)	(67,882)	(37,637)
<b>Net profit for the period</b>		28,748	62,795	197,095	118,537
Basic earnings per share (sen)		57	125	393	237

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Net profit for the period</b>	28,748	62,795	197,095	118,537
<b>Other comprehensive loss:</b>				
Net gain/(loss) on securities available-for-sale				
- Gain/(loss) on fair value changes, net of tax	2,513	(15,421)	(10,026)	(19,647)
Foreign currency translation	(1,784)	2,776	(1,625)	1,970
<b>Other comprehensive income/(loss) for the period, net of tax</b>	729	(12,645)	(11,651)	(17,677)
<b>Total comprehensive income for the period attributable to equity holder of the parent</b>	29,477	50,150	185,444	100,860

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)*

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**

<u>Bank</u>	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
Interest income	20	11,237	6,124	27,499	15,885
Interest expense	21	(1,380)	(1,030)	(8,329)	(2,497)
Net interest income		9,857	5,094	19,170	13,388
Net income from Islamic					
Banking Scheme operations	28	33,543	37,977	174,744	74,386
Non-interest income	22	39,036	87,612	253,599	209,843
Net income		82,436	130,683	447,513	297,617
Overhead expenses	23	(45,036)	(45,716)	(189,384)	(141,403)
Operating profit		37,400	84,967	258,129	156,214
(Allowance for)/writeback of impairment on					
loans and advances and other debtors, net	24	(506)	(436)	304	(631)
<b>Profit before taxation and zakat</b>		<b>36,894</b>	<b>84,531</b>	<b>258,433</b>	<b>155,583</b>
Taxation and zakat		(8,504)	(22,036)	(65,703)	(37,654)
<b>Net profit for the period</b>		<b>28,390</b>	<b>62,495</b>	<b>192,730</b>	<b>117,929</b>
Basic earnings per share (sen)		57	125	385	235

<u>Bank</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Net profit for the period</b>	28,390	62,495	192,730	117,929
<b>Other comprehensive loss:</b>				
Net gain/(loss) on securities available-for-sale				
- Gain/(loss) on fair value changes, net of tax	390	(63)	(9,022)	(63)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>390</b>	<b>(63)</b>	<b>(9,022)</b>	<b>(63)</b>
<b>Total comprehensive income for the period attributable to equity holder of the Bank</b>	<b>28,780</b>	<b>62,432</b>	<b>183,708</b>	<b>117,866</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)*

**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CASH FLOW STATEMENTS**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**

	Group		Bank	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
Profit before taxation and zakat	264,977	156,174	258,433	155,583
Adjustment for non-operating and non-cash items	9,739	(3,083)	7,738	(2,617)
Operating profit before working capital changes	<u>274,716</u>	<u>153,091</u>	<u>266,171</u>	<u>152,966</u>
Changes in working capital:				
Net changes in operating assets	28,463	47,479	34,121	12,952
Net changes in operating liabilities	(143,520)	(16,138)	(148,637)	12,169
Net taxes paid	(39,455)	(77,467)	(38,478)	(75,234)
<b>Net cash generated from operations</b>	<u>120,204</u>	<u>106,965</u>	<u>113,177</u>	<u>102,853</u>
<b>Net cash used in investing activities</b>	(7,687)	(5,665)	(7,609)	(6,061)
<b>Net cash used in financing activities - dividends paid</b>	-	(100,000)	-	(100,000)
<b>Net increase/(decrease) in cash and cash equivalents</b>	112,517	1,300	105,568	(3,208)
<b>Cash and cash equivalents at beginning of the period</b>	<u>320,898</u>	<u>200,107</u>	<u>289,971</u>	<u>172,907</u>
<b>Cash and cash equivalents at end of the period</b>	<u>433,415</u>	<u>201,407</u>	<u>395,539</u>	<u>169,699</u>
Cash and cash equivalents included in the cash flow statements comprise the following in Statement of Financial Position amounts:				
Cash and short-term funds	1,564,875	1,085,694	1,526,999	1,053,986
Less: Monies held in trust	(1,131,460)	(884,287)	(1,131,460)	(884,287)
	<u>433,415</u>	<u>201,407</u>	<u>395,539</u>	<u>169,699</u>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)*

**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**

<u>Group</u>	-----Non-distributable----->						<b>Total</b>
	<b>Share capital</b>	<b>Share premium</b>	<b>Statutory reserves *</b>	<b>Unrealised holding reserves</b>	<b>Exchange fluctuation reserve</b>	<b>Distributable retained earnings</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 1 January 2012</b>	50,116	172,669	50,116	21,871	(4,526)	224,457	514,703
Profit for the period	-	-	-	-	-	197,095	197,095
Other comprehensive loss	-	-	-	(10,026)	(1,625)	-	(11,651)
Total comprehensive (loss)/income for the period	-	-	-	(10,026)	(1,625)	197,095	185,444
<b>At 30 September 2012</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>11,845</b>	<b>(6,151)</b>	<b>421,552</b>	<b>700,147</b>
<b>At 1 July 2010</b>	50,116	172,669	50,116	18,762	(3,788)	116,348	404,223
Effects of adopting FRS 139	-	-	-	-	-	15,911	15,911
<b>At 1 July 2010</b>	50,116	172,669	50,116	18,762	(3,788)	132,259	420,134
Profit for the period	-	-	-	-	-	62,458	62,458
Other comprehensive income/(loss)	-	-	-	11,422	(2,324)	20	9,118
Total comprehensive income/(loss) for the period	-	-	-	11,422	(2,324)	62,478	71,576
<b>At 31 December 2010</b>	50,116	172,669	50,116	30,184	(6,112)	194,737	491,710
<b>At 1 January 2011</b>	50,116	172,669	50,116	30,184	(6,112)	194,737	491,710
Profit for the period	-	-	-	-	-	118,537	118,537
Other comprehensive (loss)/income	-	-	-	(19,647)	1,970	-	(17,677)
Total comprehensive (loss)/income for the period	-	-	-	(19,647)	1,970	118,537	100,860
<b>Transaction with owner</b>							
Dividends	-	-	-	-	-	(100,000)	(100,000)
<b>Total transaction with owner</b>	-	-	-	-	-	(100,000)	(100,000)
<b>At 30 September 2011</b>	50,116	172,669	50,116	10,537	(4,142)	213,274	492,570

\* The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)*

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**CONDENSED FINANCIAL STATEMENTS**  
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**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012**

	<-----Non-distributable----->				Distributable retained earnings RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves * RM'000	Unrealised holding reserves RM'000		
<b>Bank</b>						
<b>At 1 January 2012</b>	50,116	172,669	50,116	7,249	213,191	493,341
Profit for the period	-	-	-	-	192,730	192,730
Other comprehensive loss	-	-	-	(9,022)	-	(9,022)
Total comprehensive (loss)/income for the period	-	-	-	(9,022)	192,730	183,708
<b>At 30 September 2012</b>	50,116	172,669	50,116	(1,773)	405,921	677,049
<b>At 1 July 2010</b>	50,116	172,669	50,116	5,777	109,753	388,431
Effects of adopting FRS 139	-	-	-	-	15,911	15,911
<b>At 1 July 2010</b>	50,116	172,669	50,116	5,777	125,664	404,342
Profit for the period	-	-	-	-	58,203	58,203
Other comprehensive loss	-	-	-	(5,777)	-	(5,777)
Total comprehensive (loss)/income for the period	-	-	-	(5,777)	58,203	52,426
<b>At 31 December 2010</b>	50,116	172,669	50,116	-	183,867	456,768
<b>At 1 January 2011</b>	50,116	172,669	50,116	-	183,867	456,768
Profit for the period	-	-	-	-	117,929	117,929
Other comprehensive loss	-	-	-	(63)	-	(63)
Total comprehensive (loss)/income for the period	-	-	-	(63)	117,929	117,866
<b>Transaction with owner</b>						
Dividends	-	-	-	-	(100,000)	(100,000)
<b>Total transaction with owner</b>	-	-	-	-	(100,000)	(100,000)
<b>At 30 September 2011</b>	50,116	172,669	50,116	(63)	201,796	474,634

\* The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

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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 for 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: securities held-for-trading, securities available-for-sale and derivative financial instruments.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting, except for the comparative figures for income statements, statements of comprehensive income, statements of changes in equity and cash flows statements, in which the comparable interim period (i.e.the cumulative 9 months ended 30 September 2011) comprises 6 months which are in respect of a comparable period in the previous financial year of 30 June 2011 and 3 months which are in respect of a comparable period of the immediately preceding financial period of 31 December 2011. However, the comparable interim period as required by MFRS 134 is the cumulative 3 months ended 30 September 2011 of the immediately preceding financial period of 31 December 2011. The departure is mainly due to the Group and the Bank have changed their financial year-end from 30 June to 31 December in the last financial period. For the periods up to and including the six-month financial period ended 31 December 2011, the Group and the Bank prepared its financial statements in accordance with Financial Reporting Standards ("FRS") as modified by Bank Negara Malaysia Guidelines. These unaudited condensed interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board except for as mentioned above.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for six-month financial period ended 31 December 2011. 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 the Bank since the financial period ended 31 December 2011.

The unaudited condensed interim financial statements incorporated 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.

**First-time adoption of Malaysian Financial Reporting Standards ("MFRS")**

These are the Group's and the Bank's unaudited condensed interim financial statements for part of the period covered by first MFRS Framework annual financial statements of the Group and the Bank for the year ending 31 December 2012 and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

As required by MFRS 1, the resulting adjustments arose from events and transactions before the date of transition to MFRS were recognised directly through retained earnings (or another category of equity, where appropriate) as at 1 July 2011 (the date of transition). This is the effect of the general rule of MFRS 1 which is to apply MFRSs retrospectively. There are some mandatory exceptions provided and some exemptions permitted by MFRS 1. The Group's and the Bank's first time adoption decisions regarding these exemptions are detailed below. Other optional exemptions available under MFRS 1, which are not discussed here, are not applicable to the Group and the Bank.

(i) Business combinations

MFRS 1 indicates that a first-time adopter may elect not to apply MFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to MFRS.

The Group and the Bank will take advantage of this election and has elected not to restate business combinations that took place prior to the 1 July 2011 (i.e. the transition date to MFRS). In respect of acquisitions prior to the date of transition;

- (a) The classification of former business combinations under FRS is maintained;
- (b) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (c) The carrying amount of goodwill recognised under FRS is not adjusted.

(ii) Fair value or revaluation as deemed cost for Property, Plant and Equipment ("PPE")

A first-time adopter may elect to measure individual items of PPE at fair value at the date of transition to MFRS and use that fair value as deemed cost at that date.

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**1. First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (Cont'd)**

- (ii) Fair value or revaluation as deemed cost for Property, Plant and Equipment ("PPE") (Cont'd)

A first-time adopter may elect to measure individual items of PPE at fair value at the date of transition to MFRS and use that fair value as deemed cost at that date.

The Group and the Bank have not opted for this exemption.

- (iii) Investments in subsidiaries, jointly controlled entities and associates

MFRS 1 allows the first-time adopter (a parent entity or investor) to measure its subsidiaries, jointly controlled entities and associates in its separate financial statements at one of the following amounts on date of transition: a) cost, in accordance with MFRS 127 *Consolidated and Separate Financial Statements*; or b) deemed cost. The deemed cost of such an investment shall be either: i) fair value at the entity's date of transition to MFRS in its separate financial statements; or ii) the previous GAAP carrying amount at that date.

The Group and the Bank have elected to measure all its investments in subsidiaries and associates in its separate financial statements at their FRS carrying amounts at 1 July 2011 (i.e. the transition date to MFRS).

- (iv) Designation of previously recognised financial instruments

MFRS 1 allows a first-time adopter to designate eligible financial assets as available-for-sale at the date of transition.

The Group and the Bank have not opted for this exemption.

The above elected optional exemptions will not materially impact the opening MFRS Statement of Financial Position as at 1 July 2011 of the Group and the Bank.

**Estimates**

The estimates at 1 July 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with FRS. The estimates used by the Group and the Bank to present these amounts in accordance with MFRS reflect conditions at 1 July 2011, the date of transition to MFRS and as of 31 December 2011.

**2. Significant Accounting Policies and Application of MFRS 1**

The audited financial statements of the Group and the Bank for the six-month financial period ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for financial period ended 31 December 2011 except for those exemptions elected as discussed in Note 1 above.



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**3. Significant Accounting Estimates and Judgements**

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity are as follows:

**(i) Fair Value Estimation of Securities Held-for-trading (Note 15 (i)), Available-for-sale (Note 15 (ii)) and Derivative Financial Instruments (Note 19)**

The fair value of securities and derivatives that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the reporting date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows method.

**(ii) Impairment of Other Intangible Assets**

The Group's and the Bank's intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful life.

The determination of the estimated useful life of these intangible assets requires the Bank's management to analyse the circumstances, the industry and market practice and also to use judgement. At each reporting date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

**(iii) Deferred Tax and Income Taxes**

The Group and the Bank are subject to income taxes in many jurisdictions and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking expert advice where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period which the estimates is revised or the final liability is established.

**(iv) Impairment Losses on Loans, Advances and Financing**

The Group and the Bank review its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, level of arrears, credit utilisation, loan to collateral ratios etc.), concentrations of risks (such as the performance of different individual groups) and relevant economic data.

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**3. Significant Accounting Estimates and Judgements (Cont'd)**

**(v) Impairment of Investments in Subsidiaries and Interest in Associates**

The Group and the Bank assess whether there is any indication that an investment in subsidiaries and interests in associates may be impaired at each reporting date.

If indicators are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgements made by management in the process of applying the Group's and the Bank's accounting policies in respect of investment in subsidiaries and interest in associates are as follows:

- (i) The Group and the Bank determines whether its investments are impaired following certain indications of impairments such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and fundamentals; and
- (ii) Depending on their nature and the industries in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted cash flow, realisable net asset value and sector average price-earnings ratio methods.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

**(vi) Impairment of Securities Portfolio**

The Group and the Bank review the Securities Portfolio and assess at each reporting date whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the assets are subject to impairment review.

The impairment review comprises the following judgement made by management:

- (i) Determination whether its investment is impaired following certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuers or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of "significant" or "prolonged" requires judgement and management evaluation on various factors, such as historical value movement and the significant reduction in fair value.

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

The auditors' report on the audited financial statements for the financial period ended 31 December 2011 was not qualified.

**5. Seasonal or Cyclical Factors**

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the second quarter ended 30 September 2012.

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

During the quarter ended 30 September 2012, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank.

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**7. Significant Events During the Period and Subsequent to the Quarter**

The Bank had on 9 April 2012 entered into a conditional Share Purchase Agreement ("SPA") with Al Numu Real Estate Co and Anfaal Capital ("Anfaal") for the following :-

- i. Proposed acquisition of 858,499 ordinary shares of SAR10 each in Anfaal ("Anfaal Shares"), representing approximately 17.17% of the ordinary share capital of Anfaal for a cash consideration of SAR10,516,613 (RM8,907,571) being SAR12.25 for each Anfaal Share; and
- ii. Proposed assignment of the subordinated loan of SAR2,070,000 (RM1,753,290) from Al Numu to Maybank IB, which is intended to be converted into 207,000 new Anfaal Shares.

In addition to the above, the Board of the Bank in its meeting held on 23 August 2011 and 21 October 2011, approved the proposed subscription of 459,000 new Anfaal Shares pursuant to the proposed rights issue of SAR8,500,000 (RM7,199,500) at SAR10 per share for total consideration of SAR4,590,000 (RM3,887,730) on the basis of 17 new shares held prior to the conversion of subordinated loan.

The Bank currently holds 900,000 Anfaal Shares, representing 18.00% equity interest in Anfaal. The Bank will hold 35.17% equity interest in Anfaal upon completion of the proposed acquisition and 37.59% equity interest in Anfaal upon completion of the proposed subscription of rights issue and proposed conversion of the subordinated loan.

There were no material events subsequent to quarter ended 30 September 2012.

**8. Changes in Estimates**

There were no material changes in estimates during the quarter ended 30 September 2012.

**9. 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 Bank.

**10. Dividend Paid**

No dividend has been proposed for the quarter ended 30 September 2012.

**11. Performance Review**

For the 9 months period ended 30 September 2012, the Group recorded 72.1% and 71.7% growth in revenue and operating profit respectively despite the challenging business environment.

Net interest income increased by 43.0% or RM6.0 million due to higher interest income from share margin financing as well as placement of deposits. In support of "Islamic First" strategy, Islamic Banking income recorded a surge to RM174.7 million (RM74.4 million in corresponding 9 months ended last year) due to sizeable sukuk transactions. Non-interest income was up by 25.3% or RM53.6 million to RM265.7 million due to higher fee-based income mainly from investment banking. Net income rose by RM159.9 million or 53.2% to RM460.2 million.

Overhead expenses rose by 33.2% or RM47.8 million to RM191.7 million from RM143.9 million last year. This was largely attributable to the increase in personnel related costs, namely, salaries (RM22.8 million), bonus (RM18.5 million), Employee Share Option Scheme (RM7.5 million) and pension costs (RM2.8 million).

The Group's profit before taxation and zakat registered an increase of 69.7% or RM108.8 million to RM265.0 million. Net profit improved by 66.3% or RM78.6 million to RM197.1 million for the period ended 30 September 2012 compared to the previous corresponding period.

**12. Prospects**

The global real GDP growth is expected to moderate to 3.3% in 2012 from 3.9% in 2011 due to the recession in the Eurozone and slower growth in other major advanced economies which in turn will adversely affect the performance of Asian Newly Industrialised Economies – South Korea, Taiwan, Hong Kong and Singapore. However, the ASEAN 5 Group – namely Malaysia, Indonesia, Thailand, Philippines and Vietnam is expected to outperform, as resilient domestic demand overcomes the weakness in external demand.

In Malaysia, the resilient domestic demand is underpinned by accommodative monetary policy, fiscal measures to support consumer spending, and the rollout of major infrastructure projects and investments (e.g. oil, gas, energy, Government-land development in Greater Kuala Lumpur/Klang Valley) under the Economic Transformation Programme.

Considering the above factors, the Group anticipates to see reasonable growth in its business for the financial year ending 31 December 2012. In addition, the Group will adopt a strategy of responsible growth with equal focus on managing asset quality, liquidity and capital through sound risk management practices.

Barring any unforeseen circumstances, the Group expects to maintain its satisfactory financial performance for the financial year ending 31 December 2012.

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

	Group		Bank	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
Cash and bank balances with a licensed bank	1,182,652	933,324	1,156,770	906,397
Deposit placements maturing within one month	382,223	266,941	370,229	262,941
	<u>1,564,875</u>	<u>1,200,265</u>	<u>1,526,999</u>	<u>1,169,338</u>

Included in cash and short-term funds of the Group and of the Bank are monies held in trust of RM1,131,460,000 (31 December 2011: RM879,367,000) in respect of the stockbroking business.

**14. Deposits and placements with banks and other financial institutions**

	Group		Bank	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
Licensed bank	26,694	12,590	20,701	9,199

Included in deposits and placements of the Group and of the Bank are monies held in trust of RM20,701,000 (31 December 2011: RM9,199,000) in respect of the stockbroking business.

**15. Securities portfolio**

		Group		Bank	
		30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
Securities held-for-trading	15 (i)	67,722	18,238	67,722	18,238
Securities available-for-sale	15 (ii)	130,763	578,196	85,867	531,600
Securities held-to-maturity	15 (iii)	33	33	33	33
Total securities portfolio		<u>198,518</u>	<u>596,467</u>	<u>153,622</u>	<u>549,871</u>

**15 (i) Securities held-for-trading**

At fair value	Group		Bank	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
<b>Quoted Securities:</b>				
Shares in Malaysia	67,722	18,238	67,722	18,238
<b>Total securities held-for-trading</b>	<u>67,722</u>	<u>18,238</u>	<u>67,722</u>	<u>18,238</u>

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15. Securities portfolio (Cont'd)

15 (ii) Securities available-for-sale

At fair value, or cost less impairment losses for certain unquoted equity instruments	Group		Bank	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
<b>Quoted Securities:</b>				
Shares in Malaysia	45,071	67,596	45,071	67,596
Shares outside Malaysia	42,883	44,547	187	151
	<u>87,954</u>	<u>112,143</u>	<u>45,258</u>	<u>67,747</u>
<b>Unquoted Securities:</b>				
Shares and loan stocks in Malaysia	37,627	37,627	35,427	35,427
Shares and loan stocks outside Malaysia	5,182	4,491	5,182	4,491
Private debt securities in Malaysia	-	110,494	-	110,494
Islamic private debt securities in Malaysia	-	313,441	-	313,441
	<u>42,809</u>	<u>466,053</u>	<u>40,609</u>	<u>463,853</u>
<b>Total securities available-for-sale</b>	<b><u>130,763</u></b>	<b><u>578,196</u></b>	<b><u>85,867</u></b>	<b><u>531,600</u></b>

15 (iii) Securities held-to-maturity

At amortised Cost	Group and Bank	
	30 September 2012 RM'000	31 December 2011 RM'000
<b>Unquoted Securities:</b>		
Corporate bond	33	33
<b>Total securities held-to-maturity</b>	<b><u>33</u></b>	<b><u>33</u></b>

16. Loans and advances

At amortised cost	Group and Bank	
	30 September 2012 RM'000	31 December 2011 RM'000
Term loans		
- Syndicated term loan	6,441	6,209
- Other term loan	1,942	1,096
Margin accounts	294,376	191,389
Foreign currency loans	1,468	1,525
Staff loans	15,300	15,485
Gross loans and advances	<u>319,527</u>	<u>215,704</u>
Less: Allowance for impairment		
- Individual assessment allowance	(6,269)	(6,267)
<b>Net loans and advances</b>	<b><u>313,258</u></b>	<b><u>209,437</u></b>

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

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

	Group and Bank	
	30 September 2012 RM'000	31 December 2011 RM'000
Domestic business enterprises	146,699	85,955
Individuals	171,360	128,224
Foreign entities	1,468	1,525
Gross loans and advances	<u>319,527</u>	<u>215,704</u>

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

	Group and Bank	
	30 September 2012 RM'000	31 December 2011 RM'000
Fixed rate		
- Housing loans	9,320	9,938
- Hire purchase receivables	5,281	5,334
- Other fixed rate loans	699	213
Variable rate		
- BLR-plus	9,851	8,830
- Cost-plus	294,376	191,389
Gross loans and advances	<u>319,527</u>	<u>215,704</u>

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

	Group and Bank	
	30 September 2012 RM'000	31 December 2011 RM'000
Purchase of securities	294,376	191,389
Purchase of transport vehicles	5,589	5,497
Purchase of residential landed property	10,954	10,871
Personal use	699	213
Working capital	7,909	7,734
Gross loans and advances	<u>319,527</u>	<u>215,704</u>

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

	Group and Bank	
	30 September 2012 RM'000	31 December 2011 RM'000
Maturing within one year	302,963	199,416
One year to three years	854	464
Three years to five years	4,568	4,124
After five years	11,142	11,700
Gross loans and advances	<u>319,527</u>	<u>215,704</u>

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

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

	<b>Group and Bank</b>	
	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross balance at beginning of the period	6,786	8,471
Impaired during the period	920	2,226
Recovered/regularised during the period	(896)	(3,991)
Other charges	232	80
Gross balance at end of the period	<u>7,042</u>	<u>6,786</u>
Less:		
Individual assessment allowance	(6,269)	(6,267)
Net balance at end of the period	<u>773</u>	<u>519</u>
Net impaired loans as % of gross loans and advances less individual assessment	<u>0.25%</u>	<u>0.25%</u>

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

	<b>Group and Bank</b>	
	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	34	-
Purchase of transport vehicles	156	156
Purchase of residential landed property	411	421
Working capital	6,441	6,209
	<u>7,042</u>	<u>6,786</u>

(vii) Movements in the individual assessment are as follows:

	<b>Group and Bank</b>	
	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Individual assessment allowance:</b>		
Balance at beginning of the period	6,267	7,941
Allowance made during the period	203	210
Amount written back in respect of recoveries	(201)	(1,884)
Balance at end of the period	<u>6,269</u>	<u>6,267</u>

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**17. Other assets**

	Group		Bank	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	-	421	-	-
Amount due from brokers and clients				
- Non-margin accounts (a)	<b>330,281</b>	377,286	<b>330,281</b>	377,286
Amount due from ultimate holding company	<b>43,518</b>	25,941	<b>43,518</b>	25,941
Other debtors, deposits and prepayment	<b>43,107</b>	30,034	<b>35,996</b>	27,297
	<b>416,906</b>	433,682	<b>409,795</b>	430,524
Less: Allowance for doubtful debts	<b>(8,359)</b>	(7,420)	<b>(6,233)</b>	(5,294)
	<b>408,547</b>	426,262	<b>403,562</b>	425,230

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

The normal trade credit terms for non-margin brokers and clients is 3 market days in accordance with the Bursa Malaysia's Fixed Delivery and Settlement System ("FDSS") trading rules.

**18. Other liabilities**

	Group		Bank	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Provisions and accruals	<b>150,513</b>	49,290	<b>141,060</b>	45,003
Amount due to brokers and clients (a)	<b>843,489</b>	1,187,517	<b>843,489</b>	1,187,517
Deposits and other creditors	<b>613,610</b>	110,440	<b>785,050</b>	281,831
Provision for taxation and zakat	<b>38,812</b>	4,081	<b>38,031</b>	4,081
	<b>1,646,424</b>	1,351,328	<b>1,807,630</b>	1,518,432

- (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 clients' trust monies.

The trade credit term for trade contract payables for non-margin clients and brokers is 3 market days according to the Bursa Malaysia's Fixed Delivery and Settlement System ("FDSS") trading rules.



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**19 (i). Derivative assets**

	Group and Bank			
	30 September 2012		31 December 2011	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
<b>Commodity related derivatives:</b>				
Commodity futures	2,773	80	-	-
Commodity options	637	132	-	-
	<b>3,410</b>	<b>212</b>	-	-

**19 (ii). Derivative liabilities**

	Group and Bank			
	30 September 2012		31 December 2011	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
<b>Equity related derivatives:</b>				
Index futures	3,682	14	-	-
Equity options	211,404	24,277	28,952	7,508
<b>Commodity related derivatives:</b>				
Commodity futures	5,188	16	-	-
Commodity options	58,962	287	-	-
	<b>279,236</b>	<b>24,594</b>	28,952	7,508

**19 (iii).** The Group and the Bank have recognised the fair value changes of the derivative assets and derivative liabilities as follows (Note 22):

	Group and Bank			
	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Equity related derivatives:</b>				
Index futures	69	-	(30)	-
Equity options	8,000	-	13,253	-
<b>Commodity related derivatives:</b>				
Commodity futures	80	-	80	-
Commodity options	597	-	597	-
	<b>8,746</b>	-	<b>13,900</b>	-

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**20. Interest income**

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	5,358	3,589	13,762	9,897
- Recoveries from impaired loans	23	129	57	245
Money at call and deposit placements with banks and other financial institutions	5,984	1,520	12,458	4,848
Securities held-for-trading	90	-	268	-
Securities available-for-sale	7	984	1,588	1,358
<b>Total interest income</b>	<b>11,462</b>	<b>6,222</b>	<b>28,133</b>	<b>16,348</b>

<u>Bank</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	5,358	3,589	13,762	9,897
- Recoveries from impaired loans	23	130	57	246
Money at call and deposit placements with banks and other financial institutions	5,759	1,421	11,824	4,384
Securities held-for-trading	90	-	268	-
Securities available-for-sale	7	984	1,588	1,358
<b>Total interest income</b>	<b>11,237</b>	<b>6,124</b>	<b>27,499</b>	<b>15,885</b>

**21. Interest expense**

	Group and Bank		Group and Bank	
	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from a licensed bank	1,380	1,030	8,329	2,497

**22. Non-interest income**

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	RM'000	RM'000	RM'000	RM'000
<b>Fee and commission income:</b>				
Arranger and upfront fees	6,605	18,820	30,972	35,902
Brokerage income	27,596	29,013	98,171	96,601
Corporate advisory fees	2,285	8,851	62,310	15,939
Placement fees	(1,032)	20,001	39,238	30,757
Underwriting commission	(19)	7,020	11,474	7,604
Other fee income	610	3,483	12,800	9,093
	<b>36,045</b>	<b>87,188</b>	<b>254,965</b>	<b>195,896</b>

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

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Investment income:</b>				
Realised (loss)/gain from sale of securities held-for-trading, net	(6,463)	3	(10,436)	3
Unrealised loss on revaluation of securities held-for-trading, net	(3,127)	-	(4,186)	-
Realised gain from sale of derivative financial instruments, net	3,389	-	6,313	-
Unrealised gain on revaluation of derivative financial instruments, net (Note 19 (iii))	8,746	-	13,900	-
Gain from sale of securities available-for-sale, net	-	308	900	3,883
Impairment loss on securities, net	-	-	-	(598)
Gross dividends from securities available-for-sale				
- Quoted in Malaysia	534	-	1,175	1,142
- Quoted outside Malaysia	604	828	1,383	828
- Unquoted in Malaysia	-	120	-	120
	<u>3,683</u>	<u>1,259</u>	<u>9,049</u>	<u>5,378</u>
<b>Other income:</b>				
Unrealised foreign exchange (loss)/gain	(299)	810	717	811
Gain on disposal of property, plant and equipment	-	-	-	29
Others	659	211	967	10,013
	<u>360</u>	<u>1,021</u>	<u>1,684</u>	<u>10,853</u>
<b>Total non-interest income</b>	<u><b>40,088</b></u>	<u><b>89,468</b></u>	<u><b>265,698</b></u>	<u><b>212,127</b></u>
<u>Bank</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Fee and commission income:</b>				
Arranger and upfront fees	6,605	18,820	30,972	35,902
Brokerage income	27,596	29,013	98,171	96,601
Corporate advisory fees	1,945	8,851	52,192	15,939
Placement fees	(1,032)	20,001	39,238	30,757
Underwriting commission	(19)	7,020	11,474	7,604
Other fee income	610	2,456	12,800	7,371
	<u>35,705</u>	<u>86,161</u>	<u>244,847</u>	<u>194,174</u>
<b>Investment income:</b>				
Realised (loss)/income from sale of securities held-for-trading, net	(6,463)	3	(10,436)	3
Unrealised (loss) on revaluation of securities held-for-trading, net	(3,127)	-	(4,186)	-
Realised gain from sale of derivative financial instruments, net	3,389	-	6,313	-
Unrealised gain on revaluation of derivative financial instruments, net (Note 19 (iii))	8,746	-	13,900	-
Gain from sale of securities available-for-sale, net	-	308	900	3,883
Impairment loss on securities, net	-	-	-	954
Gross dividends from securities available-for-sale				
- Quoted in Malaysia	534	-	1,175	671
- Quoted outside Malaysia	-	148	-	148
- Unquoted in Malaysia	-	120	-	120
	<u>3,079</u>	<u>579</u>	<u>7,666</u>	<u>5,779</u>

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

<b>Bank</b>	<b>Quarter Ended</b>		<b>Cumulative 9 Months Ended</b>	
	<b>30 September 2012</b>	<b>30 September 2011</b>	<b>30 September 2012</b>	<b>30 September 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Other income:</b>				
Unrealised foreign exchange (loss)/gain	(396)	663	152	664
Gain on disposal of property, plant and equipment	-	-	-	29
Others	648	209	934	9,197
	<b>252</b>	<b>872</b>	<b>1,086</b>	<b>9,890</b>
<b>Total non-interest income</b>	<b>39,036</b>	<b>87,612</b>	<b>253,599</b>	<b>209,843</b>

**23. Overhead expenses**

<b>Group</b>	<b>Quarter Ended</b>		<b>Cumulative 9 Months Ended</b>	
	<b>30 September 2012</b>	<b>30 September 2011</b>	<b>30 September 2012</b>	<b>30 September 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses	20,759	24,110	119,568	87,079
- Pension costs - defined contribution plan	3,415	2,293	9,094	6,256
- Other staff related expenses	1,581	2,593	4,698	8,032
- Dealers' incentives	2,993	4,674	12,046	15,939
- Employee Share Scheme expenses	4,470	-	7,544	-
	<b>33,218</b>	<b>33,670</b>	<b>152,950</b>	<b>117,306</b>
<b>Establishment expenses</b>				
- Depreciation of property, plant and equipment	864	726	2,455	2,360
- Amortisation of computer software	416	397	1,221	764
- Rental	2,311	1,801	6,796	4,477
- Repairs and maintenance of property, plant and equipment	2,027	1,449	5,151	4,437
- Information technology expenses	1,051	667	2,186	1,788
- Service chargeback	(5,264)	(908)	(12,576)	(4,142)
- Others	2,756	1,626	7,744	5,361
	<b>4,161</b>	<b>5,758</b>	<b>12,977</b>	<b>15,045</b>
<b>Marketing expenses</b>				
- Advertisement and publicity	1,623	1,660	5,925	4,392
- Others	2,043	1,745	5,682	3,601
	<b>3,666</b>	<b>3,405</b>	<b>11,607</b>	<b>7,993</b>
<b>Administration and general expenses</b>				
- Fee and brokerage	2,978	2,018	9,230	7,503
- Administrative expenses	1,117	497	3,496	2,271
- General expenses^	845	1,934	1,443	(6,201)
	<b>4,940</b>	<b>4,449</b>	<b>14,169</b>	<b>3,573</b>
<b>Total</b>	<b>45,985</b>	<b>47,282</b>	<b>191,703</b>	<b>143,917</b>

^ Included in general expenses in the previous financial period was a reversal of provision relating to a legal case amounting to approximately RM8.3 million.

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

<b>Bank</b>	<b>Quarter Ended</b>		<b>Cumulative 9 Months Ended</b>	
	<b>30 September 2012 RM'000</b>	<b>30 September 2011 RM'000</b>	<b>30 September 2012 RM'000</b>	<b>30 September 2011 RM'000</b>
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses	20,723	24,110	119,532	87,079
- Pension costs - defined contribution plan	3,415	2,293	9,094	6,256
- Other staff related expenses	1,596	2,593	4,698	8,017
- Dealers' incentives	2,993	4,674	12,046	15,939
- Employee Share Scheme expenses	4,470	-	7,544	-
	<b>33,197</b>	<b>33,670</b>	<b>152,914</b>	<b>117,291</b>
<b>Establishment expenses</b>				
- Depreciation of property, plant and equipment	797	726	2,376	2,320
- Amortisation of computer software	416	397	1,221	766
- Rental	2,349	1,801	6,796	4,418
- Repairs and maintenance of property, plant and equipment	2,027	1,449	5,151	4,437
- Information technology expenses	1,051	667	2,186	1,788
- Service chargeback	(5,264)	(908)	(12,576)	(4,142)
- Others	1,943	1,626	5,705	5,593
	<b>3,319</b>	<b>5,758</b>	<b>10,859</b>	<b>15,180</b>
<b>Marketing expenses</b>				
- Advertisement and publicity	1,623	1,660	5,925	4,392
- Others	2,042	1,745	5,681	3,598
	<b>3,665</b>	<b>3,405</b>	<b>11,606</b>	<b>7,990</b>
<b>Administration and general expenses</b>				
- Fee and brokerage	2,868	2,018	9,081	6,508
- Administrative expenses	1,141	497	3,481	2,263
- General expenses <sup>^</sup>	846	368	1,443	(7,829)
	<b>4,855</b>	<b>2,883</b>	<b>14,005</b>	<b>942</b>
<b>Total</b>	<b>45,036</b>	<b>45,716</b>	<b>189,384</b>	<b>141,403</b>

<sup>^</sup> Included in general expenses in the previous financial period was a reversal of provision relating to a legal case amounting to approximately RM8.3 million.

**24. (Allowance for)/writeback of impairment on loans and advances and other debtors, net**

	<b>Group and Bank Quarter Ended</b>		<b>Group and Bank Cumulative 9 Months Ended</b>	
	<b>30 September 2012 RM'000</b>	<b>30 September 2011 RM'000</b>	<b>30 September 2012 RM'000</b>	<b>30 September 2011 RM'000</b>
Allowance for impaired loans and advances:				
Individual assessment				
- Made during the period	(182)	(53)	(203)	(1,474)
- Written back during the period	188	156	201	164
Bad debts recovered	216	211	1,245	832
Bad debts written-off	-	-	-	(1)
Allowance for impairment on other debtors, net	(728)	(750)	(939)	(152)
	<b>(506)</b>	<b>(436)</b>	<b>304</b>	<b>(631)</b>

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**25. Capital adequacy**

- (l) The capital adequacy ratios of the Group consists of capital base and risk-weighted assets derived from consolidated balances of the Bank and its subsidiaries companies. The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank.

The capital adequacy ratio of the Group and the Bank are computed in accordance with Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework (RWCAF-Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (31 December 2011:8.0%) for the risk weighted capital ratio.

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

	Group		Bank	
	30 September 2012 %	31 December 2011 %	30 September 2012 %	31 December 2011 %
<b>Capital ratios</b>				
<b>Core capital ratio</b>				
Credit risk	59.54	47.97	56.89	44.62
Credit, market and operational risks	28.92	21.58	27.26	19.60
<b>Risk-weighted capital ratio</b>				
Credit risk	59.54	47.97	56.89	44.62
Credit, market and operational risks	28.92	21.58	27.26	19.60
<b>Tier 1 capital</b>				
Paid-up share capital	50,116	50,116	50,116	50,116
Share premium	172,669	172,669	172,669	172,669
Statutory reserves	50,116	50,116	50,116	50,116
Islamic banking capital fund	5,000	5,000	5,000	5,000
Other reserves	386,238	219,457	370,965	208,191
Less: Deferred tax assets <sup>1</sup>	(16,433)	(5,524)	(16,433)	(5,524)
Total Tier 1 capital/Total capital	647,706	491,834	632,433	480,568
Less: Investment in subsidiaries <sup>2</sup>	-	-	(61,794)	(61,804)
<b>Capital base</b>	<b>647,706</b>	<b>491,834</b>	<b>570,639</b>	<b>418,764</b>

<sup>1</sup> Under Bank Negara Malaysia Guidelines, deferred tax is excluded from Tier 1 capital.

<sup>2</sup> Excludes the cost of investment in a subsidiary, Maysec (KL) 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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25. **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 exposures RM'000	Net exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
<b>30 September 2012</b>				
<b>Exposure Class</b>				
<b>(i) <u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	362	362	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	1,591,896	1,591,896	318,558	25,485
Corporates	369,492	369,492	367,981	29,438
Regulatory retail	182,410	182,410	137,480	10,998
Higher risk assets	92,042	92,042	138,063	11,045
Other assets	196,742	196,742	122,679	9,814
Equity exposures	50	50	50	4
<b>Total on-balance sheet exposures</b>	<b>2,432,994</b>	<b>2,432,994</b>	<b>1,084,811</b>	<b>86,784</b>
<b>Off-balance sheet exposures:</b>				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	529,089	529,089	70	6
<b>Total off-balance sheet exposures</b>	<b>559,089</b>	<b>559,089</b>	<b>3,070</b>	<b>246</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,992,083</b>	<b>2,992,083</b>	<b>1,087,881</b>	<b>87,030</b>
<b>(ii) <u>Market Risk</u></b>				
Commodity risk	-	-	3,297	264
Equity position risk	-	-	135,442	10,835
Foreign currency risk	-	-	58,614	4,689
Options risk	-	-	238,915	19,113
<b>Total</b>	<b>-</b>	<b>-</b>	<b>436,268</b>	<b>34,901</b>
<b>(iii) <u>Operational Risk</u></b>				
	-	-	715,836	57,267
<b>Total RWA and capital requirements</b>	<b>2,992,083</b>	<b>2,992,083</b>	<b>2,239,985</b>	<b>179,198</b>

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25. Capital adequacy (Cont'd)

<u>Group</u>	Gross exposures	Net exposures	Risk-weighted assets	Capital requirements
31 December 2011 Exposure Class	RM'000	RM'000	RM'000	RM'000
<b>(i) Credit Risk</b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	703	703	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	1,213,721	1,213,721	242,922	19,434
Corporates	3,932	3,932	2,749	220
Regulatory retail	576,324	576,324	542,716	43,417
Higher risk assets	96,908	96,908	145,362	11,629
Other assets	76,560	76,560	76,554	6,124
Equity exposures	58	58	58	5
<b>Total on-balance sheet exposures</b>	<b>1,968,206</b>	<b>1,968,206</b>	<b>1,010,361</b>	<b>80,829</b>
<b>Off-balance sheet exposures:</b>				
Underwriting of short-term debt securities exposures	30,000	30,000	15,000	1,200
Credit-related off-balance sheet exposures	462,141	462,141	-	-
<b>Total off-balance sheet exposures</b>	<b>492,141</b>	<b>492,141</b>	<b>15,000</b>	<b>1,200</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,460,347</b>	<b>2,460,347</b>	<b>1,025,361</b>	<b>82,029</b>
<b>(ii) Market Risk</b>				
Interest rate risk	-	-	433,832	34,707
Equity position risk	-	-	187,493	14,999
Foreign currency risk	-	-	78,391	6,271
Options risk	-	-	13,600	1,088
<b>Total</b>	<b>-</b>	<b>-</b>	<b>713,316</b>	<b>57,065</b>
<b>(iii) Operational Risk</b>				
	-	-	540,741	43,259
<b>Total RWA and capital requirements</b>	<b>2,460,347</b>	<b>2,460,347</b>	<b>2,279,418</b>	<b>182,353</b>



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

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

<u>Bank</u>	Gross exposures	Net exposures	Risk-weighted assets	Capital requirements
30 September 2012 Exposure Class	RM'000	RM'000	RM'000	RM'000
<b>(i) <u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	362	362	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	1,547,438	1,547,438	309,488	24,759
Corporates	369,492	369,492	367,981	29,438
Regulatory retail	182,410	182,410	137,479	10,998
Higher risk assets	44,809	44,809	67,214	5,377
Other assets	192,020	192,020	117,662	9,413
Equity exposures	233	233	233	19
<b>Total on-balance sheet exposures</b>	<b>2,336,764</b>	<b>2,336,764</b>	<b>1,000,057</b>	<b>80,004</b>
<b>Off-balance sheet exposures:</b>				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	529,089	529,089	70	6
<b>Total off-balance sheet exposures</b>	<b>559,089</b>	<b>559,089</b>	<b>3,070</b>	<b>246</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,895,853</b>	<b>2,895,853</b>	<b>1,003,127</b>	<b>80,250</b>
<b>(ii) <u>Market Risk</u></b>				
Commodity risk	-	-	3,297	264
Equity position risk	-	-	135,442	10,835
Foreign currency risk	-	-	10,889	871
Options risk	-	-	238,915	19,113
	-	-	<b>388,543</b>	<b>31,083</b>
<b>(iii) <u>Operational Risk</u></b>				
	-	-	701,489	56,119
<b>Total RWA and capital requirements</b>	<b>2,895,853</b>	<b>2,895,853</b>	<b>2,093,159</b>	<b>167,452</b>

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25. Capital adequacy (Cont'd)

<u>Bank</u>	Gross	Net exposures	Risk-weighted	Capital
31 December 2011	exposures	exposures	assets	requirements
Exposure Class	RM'000	RM'000	RM'000	RM'000
<b>(i) Credit Risk</b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	280	280	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	1,179,405	1,179,405	236,059	18,885
Corporates	3,932	3,932	2,749	220
Regulatory retail	576,324	576,324	542,716	43,417
Higher risk assets	44,118	44,118	66,177	5,294
Other assets	75,777	75,777	75,772	6,062
Equity exposures	58	58	58	5
<b>Total on-balance sheet exposures</b>	<b>1,879,894</b>	<b>1,879,894</b>	<b>923,531</b>	<b>73,883</b>
<b>Off-balance sheet exposures:</b>				
Underwriting of short-term debt securities exposures	30,000	30,000	15,000	1,200
Credit-related off-balance sheet exposures	462,141	462,141	-	-
<b>Total off-balance sheet exposures</b>	<b>492,141</b>	<b>492,141</b>	<b>15,000</b>	<b>1,200</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,372,035</b>	<b>2,372,035</b>	<b>938,531</b>	<b>75,083</b>
<b>(ii) Market Risk</b>				
Interest rate risk	-	-	433,832	34,707
Equity position risk	-	-	187,493	14,999
Foreign currency risk	-	-	29,926	2,394
Options risk	-	-	13,600	1,088
<b>Total</b>	<b>-</b>	<b>-</b>	<b>664,851</b>	<b>53,188</b>
<b>(iii) Operational Risk</b>				
	-	-	532,780	42,622
<b>Total RWA and capital requirements</b>	<b>2,372,035</b>	<b>2,372,035</b>	<b>2,136,162</b>	<b>170,893</b>

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

(III) The risk-weighted assets and capital requirements for the various categories of market risk:

Group	30 September 2012		31 December 2011	
	Risk-weighted assets equivalent	Capital required	Risk-weighted assets equivalent	Capital required
	RM'000	RM'000	RM'000	RM'000
Commodity risk	3,297	264	433,832	34,707
Equity position risk	135,442	10,835	187,493	14,999
Foreign currency risk	58,614	4,689	78,391	6,271
Options risk	238,915	19,113	13,600	1,088
<b>Total</b>	<b>436,268</b>	<b>34,901</b>	<b>713,316</b>	<b>57,065</b>

Bank	30 September 2012		31 December 2011	
	Risk-weighted assets equivalent	Capital required	Risk-weighted assets equivalent	Capital required
	RM'000	RM'000	RM'000	RM'000
Commodity risk	3,297	264	433,832	34,707
Equity position risk	135,442	10,835	187,493	14,999
Foreign currency risk	10,889	871	29,926	2,394
Options risk	238,915	19,113	13,600	1,088
<b>Total</b>	<b>388,543</b>	<b>31,083</b>	<b>664,851</b>	<b>53,188</b>

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

(IV) The breakdown of exposures by risk weights are as follows:

Group	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns/ Central banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk- weighted assets
30 September 2012									
<b>Risk weights</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
0%	362	-	-	-	-	5	-	367	-
20%	-	1,591,303	-	-	-	92,572	-	1,683,875	336,775
50%	-	593	3,022	80	-	-	-	3,695	1,848
75%	-	-	-	180,324	-	-	-	180,324	135,243
100%	-	-	366,470	1,625	-	104,165	50	472,310	472,310
150%	-	-	-	381	92,042	-	-	92,423	138,635
<b>Total exposures</b>	<b>362</b>	<b>1,591,896</b>	<b>369,492</b>	<b>182,410</b>	<b>92,042</b>	<b>196,742</b>	<b>50</b>	<b>2,432,994</b>	<b>1,084,811</b>
<b>Risk-weighted assets by exposures</b>	<b>-</b>	<b>318,558</b>	<b>367,981</b>	<b>137,480</b>	<b>138,063</b>	<b>122,679</b>	<b>50</b>	<b>1,084,811</b>	
<b>Average risk weights</b>	<b>0%</b>	<b>20%</b>	<b>100%</b>	<b>75%</b>	<b>150%</b>	<b>62%</b>	<b>100%</b>	<b>45%</b>	

Group	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns/ Central banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk- weighted assets
31 December 2011									
<b>Risk weights</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
0%	703	-	-	-	-	6	-	709	-
20%	-	1,213,128	-	-	-	-	-	1,213,128	242,626
50%	-	593	2,366	72	-	-	-	3,031	1,515
75%	-	-	-	135,036	-	-	-	135,036	101,277
100%	-	-	1,566	440,842	-	76,554	58	519,020	519,020
150%	-	-	-	374	96,908	-	-	97,282	145,923
<b>Total exposures</b>	<b>703</b>	<b>1,213,721</b>	<b>3,932</b>	<b>576,324</b>	<b>96,908</b>	<b>76,560</b>	<b>58</b>	<b>1,968,206</b>	<b>1,010,361</b>
<b>Risk-weighted assets by exposures</b>	<b>-</b>	<b>242,922</b>	<b>2,749</b>	<b>542,716</b>	<b>145,362</b>	<b>76,554</b>	<b>58</b>	<b>1,010,361</b>	
<b>Average risk weights</b>	<b>0%</b>	<b>20%</b>	<b>70%</b>	<b>94%</b>	<b>150%</b>	<b>100%</b>	<b>100%</b>	<b>51%</b>	

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25. Capital adequacy (Cont'd)

Bank	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns/ Central banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk- weighted assets
30 September 2012									
<b>Risk weights</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
0%	362	-	-	-	-	4	-	366	-
20%	-	1,547,438	-	-	-	92,572	-	1,640,010	328,002
50%	-	-	3,022	80	-	593	-	3,695	1,848
75%	-	-	-	180,324	-	-	-	180,324	135,243
100%	-	-	366,470	1,625	-	98,851	233	467,179	467,179
150%	-	-	-	381	44,809	-	-	45,190	67,785
<b>Total exposures</b>	<b>362</b>	<b>1,547,438</b>	<b>369,492</b>	<b>182,410</b>	<b>44,809</b>	<b>192,020</b>	<b>233</b>	<b>2,336,764</b>	<b>1,000,057</b>
<b>Risk-weighted assets by exposures</b>	<b>-</b>	<b>309,488</b>	<b>367,981</b>	<b>137,479</b>	<b>67,214</b>	<b>117,662</b>	<b>233</b>	<b>1,000,057</b>	
<b>Average risk weights</b>	<b>0%</b>	<b>20%</b>	<b>100%</b>	<b>75%</b>	<b>150%</b>	<b>61%</b>	<b>100%</b>	<b>43%</b>	

  

Bank	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns/ Central banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk- weighted assets
31 December 2011									
<b>Risk weights</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
0%	280	-	-	-	-	5	-	285	-
20%	-	1,178,812	-	-	-	-	-	1,178,812	235,762
50%	-	593	2,366	72	-	-	-	3,031	1,516
75%	-	-	-	135,036	-	-	-	135,036	101,277
100%	-	-	1,566	440,842	-	75,772	58	518,238	518,238
150%	-	-	-	374	44,118	-	-	44,492	66,738
<b>Total exposures</b>	<b>280</b>	<b>1,179,405</b>	<b>3,932</b>	<b>576,324</b>	<b>44,118</b>	<b>75,777</b>	<b>58</b>	<b>1,879,894</b>	<b>923,531</b>
<b>Risk-weighted assets by exposures</b>	<b>-</b>	<b>236,059</b>	<b>2,749</b>	<b>542,716</b>	<b>66,177</b>	<b>75,772</b>	<b>58</b>	<b>923,531</b>	
<b>Average risk weights</b>	<b>0%</b>	<b>20%</b>	<b>70%</b>	<b>94%</b>	<b>150%</b>	<b>100%</b>	<b>100%</b>	<b>49%</b>	

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**26. Commitments and Contingencies**

Group and Bank	As at 30 September 2012			As at 31 December 2011		
	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
Obligations under underwriting agreements	188,518	94,259	232,962	30,500	15,250	15,688
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	528,949	-	-	462,141	-	-
- Maturity exceeding one year	140	70	70	-	-	-
	<b>717,607</b>	<b>94,329</b>	<b>233,032</b>	<b>492,641</b>	<b>15,250</b>	<b>15,688</b>

\* The credit equivalent amount is arrived at using the credit evaluation conversion factor as per Bank Negara Malaysia's guideline.

**Contingent liabilities**

	Group and Bank	
	30 September 2012 RM'000	31 December 2011 RM'000
<b>Unsecured</b>		
(i) Guarantee given to the holding company for banking facilities extended to Bursa Malaysia Securities Clearing Berhad	1,000	1,000
(ii) Claims under litigation*	10,091	10,091
	<b>11,091</b>	<b>11,091</b>

\* The Group and the Bank are aggressively defending all of the claims under litigation, through their solicitors, the outcomes of which are subject matter for the Courts to eventually determine.

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**26. Commitments and Contingencies (Cont'd)**

**Contingent liabilities (cont'd)**

(iii) A corporate borrower had on 12 May 2005 issued a writ of summons and statement of claim against the Bank, as agent bank for three financial institutions, claiming general, special and exemplary damages and costs arising from an alleged breach of duty owed by the Bank.

In 2006, the Bank and the three financial institutions filed a counterclaim against the said corporate borrower for the recovery of the relevant credit facilities. The two claims were then heard together.

Pursuant to an agreement and a court vesting order dated 21 May 2007, the Bank had transferred its exposure under this credit facilities to its holding company.

The Court on 6 May 2009 entered judgement ("The Judgement") against the Bank for, inter alia, a sum of RM115.5 million with interest at six percent (6%) per annum from date of disbursement to realisation, with the balance of the corporate borrower's claim (including general damages) ordered to be assessed at a later date. In the same Judgment, the counterclaim against the corporate borrower was also dismissed.

The Bank filed an appeal against the Judgement and an application for stay of execution of the Judgment on 8 May 2009 ("Appeal"). On 24 June 2009, the Bank successfully obtained a stay order for execution on the Judgment pending the disposal of the Appeal against the Judgment. The High Court had on 6 October 2011 produced the draft notes of proceedings, for final review of both parties.

The Appeal was partly heard on 19 June 2012 and the Court has fixed to continue the hearing on 3 August 2012. the Bank's solicitors are of the view that the Bank has a more than even chance of succeeding in the Appeal against the said Judgment.

(iv) A junior noteholder commenced an action against the Bank and another defendant claiming for the sum of RM556.5 million as damages suffered in relation to the junior serial notes issued by a corporation. The claim against the Bank is premised on the alleged breach of duties by the Bank as security agent, in exercising its right of enforcement following from an event of default declared by the relevant trustee.

The Bank does not admit any liability to this claim and will defend the suit. The trial was completed on 15 August 2011 and the judgment was delivered on 30 September 2011. The Court had dismissed the junior noteholder's claim against the Bank and the other defendant, with cost of RM200,000, collectively. The junior noteholder had then filed his appeal to the Court of Appeal on 6 October 2011. The appeal is scheduled for hearing before the Court of Appeal on 5 March 2012.

Upon hearing submissions of Counsels on 5 March 2012 and 6 March 2012, the Court of Appeal had on 7 March 2012 by a majority decision, dismissed the junior noteholder's appeal with costs of RM75,000 to the Bank and the other respondent. The junior note holder has 30 days to file an application for leave to appeal to the Federal Court, if he is dissatisfied with the decision of the Court of Appeal.

Since no application for leave to appeal to the Federal Court was filed by the individual, the decision of the Court of Appeal in respect of individual's claim against Maybank IB is final. Judgment was granted on 30 September 2011 in favour of Maybank IB.

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**27. Interest rate risk**

The Group and Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows.

The table below summarises the Group's and Bank's exposure to interest rate risk. The table indicates effective interest rates at the balance sheet date and periods in which the financial instruments reprice or mature, whichever is earlier.

<u>Group</u>	Up to 1	> 1 - 3	> 3 - 12	1 - 5	Over 5	Non-	Trading	Total	Effective
30 September 2012	month	months	months	years	years	interest	book	RM'000	interest
	RM'000	RM'000	RM'000	RM'000	RM'000	sensitive	RM'000	RM'000	rate
						RM'000			%
<b>Assets</b>									
Cash and short-term funds	397,210	-	-	-	-	1,167,665	-	1,564,875	2.90
Deposits and placements with banks and other financial institutions	2,529	-	3,371	-	-	20,794	-	26,694	1.95
Securities held-for-trading	-	-	-	-	-	-	67,722	67,722	-
Securities available-for-sale	-	-	-	-	-	130,763	-	130,763	-
Securities held-to-maturity	-	-	-	-	33	-	-	33	-
Loans and advances									
- performing	296,352	-	7	930	10,421	5,006	-	312,716	6.59
- impaired*	-	-	-	-	-	542	-	542	-
Other assets	-	-	-	-	-	408,547	-	408,547	-
Derivative assets	-	-	-	-	-	-	212	212	-
Other non-interest sensitive balances	-	-	-	-	-	46,755	-	46,755	-
<b>Total assets</b>	<b>696,091</b>	<b>-</b>	<b>3,378</b>	<b>930</b>	<b>10,454</b>	<b>1,780,072</b>	<b>67,934</b>	<b>2,558,859</b>	

\* This is arrived at after deducting the individual assessment allowance and interest/income-in-suspense from gross impaired loans outstanding.



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27. Interest rate risk (Cont'd)

<u>Group (cont'd)</u> 30 September 2012	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
<b>Liabilities and equity</b>									
Deposits and placements of a licensed bank	185,000	-	-	-	-	1,622	-	186,622	3.30
Derivative liabilities	-	-	-	-	-	-	24,594	24,594	-
Other liabilities	-	-	-	-	-	1,646,424	-	1,646,424	-
Other non-interest sensitive balances	-	-	-	-	-	1,072	-	1,072	-
<b>Total liabilities</b>	<b>185,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,649,118</b>	<b>24,594</b>	<b>1,858,712</b>	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	650,031	-	650,031	-
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>700,147</b>	<b>-</b>	<b>700,147</b>	
<b>Total liabilities and equity</b>	<b>185,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,349,265</b>	<b>24,594</b>	<b>2,558,859</b>	
On-balance sheet interest sensitivity gap	511,091	-	3,378	930	10,454	(569,193)	43,340	-	
<b>Total interest sensitivity gap</b>	<b>511,091</b>	<b>-</b>	<b>3,378</b>	<b>930</b>	<b>10,454</b>	<b>(569,193)</b>	<b>43,340</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>	<b>511,091</b>	<b>511,091</b>	<b>514,469</b>	<b>515,399</b>	<b>525,853</b>	<b>(43,340)</b>	<b>-</b>		

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27. Interest rate risk (Cont'd)

<u>Group</u> 31 December 2011	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
<b>Assets</b>									
Cash and short-term funds	293,867	-	-	-	-	906,398	-	1,200,265	2.99
Deposits and placements with banks and other financial institutions	-	20	3,371	-	-	9,199	-	12,590	3.02
Securities held-for-trading	-	-	-	-	-	-	18,238	18,238	-
Securities available-for-sale	-	-	-	140,777	281,394	156,025	-	578,196	5.32
Securities held-to-maturity	-	-	-	-	33	-	-	33	-
Loans and advances									
- performing	191,908	1,525	2	435	10,052	4,996	-	208,918	6.70
- impaired*	-	-	-	-	-	519	-	519	-
Other assets	-	-	-	-	-	426,262	-	426,262	-
Other non-interest sensitive balances	-	-	-	-	-	35,705	-	35,705	-
<b>Total assets</b>	<b>485,775</b>	<b>1,545</b>	<b>3,373</b>	<b>141,212</b>	<b>291,479</b>	<b>1,539,104</b>	<b>18,238</b>	<b>2,480,726</b>	

\* This is arrived at after deducting the individual assessment allowance and interest/income-in-suspense from gross impaired loans outstanding.

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27. Interest rate risk (Cont'd)

<u>Group (cont'd)</u> 31 December 2011	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
<b>Liabilities and equity</b>									
Deposits and placements of a licensed bank	195,000	270,000	140,000	-	-	1,414	-	606,414	2.57
Derivative liabilities	-	-	-	-	-	-	7,508	7,508	-
Other liabilities	-	-	-	-	-	1,351,328	-	1,351,328	-
Other non-interest sensitive balances	-	-	-	-	-	773	-	773	-
<b>Total liabilities</b>	<b>195,000</b>	<b>270,000</b>	<b>140,000</b>	<b>-</b>	<b>-</b>	<b>1,353,515</b>	<b>7,508</b>	<b>1,966,023</b>	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	464,587	-	464,587	-
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>514,703</b>	<b>-</b>	<b>514,703</b>	
<b>Total liabilities and equity</b>	<b>195,000</b>	<b>270,000</b>	<b>140,000</b>	<b>-</b>	<b>-</b>	<b>1,868,218</b>	<b>7,508</b>	<b>2,480,726</b>	
On-balance sheet interest sensitivity gap	290,775	(268,455)	(136,627)	141,212	291,479	(329,114)	10,730	-	
<b>Total interest sensitivity gap</b>	<b>290,775</b>	<b>(268,455)</b>	<b>(136,627)</b>	<b>141,212</b>	<b>291,479</b>	<b>(329,114)</b>	<b>10,730</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>	<b>290,775</b>	<b>22,320</b>	<b>(114,307)</b>	<b>26,905</b>	<b>318,384</b>	<b>(10,730)</b>	<b>-</b>	<b>-</b>	

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27. Interest rate risk (Cont'd)

<u>Bank</u> 30 September 2012	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
<b>Assets</b>									
Cash and short-term funds	370,140	-	-	-	-	1,156,859	-	1,526,999	2.90
Deposits and placements with banks and other financial institutions	-	-	-	-	-	20,701	-	20,701	-
Securities held-for-trading	-	-	-	-	-	-	67,722	67,722	-
Securities available-for-sale	-	-	-	-	-	85,867	-	85,867	-
Securities held-to-maturity	-	-	-	-	33	-	-	33	-
Loans and advances									
- performing	296,352	-	7	930	10,421	5,006	-	312,716	6.59
- impaired*	-	-	-	-	-	542	-	542	-
Other assets	-	-	-	-	-	403,562	-	403,562	-
Derivative assets	-	-	-	-	-	-	212	212	-
Other non-interest sensitive balances	-	-	-	-	-	277,541	-	277,541	-
<b>Total assets</b>	<b>666,492</b>	<b>-</b>	<b>7</b>	<b>930</b>	<b>10,454</b>	<b>1,950,078</b>	<b>67,934</b>	<b>2,695,895</b>	

\* This is arrived at after deducting the individual assessment allowance and interest/income-in-suspense from gross impaired loans outstanding.

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27. Interest rate risk (Cont'd)

<b>Bank (cont'd)</b>	<b>Up to 1</b>	<b>&gt; 1 - 3</b>	<b>&gt; 3 - 12</b>	<b>1 - 5</b>	<b>Over 5</b>	<b>Non-</b>	<b>Trading</b>	<b>Total</b>	<b>Effective</b>
<b>30 September 2012</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>interest</b>	<b>book</b>	<b>RM'000</b>	<b>interest</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>sensitive</b>	<b>book</b>	<b>RM'000</b>	<b>rate</b>
						<b>RM'000</b>	<b>RM'000</b>		<b>%</b>
<b>Liabilities and equity</b>									
Deposits and placements of a licensed bank	185,000	-	-	-	-	1,622	-	186,622	3.30
Derivative liabilities	-	-	-	-	-	-	24,594	24,594	-
Other liabilities	-	-	-	-	-	1,807,630	-	1,807,630	-
<b>Total liabilities</b>	<b>185,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,809,252</b>	<b>24,594</b>	<b>2,018,846</b>	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	626,933	-	626,933	-
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>677,049</b>	<b>-</b>	<b>677,049</b>	
<b>Total liabilities and equity</b>	<b>185,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,486,301</b>	<b>24,594</b>	<b>2,695,895</b>	
On-balance sheet interest sensitivity gap	481,492	-	7	930	10,454	(536,223)	43,340	-	
<b>Total interest sensitivity gap</b>	<b>481,492</b>	<b>-</b>	<b>7</b>	<b>930</b>	<b>10,454</b>	<b>(536,223)</b>	<b>43,340</b>	<b>-</b>	
Cumulative interest rate sensitivity gap	481,492	481,492	481,499	482,429	492,883	(43,340)	-		

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27. Interest rate risk (Cont'd)

<u>Bank</u> 31 December 2011	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
<b>Assets</b>									
Cash and short-term funds	262,940	-	-	-	-	906,398	-	1,169,338	3.03
Deposits and placements with banks and other financial institutions	-	-	-	-	-	9,199	-	9,199	-
Securities held-for-trading	-	-	-	-	-	-	18,238	18,238	-
Securities available-for-sale	-	-	-	140,777	281,394	109,429	-	531,600	5.32
Securities held-to-maturity	-	-	-	-	33	-	-	33	-
Loans and advances									
- performing	191,908	1,525	2	435	10,052	4,996	-	208,918	6.70
- impaired*	-	-	-	-	-	519	-	519	-
Other assets	-	-	-	-	-	425,230	-	425,230	-
Other non-interest sensitive balances	-	-	-	-	-	262,620	-	262,620	-
<b>Total assets</b>	<b>454,848</b>	<b>1,525</b>	<b>2</b>	<b>141,212</b>	<b>291,479</b>	<b>1,718,391</b>	<b>18,238</b>	<b>2,625,695</b>	

\* This is arrived at after deducting the individual assessment allowance from gross impaired loans outstanding.

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27. Interest rate risk (Cont'd)

<b>Bank (cont'd)</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1 - 3 months RM'000</b>	<b>&gt; 3 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non- interest sensitive RM'000</b>	<b>Trading book RM'000</b>	<b>Total RM'000</b>	<b>Effective interest rate %</b>
<b>31 December 2011</b>									
<b>Liabilities and equity</b>									
Deposits and placements of a licensed bank	195,000	270,000	140,000	-	-	1,414	-	606,414	2.57
Derivative liabilities	-	-	-	-	-	-	7,508	7,508	-
Other liabilities	-	-	-	-	-	1,518,432	-	1,518,432	-
<b>Total liabilities</b>	<b>195,000</b>	<b>270,000</b>	<b>140,000</b>	<b>-</b>	<b>-</b>	<b>1,519,846</b>	<b>7,508</b>	<b>2,132,354</b>	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	443,225	-	443,225	-
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>493,341</b>	<b>-</b>	<b>493,341</b>	
<b>Total liabilities and equity</b>	<b>195,000</b>	<b>270,000</b>	<b>140,000</b>	<b>-</b>	<b>-</b>	<b>2,013,187</b>	<b>7,508</b>	<b>2,625,695</b>	
On-balance sheet interest sensitivity gap	259,848	(268,475)	(139,998)	141,212	291,479	(294,796)	10,730	-	
<b>Total interest sensitivity gap</b>	<b>259,848</b>	<b>(268,475)</b>	<b>(139,998)</b>	<b>141,212</b>	<b>291,479</b>	<b>(294,796)</b>	<b>10,730</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>	<b>259,848</b>	<b>(8,627)</b>	<b>(148,625)</b>	<b>(7,413)</b>	<b>284,066</b>	<b>(10,730)</b>	<b>-</b>		

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**28. Net income from Islamic Banking Scheme operations**

Unaudited Statements of Financial Position as at 30 September 2012

	Notes	Group and Bank	
		30 September 2012 RM'000	31 December 2011 RM'000
<b>ASSETS</b>			
Cash and short-term funds		58,024	10,258
Securities portfolio available-for-sale	(a)	-	30,000
Other assets	(b)	239,559	53,893
<b>Total assets</b>		<b>297,583</b>	<b>94,151</b>
<b>LIABILITIES</b>			
Other liabilities	(c)	72,515	5
Provision for taxation and zakat		55,962	22,632
<b>Total liabilities</b>		<b>128,477</b>	<b>22,637</b>
<b>ISLAMIC BANKING FUND</b>			
Islamic banking capital fund		5,000	5,000
Reserves		164,106	66,514
		<b>169,106</b>	<b>71,514</b>
<b>Total Liabilities and Islamic Banking Fund</b>		<b>297,583</b>	<b>94,151</b>



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**28. Net income from Islamic Banking Scheme operations (Cont'd)**

**Condensed Financial Statements**  
**Unaudited Statements of Comprehensive Income**  
**For the Period Ended 30 September 2012**

Group and Bank	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2012	30 September 2011	30 September 2012	30 September 2011
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of Islamic banking capital funds	(d)	33,543	37,977	174,744	74,386
<b>Income attributable to the Group and the Bank</b>		<b>33,543</b>	<b>37,977</b>	<b>174,744</b>	<b>74,386</b>
Overhead expenses	(e)	(4,905)	(7,268)	(42,822)	(20,948)
<b>Profit before taxation and zakat</b>		<b>28,638</b>	<b>30,709</b>	<b>131,922</b>	<b>53,438</b>
Taxation		(7,330)	(7,678)	(33,151)	(13,335)
Zakat		(300)	(262)	(1,179)	(455)
<b>Profit for the period</b>		<b>21,008</b>	<b>22,769</b>	<b>97,592</b>	<b>39,648</b>
<b>Total comprehensive income for the period</b>		<b>21,008</b>	<b>22,769</b>	<b>97,592</b>	<b>39,648</b>

**Unaudited Consolidated Statements of Changes in Equity**  
**For the Third Quarter Ended 30 September 2012**

Group and Bank	Islamic banking capital fund RM'000	Distributable retained profits RM'000	Total RM'000
<b>At 1 January 2012</b>	5,000	66,514	71,514
Profit for the period	-	97,592	97,592
Total comprehensive income for the period	-	97,592	97,592
<b>At 30 September 2012</b>	<b>5,000</b>	<b>164,106</b>	<b>169,106</b>
<b>At 1 July 2010</b>	5,000	9,295	14,295
Profit for the period	-	12,023	12,023
Total comprehensive income for the period	-	12,023	12,023
<b>At 31 December 2010</b>	<b>5,000</b>	<b>21,318</b>	<b>26,318</b>
<b>At 1 January 2011</b>	5,000	21,318	26,318
Profit for the period	-	39,648	39,648
Total comprehensive income for the period	-	39,648	39,648
<b>At 30 September 2011</b>	<b>5,000</b>	<b>60,966</b>	<b>65,966</b>

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28. Net income from Islamic Banking Scheme operations (Cont'd)

**Condensed Financial Statements**  
**Unaudited Cash Flow Statements**  
**For the Third Quarter Ended 30 September 2012**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat	131,922	53,438
Decrease in securities	30,000	-
Increase in receivables	(185,666)	(33,122)
Increase in payables	71,510	23,964
Net cash generated from operating activities	<u>47,766</u>	<u>44,280</u>
<b>Net increase in cash and cash equivalents</b>	<b>47,766</b>	<b>44,280</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>10,258</b>	<b>79</b>
<b>Cash and cash equivalents at end of the period</b>	<b><u>58,024</u></b>	<b><u>44,359</u></b>
<b>(a) Securities portfolio available-for-sale</b>		
	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Quoted Securities:</b>		
Corporate bond	-	30,000
	<u>-</u>	<u>30,000</u>
<b>(b) Other assets</b>		
	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit receivable	-	18
Debtors and prepayments	239,559	53,875
	<u>239,559</u>	<u>53,893</u>
<b>(c) Other liabilities</b>		
	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Provisions and accruals	72,515	5
	<u>72,515</u>	<u>5</u>

**MAYBANK INVESTMENT BANK BERHAD**  
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**28. Net income from Islamic Banking Scheme operations (Cont'd)**

**(d) Income derived from investment of Islamic banking capital funds**

	Group and Bank Quarter Ended		Group and Bank Cumulative 9 Months Ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
Gross income from:				
- Securities held-for-trading	1,653	-	1,819	-
- Securities available-for-sale	-	-	159	-
- Deposit and placement with financial institutions	516	433	1,069	518
- Gain from sale of investment securities	29,399	1,367	106,242	18,417
- Unrealised loss on revaluation of securities held-for-trading, net	(1,975)	-	-	-
Fee and commission income from:				
- Arranger and upfront fee	1,400	33,890	59,384	50,887
- Corporate advisory fee	200	320	530	420
- Underwriting commission	-	-	120	120
- Brokerage income	1,615	1,137	2,876	2,740
- Other fee income	735	830	2,545	1,284
	<b>33,543</b>	<b>37,977</b>	<b>174,744</b>	<b>74,386</b>

**(e) Overhead expenses**

	Group and Bank Quarter Ended		Group and Bank Cumulative 9 Months Ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
Personnel expenses	2,526	5,125	45,316	15,998
Establishment costs				
- Service chargeback	1,282	(2,068)	(8,175)	(1,479)
- Other establishment costs	393	3,259	2,392	4,487
Marketing costs	393	666	1,592	1,180
Administration and general expenses	311	286	1,697	762
	<b>4,905</b>	<b>7,268</b>	<b>42,822</b>	<b>20,948</b>

**(f) Capital adequacy**

Group and Bank	
30 September 2012 %	31 December 2011 %

**(l) Capital ratios**

**Core capital ratios:**

Credit risk	58.97	127.85
Credit, market and operational risks	<b>34.10</b>	53.62

**Tier 1 capital**

	Group and Bank	
	30 September 2012 RM'000	31 December 2011 RM'000
Islamic banking capital fund	5,000	5,000
Retained profits	143,098	66,514
<b>Total tier 1 capital</b>	<b>148,098</b>	<b>71,514</b>
<b>Capital base</b>	<b>148,098</b>	<b>71,514</b>

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28. Net income from Islamic Banking Scheme operations (Cont'd)

(f) Capital adequacy (Cont'd)

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

Group and Bank	Gross	Risk-weighted	Capital
30 September 2012	exposures	assets	requirements
Exposure Class	Net exposures	assets	requirements
	RM'000	RM'000	RM'000
<b>(i) <u>Credit Risk</u></b>			
<b>On-balance sheet exposures:</b>			
Sovereigns/Central banks	110	110	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	57,914	57,914	927
Other assets	239,562	239,562	19,165
<b>Total on-balance sheet exposures</b>	<b>297,586</b>	<b>297,586</b>	<b>20,092</b>
<b>Total off-balance sheet exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>297,586</b>	<b>297,586</b>	<b>20,092</b>
<b>(ii) <u>Market Risk</u></b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(iii) <u>Operational Risk</u></b>	<b>-</b>	<b>-</b>	<b>183,154</b>
<b>Total RWA and capital requirements</b>	<b>297,586</b>	<b>297,586</b>	<b>34,744</b>

Group and Bank	Gross	Risk-weighted	Capital
31 December 2011	exposures	assets	requirements
Exposure Class	Net exposures	assets	requirements
	RM'000	RM'000	RM'000
<b>(i) <u>Credit Risk</u></b>			
<b>On-balance sheet exposures:</b>			
Sovereigns/Central banks	58	58	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	10,206	10,206	163
Other assets	53,893	53,893	4,311
<b>Total on-balance sheet exposures</b>	<b>64,157</b>	<b>64,157</b>	<b>4,474</b>
<b>Total off-balance sheet exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>64,157</b>	<b>64,157</b>	<b>4,474</b>
<b>(ii) <u>Market Risk</u></b>	<b>-</b>	<b>-</b>	<b>19,683</b>
<b>(iii) <u>Operational Risk</u></b>	<b>-</b>	<b>-</b>	<b>77,429</b>
<b>Total RWA and capital requirements</b>	<b>64,157</b>	<b>64,157</b>	<b>12,243</b>

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28. Net income from Islamic Banking Scheme operations (Cont'd)

(f) Capital adequacy (cont'd)

(III) The breakdown of exposures by risk weights are as follows:

Group and Bank	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns/ Central banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk- weighted assets
30 September 2012									
<b>Risk weights</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
0%	110	-	-	-	-	-	-	110	-
20%	-	57,914	-	-	-	-	-	57,914	11,583
100%	-	-	-	-	-	239,562	-	239,562	239,562
<b>Total exposures</b>	<b>110</b>	<b>57,914</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239,562</b>	<b>-</b>	<b>297,586</b>	<b>251,145</b>
<b>Risk-weighted assets by exposures</b>	<b>-</b>	<b>11,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239,562</b>	<b>-</b>	<b>251,145</b>	
<b>Average risk weights</b>	<b>0%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>	<b>0%</b>	<b>84%</b>	

Group and Bank	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns/ Central banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk- weighted assets
31 December 2011									
<b>Risk weights</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
0%	58	-	-	-	-	-	-	58	-
20%	-	10,206	-	-	-	-	-	10,206	2,041
100%	-	-	-	-	-	53,893	-	53,893	53,893
<b>Total exposures</b>	<b>58</b>	<b>10,206</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,893</b>	<b>-</b>	<b>64,157</b>	<b>55,934</b>
<b>Risk-weighted assets by exposures</b>	<b>-</b>	<b>2,041</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,893</b>	<b>-</b>	<b>55,934</b>	
<b>Average risk weights</b>	<b>0%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>	<b>0%</b>	<b>87%</b>	

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**28. Net income from Islamic Banking Scheme operations (Cont'd)**

**(g) Yield/profit rate risk on IBS portfolio**

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in interest rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the Group and the Bank to protect the income from IBS operations.

The table below summarises the Group's and the Bank's exposure to yield/profit rate risk for the IBS operations. The table indicates effective yield/profit rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

<b>Group and Bank</b> 30 September 2012	<b>Up to 1 month</b> RM'000	<b>&gt; 1 - 3 months</b> RM'000	<b>&gt; 3 - 12 months</b> RM'000	<b>1 - 5 years</b> RM'000	<b>Over 5 years</b> RM'000	<b>Non-yield/ profit rate sensitive</b> RM'000	<b>Trading book</b> RM'000	<b>Total</b> RM'000	<b>Effective yield/profit rate</b> %
<b>Assets</b>									
Cash and short-term funds	57,900	-	-	-	-	124	-	58,024	2.95
Other assets	-	-	-	-	-	239,559	-	239,559	-
<b>Total assets</b>	<b>57,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239,683</b>	<b>-</b>	<b>297,583</b>	
<b>Liabilities and Islamic banking fund</b>									
Provision for taxation and zakat	-	-	-	-	-	55,962	-	55,962	-
Other liabilities	-	-	-	-	-	72,515	-	72,515	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128,477</b>	<b>-</b>	<b>128,477</b>	
Reserves	-	-	-	-	-	164,106	-	164,106	-
Islamic banking fund	-	-	-	-	-	5,000	-	5,000	-
Total Islamic banking fund	-	-	-	-	-	169,106	-	169,106	
<b>Total liabilities and Islamic banking fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>297,583</b>	<b>-</b>	<b>297,583</b>	
<b>Total yield/profit rate sensitivity gap</b>	<b>57,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(57,900)</b>	<b>-</b>	<b>-</b>	
<b>Cumulative yield/profit rate sensitivity gap</b>	<b>57,900</b>	<b>57,900</b>	<b>57,900</b>	<b>57,900</b>	<b>57,900</b>	<b>-</b>	<b>-</b>		

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28. Net income from Islamic Banking Scheme operations (Cont'd)

(g) Yield/profit rate risk on IBS portfolio (cont'd)

<b>Group and Bank</b> 31 December 2011	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000	Effective yield/profit rate %
<b>Assets</b>									
Cash and short-term funds	10,200	-	-	-	-	58	-	10,258	3.00
Securities available-for-sale	-	-	-	-	-	30,000	-	30,000	4.10
Other assets	-	-	-	-	-	53,893	-	53,893	-
<b>Total assets</b>	<b>10,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,951</b>	<b>-</b>	<b>94,151</b>	
<b>Liabilities and Islamic banking fund</b>									
Provision for taxation and zakat	-	-	-	-	-	22,632	-	22,632	-
Other liabilities	-	-	-	-	-	5	-	5	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,637</b>	<b>-</b>	<b>22,637</b>	
Reserves	-	-	-	-	-	66,514	-	66,514	-
Islamic banking fund	-	-	-	-	-	5,000	-	5,000	-
Total Islamic banking fund	-	-	-	-	-	71,514	-	71,514	
<b>Total liabilities and Islamic banking fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,151</b>	<b>-</b>	<b>94,151</b>	
<b>Total yield/profit rate sensitivity gap</b>	<b>10,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,200)</b>	<b>-</b>	<b>-</b>	
<b>Cumulative yield/profit rate sensitivity gap</b>	<b>10,200</b>	<b>10,200</b>	<b>10,200</b>	<b>10,200</b>	<b>10,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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**28. Net income from Islamic Banking Scheme operations (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 balance sheet date, which are considered short term in maturity, approximate their carrying amounts as shown in the statement 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 124(3) of the Banking and Financial Institution Act, 1989 ("the Act"), which stipulates that "any licensed institution carrying on Islamic financial business, in addition to its existing licensed business may, from time to time seek the advise of the Shariah Advisory Council ("SAC") established under subsection (7) of the Act, on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam" and Section IV of BNM's "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" known as BNM/GPS 1, 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 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 Manuals
- (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) Provide written Shariah opinion:
  - When the Group and the Bank make references to SAC of BNM for advice on unresolved Shariah issues
  - When the Group and the Bank submit application to BNM for new product approval
- (vii) Assist in providing explanation on matters referred to BNM or SAC of BNM at their requests
- (viii) Participate in the in-house training programmes of the Group and the Bank

The Group and the Bank presently have five (31 December 2011: five) Shariah consultants.