

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

<u>Group</u>	Notes	30 September 2015 RM'000	31 December 2014 RM'000
ASSETS			
Cash and short-term funds	14	406,954	554,940
Deposits and placements with financial institutions	15	96,472	34,203
Financial investments portfolio	16	233,867	331,008
Loans and advances	17	285,164	238,069
Derivative assets	20 (i)	19,386	14,754
Other assets	18	448,559	661,597
Tax recoverable		26,664	2,007
Statutory deposits with Bank Negara Malaysia		105	105
Investment in a joint venture		13,067	10,770
Property, plant and equipment		18,913	19,742
Intangible assets		15,889	15,785
Deferred tax assets		1,766	18,339
TOTAL ASSETS		1,566,806	1,901,319
LIABILITIES			
Deposits and placements from a licensed bank		426,971	392,391
Derivative liabilities	20 (ii)	38,096	23,045
Other liabilities	19	553,965	944,822
Provision for taxation and zakat		377	2,768
TOTAL LIABILITIES		1,019,409	1,363,026
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		497,281	488,177
TOTAL EQUITY		547,397	538,293
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,566,806	1,901,319
COMMITMENTS AND CONTINGENCIES	27	1,678,130	1,442,194

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

<u>Bank</u>	Notes	30 September 2015 RM'000	31 December 2014 RM'000
ASSETS			
Cash and short-term funds	14	391,025	526,132
Deposits and placements with financial institutions	15	71,951	24,162
Financial investments portfolio	16	233,867	331,008
Loans and advances	17	285,164	238,069
Derivative assets	20 (i)	19,386	14,754
Other assets	18	449,616	657,871
Tax recoverable		25,057	-
Statutory deposits with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,259	203,259
Investment in a joint venture		9,878	9,878
Property, plant and equipment		18,787	19,622
Intangible assets		15,889	15,785
Deferred tax assets		1,766	18,339
TOTAL ASSETS		1,725,750	2,058,984
LIABILITIES			
Deposits and placements from a licensed bank		426,971	392,391
Derivative liabilities	20 (ii)	38,096	23,045
Other liabilities	19	724,176	1,115,962
Provision for taxation and zakat		377	2,742
TOTAL LIABILITIES		1,189,620	1,534,140
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		486,014	474,728
TOTAL EQUITY		536,130	524,844
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,725,750	2,058,984
COMMITMENTS AND CONTINGENCIES	27	1,678,130	1,442,194

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements)

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

Group	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Interest income	21	7,990	8,644	20,943	27,240
Interest expense	22	(2,724)	(2,614)	(6,707)	(6,206)
Net interest income		5,266	6,030	14,236	21,034
Net income from Islamic Banking Scheme operations	29	4,831	4,824	23,168	16,243
Non-interest income	23	61,004	126,563	208,642	321,984
Net income		71,101	137,417	246,046	359,261
Overhead expenses	24	(59,540)	(76,666)	(187,148)	(210,687)
Operating profit		11,561	60,751	58,898	148,574
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	25	(798)	3,540	(898)	(401)
Writeback of impairment on financial investments available-for-sale		-	9,011	-	9,011
Writeback of commitments and contingencies		-	-	-	500
		10,763	73,302	58,000	157,684
Share of results of a joint venture		2,005	58	2,297	(281)
Profit before taxation and zakat		12,768	73,360	60,297	157,403
Taxation and zakat		(3,989)	(19,156)	(21,323)	(42,445)
Profit for the period, attributable to equity holder of the Bank		8,779	54,204	38,974	114,958
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		18	108	78	229
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		598	198	246	(139)
Reclassification of gain on financial investments available-for-sale to profit or loss, net		-	-	54	-
Total other comprehensive income for the period, net of tax		598	198	300	(139)
Total comprehensive income for the period, attributable to equity holder of the Bank		9,377	54,402	39,274	114,819

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD

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(Incorporated in Malaysia)

**CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015**

Bank	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Interest income	21	7,664	8,559	20,241	26,877
Interest expense	22	(2,724)	(2,614)	(6,707)	(6,206)
Net interest income		4,940	5,945	13,534	20,671
Net income from Islamic Banking Scheme operations	29	4,831	4,824	23,168	16,243
Non-interest income	23	60,616	126,609	207,161	319,823
Net income		70,387	137,378	243,863	356,737
Overhead expenses	24	(57,805)	(75,913)	(183,498)	(208,406)
Operating profit		12,582	61,465	60,365	148,331
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	25	(723)	3,540	936	(401)
Writeback of impairment on financial investments available-for-sale		-	9,011	-	9,011
Writeback of commitments and contingencies		-	-	-	500
Profit before taxation and zakat		11,859	74,016	61,301	157,441
Taxation and zakat		(3,929)	(19,158)	(19,845)	(40,971)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		7,930	54,858	41,456	116,470

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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 2015

<u>Group</u>	←-----Non-distributable-----→						Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Revaluation reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000		
At 1 January 2015	50,116	172,669	50,116	-	(24,677)	997	289,072	538,293	
Reclassification (Note 31)	-	-	-	-	24,623	(21)	(24,602)	-	
	50,116	172,669	50,116	-	(54)	976	264,470	538,293	
Profit for the period	-	-	-	-	-	-	38,974	38,974	
Other comprehensive income	-	-	-	-	54	246	-	300	
Total comprehensive income for the period	-	-	-	-	54	246	38,974	39,274	
Transfer to regulatory reserve	-	-	-	3,420	-	-	(3,420)	-	
Dividends (Note 10)	-	-	-	-	-	-	(30,170)	(30,170)	
At 30 September 2015	50,116	172,669	50,116	3,420	-	1,222	269,854	547,397	
At 1 January 2014	50,116	172,669	50,116	-	(24,677)	(82)	404,195	652,337	
Profit for the period	-	-	-	-	-	-	114,958	114,958	
Other comprehensive income	-	-	-	-	-	(139)	-	(139)	
Total comprehensive income for the period	-	-	-	-	-	(139)	114,958	114,819	
Dividends	-	-	-	-	-	-	(130,000)	(130,000)	
At 30 September 2014	50,116	172,669	50,116	-	(24,677)	(221)	389,153	767,156	

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

<u>Bank</u>	<-----Non-distributable----->				Distributable	Total
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	
At 1 January 2015	50,116	172,669	50,116	-	251,943	524,844
Profit for the period	-	-	-	-	41,456	41,456
Total comprehensive income for the period	-	-	-	-	41,456	41,456
Transfer to regulatory reserve	-	-	-	3,420	(3,420)	-
Dividends (Note 10)	-	-	-	-	(30,170)	(30,170)
At 30 September 2015	50,116	172,669	50,116	3,420	259,809	536,130
At 1 January 2014	50,116	172,669	50,116	-	370,042	642,943
Profit for the period	-	-	-	-	116,470	116,470
Total comprehensive income for the period	-	-	-	-	116,470	116,470
Dividends	-	-	-	-	(130,000)	(130,000)
At 30 September 2014	50,116	172,669	50,116	-	356,512	629,413

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

	Group		Bank	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Profit before taxation and zakat	60,297	157,403	61,301	157,441
Adjustment for non-operating and non-cash items	12,435	(1,565)	10,088	(744)
Operating profit before working capital changes	<u>72,732</u>	<u>155,838</u>	<u>71,389</u>	<u>156,697</u>
Changes in working capital:				
Net changes in operating assets	247,465	(571,351)	261,604	(572,210)
Net changes in operating liabilities	(341,604)	777,430	(342,533)	775,006
Taxation and zakat paid, net	(31,798)	(13,562)	(30,694)	(11,876)
Net cash (used in)/generated from operating activities	<u>(53,205)</u>	<u>348,355</u>	<u>(40,234)</u>	<u>347,617</u>
Net cash used in investing activities	<u>(1,966)</u>	<u>(5,324)</u>	<u>(2,058)</u>	<u>(5,324)</u>
Net cash used in financing activity - dividends paid	<u>(92,815)</u>	<u>(130,000)</u>	<u>(92,815)</u>	<u>(130,000)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(147,986)</u>	<u>213,031</u>	<u>(135,107)</u>	<u>212,293</u>
Cash and cash equivalents at beginning of the period	<u>554,940</u>	<u>344,343</u>	<u>526,132</u>	<u>310,464</u>
Cash and cash equivalents at end of the period	<u>406,954</u>	<u>557,374</u>	<u>391,025</u>	<u>522,757</u>

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements)

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

1. Basis of Preparation

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014. These explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2014.

The unaudited condensed interim financial statements include those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to capital market and stockbroking activities under the principles of Shariah.

The significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2014 except for adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRSs”) with effective date of 1 January 2015:

- Amendments to MFRS 119: Defined Benefits Plan: Employee Contributions
- Annual improvements to MFRSs 2010-2012 Cycle
- Annual improvements to MFRSs 2011-2013 Cycle

The adoption of the above amendments to MFRSs would not have any material impact to the Group's and the Bank's financial performance.

2. Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2014 were prepared in accordance with MFRS, International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act, 1965 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2014.

3. Significant Accounting Estimates and Judgements

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's and the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the financial year ended 31 December 2014.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2014 was not qualified.

5. Seasonal or Cyclical Factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the third quarter ended 30 September 2015.

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

During the third quarter ended 30 September 2015, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank.

7. Changes in Estimates

There were no material changes in estimates during the third quarter ended 30 September 2015.

8. Changes in Debt and Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Group and the Bank during the third quarter ended 30 September 2015.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the third quarter ended 30 September 2015.

10. Dividends

(i) Dividends Paid

- (a) Second interim dividend in respect of the financial year ended 31 December 2014, comprising of a single-tier dividend of approximately RM1.25 on 50,116,000 ordinary shares and a dividend in-specie of 2,100,000 ordinary shares in Cagamas Holdings Berhad at a fair value of RM84,483,000, amounting to RM147,027,768 was approved on 10 December 2014. On 13 March 2015, the single-tier dividend was paid and the dividend in-specie was distributed.
- (b) On 11 September 2015, a single-tier interim dividend in respect of the financial year ending 31 December 2015 of RM0.60 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM30,169,832 was approved and subsequently paid to shareholder.

11. Significant and Subsequent Events

(i) Liquidation of Mayban Securities (HK) Ltd. ("MSHK")

MSHK was placed under members' voluntary liquidation on 1 April 2014 and had its final meeting on 15 May 2015. MSHK is wholly owned by Maysec Sdn. Bhd. and the Bank is its ultimate holding company. MSHK was previously engaged in the business of dealing in securities and acts as securities broker. The liquidation of MSHK was part of the corporate rationalisation exercise of the Bank which aims to streamline the capital structure of the Group and of the Bank. The dissolution of MSHK did not have any material effect on the earnings or assets of the Group and of the Bank for the financial year ending 31 December 2015.

(ii) Liquidation of Maysec (KL) Sdn. Bhd. ("Maysec (KL)")

Maysec (KL) was placed under members' voluntary liquidation on 24 July 2014 and had its final meeting on 29 June 2015. Maysec (KL) is wholly owned by Maysec Sdn. Bhd. and the Bank is its ultimate holding company. Maysec (KL) was previously engaged in the business of dealing in securities and acts as securities broker and has been dormant since 2006. The liquidation of Maysec (KL) was part of the corporate rationalisation exercise of the Bank which aims to streamline the capital structure of the Group and of the Bank. The dissolution of Maysec (KL) did not have any material effect on the earnings or assets of the Group and of the Bank for the year financial year ending 31 December 2015.

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12. Performance Review

For the period ended 30 September 2015, the Group recorded a lower operating profit compared to the last period due to the reduction in number of investment banking deals and challenging economic environment. Operating profit dipped by 60.4% from RM148.6 million to RM58.9 million.

The net interest income reduced by 32.3% to RM14.2 million. Non-interest income decreased by 35.2% from RM322.0 million to RM208.6 million due to lower fee-based income from investment banking and stockbroking business. The Islamic Banking income increased by 42.6% from RM16.2 million. The net income recorded a decline by 31.5% or RM113.2 million to RM246.0 million.

Overhead expenses reduced by 11.2% or RM23.5 million to RM187.1 million from RM210.7 million. This was mainly attributable to lower personnel expenses, administration and general expenses.

The Group's profit before taxation and zakat declined by 61.7% or RM97.1 million from RM157.4 million to RM60.3 million. Profit for the period decreased by 66.1% or RM76.0 million to RM39.0 million compared to the previous period.

13. Prospects

Amidst the current global financial market and currency volatility, the world Gross Domestic Product ("GDP") is expected to moderate to 3.1% in 2015 (3.4% in 2014) as sustained growth and recovery momentum in the major advanced economies are tempered by the downturns in the emerging economies. While US growth appeared to be holding up, China's growth rate is projected to slightly miss the official target of 7%. ASEAN-6 economies are forecasted to have a stable real GDP growth of 4.5% (4.5% in 2014) amid firmer growth in the Philippines, Thailand and Vietnam.

The world economy and global markets have entered into a period of greater volatility since August, following the 3% depreciation of the Renminbi against the US Dollar and a sharp drop in China's stock markets which amplified concerns about China's economic outlook. This accelerated the outflow of funds from the emerging markets that was triggered by expectation of a Federal Reserve rate hike which is now widely expected to take place in December 2015. Regional currencies by and large depreciated sharply and remain volatile, as have their stock markets. Malaysia's Ringgit depreciation has been among the sharpest. Even as China and other emerging economies try to stabilise this increased volatility, it is likely that growth in the real economies would be impacted.

Malaysia's real GDP growth is anticipated to slow to 4.9% in 2015 (6.0% in 2014) on the impact of lower commodity prices (oil, palm oil and rubber in particular), the introduction of Goods and Services Tax in April as well as the volatile financial markets and currency exchange rates on consumer spending, business expenditure and exports. Bank Negara Malaysia is likely to keep the Overnight Policy Rate unchanged at 3.25% in 2016.

Barring any unforeseen circumstances, the Group expects its financial performance for the financial year ending 31 December 2015 to be satisfactory in this challenging regional environment.

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14. Cash and short-term funds

	Group		Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
Cash and bank balances with financial institutions	155,474	183,956	148,645	164,148
Deposit placements maturing within one month	251,480	370,984	242,380	361,984
Total	406,954	554,940	391,025	526,132

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM170,337,000 (2014: RM162,697,000). These amounts are excluded from the cash and short-term funds of the Group and of the Bank in accordance with FRSIC Consensus 18 Monies Held-in-Trust by Participating Organisation at Bursa Malaysia Securities Berhad.

15. Deposits and placements with financial institutions

	Group		Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
Licensed bank	96,472	34,203	71,951	24,162

16. Financial investments portfolio

		Group and Bank	
		30 September 2015 RM'000	31 December 2014 RM'000
Financial assets at fair value through profit or loss	(i)	194,389	207,047
Financial investments available-for-sale	(ii)	39,445	123,928
Financial investments held-to-maturity	(iii)	33	33
Total financial investments portfolio		233,867	331,008

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

	Group and Bank	
	30 September 2015 RM'000	31 December 2014 RM'000
At fair value		
Quoted financial investments:		
Shares in Malaysia	163,730	171,454
Shares outside Malaysia	30,659	15,353
	194,389	186,807
Unquoted financial investments:		
Private debt securities in Malaysia	-	20,240
Total financial assets at fair value through profit or loss	194,389	207,047

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16. Financial investments portfolio (Cont'd)

(ii) Financial investments available-for-sale

	Group and Bank	
	30 September 2015	31 December 2014
	RM'000	RM'000
At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss		
Unquoted financial investments:		
Shares and loan stocks in Malaysia	39,445	123,928
Total financial investments available-for-sale	<u>39,445</u>	<u>123,928</u>

(iii) Financial investments held-to-maturity

	Group and Bank	
	30 September 2015	31 December 2014
	RM'000	RM'000
At amortised cost		
Unquoted financial investments:		
Private debt securities in Malaysia	33	33
Total financial investments held-to-maturity	<u>33</u>	<u>33</u>

17. Loans and advances

	Group and Bank	
	30 September 2015	31 December 2014
	RM'000	RM'000
Term loans		
- Syndicated term loan	6,447	6,447
Amount due from brokers and clients		
- Margin accounts	257,909	215,928
Foreign currency loans	4,225	3,353
Staff loans	22,850	18,608
Gross loans and advances	<u>291,431</u>	<u>244,336</u>
Less: Allowance for impairment losses		
- Individual assessment allowance	(6,267)	(6,267)
Net loans and advances	<u>285,164</u>	<u>238,069</u>

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

	Group and Bank	
	30 September 2015	31 December 2014
	RM'000	RM'000
Domestic business enterprises	45,534	28,525
Individuals	239,729	211,125
Foreign entities	6,168	4,686
Gross loans and advances	<u>291,431</u>	<u>244,336</u>

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

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

	Group and Bank	
	30 September 2015 RM'000	31 December 2014 RM'000
Fixed rate		
- Housing loans	11,593	10,841
- Hire purchase receivables	10,911	7,479
- Other fixed rate loans	11,018	10,088
Variable rate		
- BLR/BR-plus	257,909	215,928
Gross loans and advances	291,431	244,336

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

	Group and Bank	
	30 September 2015 RM'000	31 December 2014 RM'000
Purchase of securities	257,909	215,928
Purchase of transport vehicles	10,911	7,479
Purchase of residential landed property	11,593	10,841
Personal use	346	288
Working capital	10,672	9,800
Gross loans and advances	291,431	244,336

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

	Group and Bank	
	30 September 2015 RM'000	31 December 2014 RM'000
Maturing within one year	265,009	226,199
One year to three years	1,734	1,828
Three years to five years	8,379	5,212
After five years	16,309	11,097
Gross loans and advances	291,431	244,336

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

	Group and Bank	
	30 September 2015 RM'000	31 December 2014 RM'000
At 1 January	7,001	7,015
Recovered/regularised during the period/year	(10)	(14)
Gross impaired loans and advances	6,991	7,001
Less: Individual assessment allowance	(6,267)	(6,267)
Balance at end of period/year	724	734
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	0.25%	0.31%

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

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

	Group and Bank	
	30 September 2015 RM'000	31 December 2014 RM'000
Purchase of transport vehicles	156	156
Purchase of residential landed property	388	398
Working capital	6,447	6,447
Gross impaired loans and advances	6,991	7,001

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

	Group and Bank	
	30 September 2015 RM'000	31 December 2014 RM'000
At 1 January/balance at end of period/year	6,267	6,267

18. **Other assets**

	Group		Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	392,802	593,345	392,802	593,345
Amount due from ultimate holding company	6,173	7,103	6,173	7,103
Other debtors, deposits and prepayment	64,816	74,589	61,439	68,894
	463,791	675,037	460,414	669,342
Less: Allowance for impairment losses	(15,232)	(13,440)	(10,798)	(11,471)
	448,559	661,597	449,616	657,871

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

19. **Other liabilities**

	Group		Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
Provisions and accruals	28,386	98,371	28,210	98,066
Amount due to brokers and clients (a)	346,534	566,849	346,533	566,849
Deposits and other creditors	179,045	279,602	349,433	451,047
	553,965	944,822	724,176	1,115,962

(a) Amount due to brokers and clients represent net amount payable to margin and non-margin clients, which include outstanding sales contracts entered into on behalf of clients, contra gains and losses, other fees and charges.

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20. Derivative financial instruments

(i) Derivative assets

	Group and Bank			
	30 September 2015		31 December 2014	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Equity related derivatives:				
Equity swaps				
- Less than one year	154,994	19,386	97,572	14,754

(ii) Derivative liabilities

	Group and Bank			
	30 September 2015		31 December 2014	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Equity related derivatives:				
Equity options				
- Less than one year	316,488	24,207	168,214	20,926
- One year to three years	177,527	126	180,715	66
Equity swaps				
- Less than one year	27,137	13,763	42,032	2,053
	521,152	38,096	390,961	23,045

(iii) The Group and the Bank have recognised the fair value changes on the derivative financial instruments as follows (Note 23):

	Group and Bank			
	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Equity related derivatives:				
Index futures	(689)	-	(475)	-
Equity options	26,074	(2,713)	(4,827)	8,983
Equity swaps	-	(4,591)	-	(4,591)
	25,385	(7,304)	(5,302)	4,392

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21. Interest income

Group	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	5,019	6,098	14,590	20,000
- Interest income on impaired loans	27	21	83	65
Money at call and deposits and placements with financial institutions	2,826	2,446	5,992	6,601
Financial assets at fair value through profit or loss	-	-	-	391
Others	118	79	278	183
Total interest income	7,990	8,644	20,943	27,240

Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	5,019	6,098	14,590	20,000
- Interest income on impaired loans	27	21	83	65
Money at call and deposits and placements with financial institutions	2,500	2,361	5,290	6,238
Financial assets at fair value through profit or loss	-	-	-	391
Others	118	79	278	183
Total interest income	7,664	8,559	20,241	26,877

22. Interest expense

Group and Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from a licensed bank	2,724	2,614	6,707	6,206

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23. **Non-interest income**

Group	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Fee and commission income:				
Arranger and upfront fees	20,734	70,887	40,663	134,758
Brokerage income	34,886	43,972	115,296	134,569
Corporate advisory fees	2,672	3,842	10,758	12,334
Placement and related fees	1,964	(2,060)	10,546	12,713
Underwriting commission	457	116	2,646	887
Others	2,081	2,777	10,106	8,994
	62,794	119,534	190,015	304,255
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	8,514	(22,972)	11,816	(27,719)
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(30,413)	12,007	(19,371)	10,086
Realised (loss)/gain from sale of derivative financial instruments, net	(15,888)	25,319	14,998	29,256
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	25,385	(7,304)	(5,302)	4,392
Realised gain from sale of financial investments available-for-sale, net	-	-	(54)	880
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	18	-	92	355
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	3,393	452	3,878	571
- Quoted outside Malaysia	-	26	-	67
	(8,991)	7,528	6,057	17,888
Other income:				
Foreign exchange gain/(loss), net	6,691	(688)	11,242	(1,116)
Gain from disposal of property, plant and equipment	114	-	400	66
Others	396	189	928	891
	7,201	(499)	12,570	(159)
Total non-interest income	61,004	126,563	208,642	321,984

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

Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Fee and commission income:				
Arranger and upfront fees	20,734	70,887	40,663	134,758
Brokerage income	34,886	43,972	115,296	134,569
Corporate advisory fees	2,300	3,697	9,986	8,981
Placement and related fees	1,964	(2,060)	10,546	12,713
Underwriting commission	457	116	2,646	887
Others	2,081	2,777	10,106	8,994
	62,422	119,389	189,243	300,902
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	8,514	(22,972)	11,816	(27,719)
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(30,413)	12,007	(19,371)	10,086
Realised (loss)/gain from sale of derivative financial instruments, net	(15,888)	25,319	14,998	29,256
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	25,385	(7,304)	(5,302)	4,392
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	18	-	92	355
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	3,393	452	3,878	571
- Quoted outside Malaysia	-	26	-	67
	(8,991)	7,528	6,111	17,008
Other income:				
Foreign exchange gain/(loss), net	6,691	(486)	10,074	(1,177)
Gain from disposal of property, plant and equipment	114	-	400	66
Others	380	178	1,333	3,024
	7,185	(308)	11,807	1,913
Total non-interest income	60,616	126,609	207,161	319,823

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24. Overhead expenses

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	29,354	47,576	101,583	129,454
- Pension costs - defined contribution plan	4,306	4,108	13,291	12,165
- Employees' Share Scheme expenses	2,751	2,954	6,998	7,409
- Other staff related expenses	3,121	3,446	8,658	6,819
	39,532	58,084	130,530	155,847
Establishment costs				
- Depreciation of property, plant and equipment	1,514	1,054	4,392	3,567
- Amortisation of computer software	796	667	2,688	1,936
- Rental	2,596	2,829	8,211	8,261
- Repairs and maintenance of property, plant and equipment	3,348	2,241	8,121	6,040
- Information technology expenses	3,401	2,857	9,767	8,453
- Service chargeback	(1,986)	(6,137)	(7,704)	(16,016)
- Others	374	498	1,595	1,504
	10,043	4,009	27,070	13,745
Marketing costs				
- Advertisement and publicity	2,245	1,505	7,643	6,681
- Others	1,425	2,689	5,936	6,906
	3,670	4,194	13,579	13,587
Administration and general expenses				
- Fee and brokerage	3,296	7,868	9,485	22,335
- Administrative expenses	1,710	1,968	3,685	3,804
- General expenses	1,289	543	2,799	1,369
	6,295	10,379	15,969	27,508
Total overhead expenses	59,540	76,666	187,148	210,687

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24. Overhead expenses (Cont'd)

Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	29,354	47,576	101,583	129,454
- Pension costs - defined contribution plan	4,306	4,108	13,291	12,165
- Employees' Share Scheme expenses	2,751	2,954	6,998	7,409
- Other staff related expenses	3,121	3,446	8,639	6,818
	39,532	58,084	130,511	155,846
Establishment costs				
- Depreciation of property, plant and equipment	1,509	1,051	4,379	3,556
- Amortisation of computer software	796	667	2,688	1,936
- Rental	2,596	2,829	8,211	8,261
- Repairs and maintenance of property, plant and equipment	3,347	2,239	8,119	6,037
- Information technology expenses	3,401	2,857	9,767	8,453
- Service chargeback	(3,682)	(6,838)	(11,159)	(18,183)
- Others	374	498	1,595	1,504
	8,341	3,303	23,600	11,564
Marketing costs				
- Advertisement and publicity	2,245	1,505	7,643	6,681
- Others	1,425	2,689	5,939	6,915
	3,670	4,194	13,582	13,596
Administration and general expenses				
- Fee and brokerage	3,268	7,842	9,395	22,250
- Administrative expenses	1,704	1,947	3,658	3,782
- General expenses	1,290	543	2,752	1,368
	6,262	10,332	15,805	27,400
Total overhead expenses	57,805	75,913	183,498	208,406

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

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Bad debts recovered	33	2,767	894	3,163
(Allowance for)/writeback of impairment on other debtors, net	(831)	773	(1,792)	(3,564)
Total	(798)	3,540	(898)	(401)

<u>Bank</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Bad debts recovered	33	2,767	394	3,163
(Allowance for)/writeback of impairment on other debtors, net	(756)	773	542	(3,564)
Total	(723)	3,540	936	(401)

26. Capital adequacy

(I) Capital Adequacy Framework

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

Under the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Commitments) issued on 28 November 2012 on the computation of capital and capital adequacy ratios, the minimum capital adequacy ratios based on transitional arrangements are set out as follows:

Calendar Year	Common Equity Tier 1 ("CET1") Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
2013	3.500%	4.500%	8.000%
2014	4.000%	5.500%	8.000%
2015 onwards	4.500%	6.000%	8.000%

Total risk-weighted assets ("RWA") shall be calculated as the sum of credit RWA, market RWA, operational RWA and large exposure risk requirements as determined in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued by BNM on 28 November 2012.

Any exposures which are deducted in the calculation of CET1 Capital, Tier 1 Capital and Total Capital shall not be subject to any further capital charges in the computation of RWA.

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 8.000% for the Total Capital Ratio.

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26. Capital adequacy (Cont'd)

(I) Capital Adequacy Framework (Cont'd)

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

	Group %	Bank %
<u>At 30 September 2015</u>		
CET1 capital ratio	34.862	32.672
Tier 1 capital ratio	34.862	32.672
Total capital ratio	<u>34.862</u>	<u>32.672</u>
<u>At 31 December 2014</u>		
CET1 capital ratio	30.902	28.726
Tier 1 capital ratio	30.902	28.726
Total capital ratio	<u>30.902</u>	<u>28.726</u>

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

	Group RM'000	Bank RM'000
<u>At 30 September 2015</u>		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	262,263	251,845
CET1 capital before regulatory adjustments	<u>535,164</u>	<u>524,746</u>
Less: Deferred tax assets	(1,766)	(1,766)
Intangible assets	(15,889)	(15,889)
Investment in subsidiaries and joint venture ¹	(9,647)	(38,242)
CET1 capital/Tier 1 capital	<u>507,862</u>	<u>468,849</u>
Tier 2 capital		
Regulatory reserve	3,420	3,420
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture ¹	(3,420)	(3,420)
Tier 2 capital	<u>-</u>	<u>-</u>
Total capital	<u>507,862</u>	<u>468,849</u>
<u>At 31 December 2014</u>		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	265,392	251,943
CET1 capital before regulatory adjustments	<u>538,293</u>	<u>524,844</u>
Less: Deferred tax assets	(18,339)	(18,339)
Intangible assets	(15,785)	(15,785)
Investment in subsidiaries and joint venture ¹	(10,770)	(41,662)
Liquidity reserve ²	(20)	(20)
CET1 capital/Tier 1 capital/Total capital	<u>493,379</u>	<u>449,038</u>

¹ Excludes the cost of investment in a subsidiary, Maysec Sdn. Bhd. of RM171,475,000 as its business, assets and liabilities had been transferred to the Bank on 30 December 2006.

² This is reserve for less liquid positions as per Bank Negara Malaysia Guidelines.

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26. Capital adequacy (Cont'd)

(II) The breakdown of 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
30 September 2015				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	234,803	234,803	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	436,159	436,159	87,702	7,016
Corporates	31,051	31,051	28,690	2,295
Regulatory retail	133,357	133,357	127,842	10,227
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	200,522	200,522	101,643	8,131
Total on-balance sheet exposures	1,075,337	1,075,337	405,045	32,402
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,001,984	1,001,984	423	34
Total off-balance sheet exposures	1,001,984	1,001,984	423	34
Total on and off-balance sheet exposures	2,077,321	2,077,321	405,468	32,436
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	270	22
Equity position risk	-	-	15,254	1,220
Foreign currency risk	-	-	62,416	4,993
Options risk	-	-	89,188	7,135
Total	-	-	167,128	13,370
(iii) <u>Operational Risk</u>				
	-	-	884,165	70,733
Total RWA and capital requirements	2,077,321	2,077,321	1,456,761	116,539

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26. Capital adequacy (Cont'd)

(II) The breakdown of RWA by exposures in each major risk category are as follows (Cont'd):

<u>Group</u>	Gross exposures RM'000	Net Exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
31 December 2014				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	343,466	343,466	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	414,604	414,604	85,070	6,806
Corporates	29,820	16,877	14,727	1,178
Regulatory retail	212,416	91,269	86,962	6,957
Higher risk assets	39,448	39,448	59,172	4,734
Other assets	274,091	274,091	191,988	15,359
Total on-balance sheet exposures	1,313,845	1,179,755	437,919	35,034
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	923,661	923,661	376	30
Total off-balance sheet exposures	953,661	953,661	3,376	270
Total on and off-balance sheet exposures	2,267,506	2,133,416	441,295	35,304
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	19,271	1,542
Equity position risk	-	-	26,113	2,089
Foreign currency risk	-	-	87,881	7,030
Options risk	-	-	37,396	2,992
Total	-	-	170,661	13,653
(iii) <u>Operational Risk</u>				
	-	-	984,627	78,770
Total RWA and capital requirements	2,267,506	2,133,416	1,596,583	127,727

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

(II) The breakdown of RWA by exposures in each major risk category are as follows (Cont'd):

Bank	Gross exposures	Net Exposures	Risk-weighted assets	Capital requirements
30 September 2015	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	234,803	234,803	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	395,712	395,712	79,613	6,369
Corporates	31,051	31,051	28,690	2,295
Regulatory retail	133,357	133,357	127,842	10,227
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	201,452	201,452	102,575	8,206
Total on-balance sheet exposures	1,035,820	1,035,820	397,888	31,830
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,001,984	1,001,984	423	34
Total off-balance sheet exposures	1,001,984	1,001,984	423	34
Total on and off-balance sheet exposures	2,037,804	2,037,804	398,311	31,864
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	270	22
Equity position risk	-	-	15,254	1,220
Foreign currency risk	-	-	57,105	4,568
Options risk	-	-	89,188	7,135
Total	-	-	161,817	12,945
(iii) <u>Operational Risk</u>				
	-	-	874,872	69,990
Total RWA and capital requirements	2,037,804	2,037,804	1,435,000	114,799

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

(II) The breakdown of RWA by exposures in each major risk category are as follows (Cont'd):

<u>Bank</u>	Gross exposures RM'000	Net Exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
31 December 2014				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	343,466	343,466	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	375,778	375,778	77,305	6,184
Corporates	29,820	16,877	14,727	1,178
Regulatory retail	212,415	91,269	86,962	6,957
Higher risk assets	39,448	39,448	59,172	4,734
Other assets	270,224	270,224	188,122	15,050
Total on-balance sheet exposures	1,271,151	1,137,062	426,288	34,103
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	923,661	923,661	376	30
Total off-balance sheet exposures	953,661	953,661	3,376	270
Total on and off-balance sheet exposures	2,224,812	2,090,723	429,664	34,373
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	19,271	1,542
Equity position risk	-	-	26,113	2,089
Foreign currency risk	-	-	81,182	6,495
Options risk	-	-	37,396	2,992
Total	-	-	163,962	13,118
(iii) <u>Operational Risk</u>			969,551	77,564
Total RWA and capital requirements	2,224,812	2,090,723	1,563,177	125,055

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27. Commitments and contingencies

Group and Bank	As at 30 September 2015			As at 31 December 2014		
	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
<u>Credit-related</u>						
Obligations under underwriting agreements	-	-	-	30,000	15,000	3,000
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,001,139	-	-	922,908	-	-
- Maturity exceeding one year	845	423	423	753	376	376
	1,001,984	423	423	953,661	15,376	3,376
<u>Derivative financial instruments</u>						
Equity related contracts						
- Less than one year	498,619	-	-	307,818	-	-
- One year to less than three years	177,527	-	-	180,715	-	-
	676,146	-	-	488,533	-	-
Total commitments and contingencies	1,678,130	423	423	1,442,194	15,376	3,376

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

Contingent liabilities

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.

Case 1

On 5 November 2012, four (4) holders of a bond ("Bondholders") issued by a company filed a claim against the Bank and five (5) other defendants to recover their losses arising from the limited recovery made by the Bondholders following the default of the company's bonds. The claims by the Bondholders, inter alia, include the sum of RM156.3 million or any other sum that the Court deems fit.

Following an order in terms of a joinder application by two (2) applicants to be added as 5th and 6th plaintiffs to the suit, the quantum of the claim increased from RM156.3 million to RM177.3 million to reflect the 5th and 6th plaintiffs' respective claims. On 17 September 2014, a 7th plaintiff was added and joined to the suit with no change to the quantum claimed of RM177.3 million.

On 4 September 2015, the trial of the matter concluded. At the case management on 5 November 2015, the Court redirected parties to complete the filing of their written submissions by 15 February 2016. The Court further redirected parties to attend Court on 17 February and 18 February 2016 for the Court to hear their respective oral submissions.

The Bank's solicitors are of the view that the Bank has a more than an even chance of succeeding in defending against the claim.

Case 2

In 2005, a corporate borrower ("Borrower") filed a claim against the Bank, as the agent of a syndicate of lenders, for loss and damage arising from alleged breach of duty and obligations owed by the Bank and the syndicate lenders to the Borrower in relation to various actions taken or omitted to be taken in disbursements and transactions under a syndicated facility. The syndicated facility consisted of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million ("Facilities") which were granted by the Bank and a syndicate of three (3) lenders ("Lenders").

In 2006, the Bank and the Lenders filed a suit against the Borrower and a guarantor of the Facilities for recovery of the amounts outstanding under the Facilities. The two claims were then consolidated and heard together.

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 2 (Cont'd)

On 6 May 2009, the High Court entered judgement against the Bank as agent for the Lenders and the Lenders for, inter alia, special damages in the sum of RM115.5 million with interest at 6% per annum, with the balance of the Borrower's claim (including general damages) ordered to be assessed at a later date ("judgement"). In the same judgement, the recovery action by the Bank and the Lenders was dismissed with costs. The Bank, as agent for the Lenders, would seek contribution from the Lenders for any judgement sums paid.

The Bank and the Lenders appealed to the Court of Appeal against the judgement ("Appeal"). In the interim, on 24 June 2009, a stay of the judgement was granted pending disposal of the Appeal. The Appeal came up for hearing on 10 February 2012, wherein all parties agreed for the matter to be mediated. At the mediation of the matter on 9 March 2012, the parties could not come to any consensus and consequently, the Appeal was fixed for hearing which was concluded on 23 January 2013.

On 27 September 2013, the Court of Appeal allowed the Appeal and set aside the judgement. The Court of Appeal also entered judgement against the Borrower and the guarantor for the sum of RM47.2 million as well as the Bank's annual fees of RM50,000 as at 30 September 2008, both with interest thereon, together with costs of RM120,000.

The Borrower and the guarantor subsequently filed a motion to the Federal Court for leave to appeal to the Federal Court against the decision of the Court of Appeal ("Leave Application"). On 29 January 2014, the Federal Court dismissed the Leave Application with costs of RM30,000.

On 20 November 2014, the Borrower and the guarantor filed a motion to the Federal Court for the Federal Court to review and set aside its own decision in dismissing the Leave Application ("Review Application"). After several adjournments at the request of the Borrower's solicitors, the Review Application is now fixed for hearing on 3 December 2015.

The Bank's solicitors are of the view that the Review Application is without merit.

Case 3

The Bank and 4 other financial institutions (collectively known as "the Banks") are holders of 48.54% of the Redeemable Convertible Secured Notes ("the Notes") issued by a company ("the Borrower"). The Notes are secured by various security including charges over lands granted by the Borrower and other 3rd parties in favour of the trustee for the Banks ("the Trustee"). Upon the Borrower's default of its payment obligations, the Banks commenced action to recover the sums due under the Notes. Subsequently, a company ("the 1st Defendant") and an individual ("the 2nd Defendant") (collectively known as "the Defendants") agreed to resolve the claims of the Banks with the 1st Defendant agreeing to purchase from the Banks all the Notes held by the Banks at a total purchase price of RM146,458,246.20. The Banks and the 1st Defendant entered into a Sale and Purchase Agreement in August 2014 ("the SPA") and the 2nd Defendant executed a guarantee in favour of the Banks guaranteeing all sums due under the SPA.

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

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

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

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 3 (Cont'd)

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

On 5 October 2015, the High Court allowed the Banks' application for summary judgement and application to strike out the counterclaim with costs. Accordingly, the Defendants' counterclaim against the Banks have been struck out ('Striking Out Order') and judgement has been entered against the Defendants for the balance purchase price under the SPA ('Summary Judgement'). On 23 October 2015, the Defendants filed their respective appeals to the Court of Appeal against the Striking Out Order and the Summary Judgement. On 26 October 2015, the Defendants filed their respective applications to stay the execution of the Summary Judgement pending their appeals to the Court of Appeal ('Stay Applications'). The Stay Applications are now fixed for hearing on 21 January 2016. Pending the disposal of the Stay Applications, the Court granted the Defendants a continued interim stay of the enforcement of the Summary Judgement.

28. Segment information

Segment information is presented in respect of the Group's business segments.

The business segments are prepared based on internal management reports, which are used by senior management for decision-making and performance management. The amounts for each business segment are shown after the allocation of certain centralised cost, funding income and the applicable transfer pricing where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation. All inter-segment transactions are conducted at arm's length basis on normal commercial terms that are not more favourable than those generally available to the public.

Segment revenue, results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

The Group's business segments are defined and categorised as follows:

(i) Pillar 1 - Investment banking and advisory

Investment banking and advisory focus on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include corporate advisory services, bond issuance, equity issuance, syndicated acquisition advisory services and debt restructuring advisory services.

(ii) Pillar 2 - Equities

Equities primarily engage in the shares and futures broking services and derivative financial instruments.

(iii) Others

This segment includes investment holding, nominee and custodian services.

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28. Segment information (Cont'd)

The following table provides analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

Group	Pillar 1	Pillar 2	Others	Total
30 September 2015	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	423	14,824	(1,011)	14,236
Net income from Islamic Banking Scheme operations	19,651	3,517	-	23,168
Non-interest income	61,470	137,078	10,094	208,642
Total revenue	<u>81,544</u>	<u>155,419</u>	<u>9,083</u>	<u>246,046</u>
Results				
Segment results	81,544	155,419	9,083	246,046
Overhead expenses	(41,596)	(82,364)	(63,188)	(187,148)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(2,560)	862	800	(898)
Share of results of a joint venture	-	-	2,297	2,297
Profit before taxation	<u>37,388</u>	<u>73,917</u>	<u>(51,008)</u>	<u>60,297</u>
Taxation and zakat				(21,323)
Profit for the period				<u>38,974</u>
Other segment information				
Depreciation	318	1,392	2,682	4,392
Amortisation	-	1,415	1,273	2,688

Group	Pillar 1	Pillar 2	Others	Total
30 September 2014	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	1,080	19,854	100	21,034
Net income from Islamic Banking Scheme operations	11,553	4,690	-	16,243
Non-interest income	165,629	156,384	(29)	321,984
Total revenue	<u>178,262</u>	<u>180,928</u>	<u>71</u>	<u>359,261</u>
Results				
Segment results	178,262	180,928	71	359,261
Overhead expenses	(51,646)	(79,370)	(79,671)	(210,687)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(707)	306	-	(401)
Writeback of impairment on financial investments available-for-sale	9,011	-	-	9,011
Writeback of allowance for commitments and contingencies	-	-	500	500
Share of results of a joint venture	-	-	(281)	(281)
Profit before taxation	<u>134,920</u>	<u>101,864</u>	<u>(79,381)</u>	<u>157,403</u>
Taxation and zakat				(42,445)
Profit for the period				<u>114,958</u>
Other segment information				
Depreciation	197	926	2,444	3,567
Amortisation	3	633	1,300	1,936

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29. Net income from Islamic Banking Scheme operations

Unaudited Statements of Financial Position as at 30 September 2015

	Notes	Group and Bank	
		30 September 2015 RM'000	31 December 2014 RM'000
ASSETS			
Cash and short-term funds	(a)	3,327	2,151
Financial assets at fair value through profit or loss	(b)	-	20,240
Other assets	(c)	179,405	151,367
Total assets		182,732	173,758
LIABILITIES			
Other liabilities	(d)	4,908	210
Provision for taxation and zakat	(e)	12,304	10,989
Total liabilities		17,212	11,199
ISLAMIC BANKING FUND			
Islamic banking capital fund		5,000	5,000
Retained earnings		160,520	157,559
		165,520	162,559
Total liabilities and Islamic banking fund		182,732	173,758

**Unaudited Statements of Comprehensive Income
For the Third Quarter Ended 30 September 2015**

Group and Bank	Notes	Quarter Ended		Quarter Ended	
		30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Income derived from investment of Islamic banking capital funds	(f)	4,831	4,824	23,168	16,243
Income attributable to the Group and the Bank		4,831	4,824	23,168	16,243
Overhead expenses	(g)	(3,766)	(2,503)	(18,892)	(8,579)
Profit before taxation and zakat		1,065	2,321	4,276	7,664
Taxation		(240)	(580)	(1,043)	(1,916)
Zakat		-	(108)	(272)	(278)
Profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		825	1,633	2,961	5,470

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

Unaudited Statements of Changes in Equity
For the Third Quarter Ended 30 September 2015

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2015	5,000	157,559	162,559
Profit for the period	-	2,961	2,961
Total comprehensive income for the period	-	2,961	2,961
At 30 September 2015	5,000	160,520	165,520
At 1 January 2014	5,000	150,777	155,777
Profit for the period	-	5,470	5,470
Total comprehensive income for the period	-	5,470	5,470
At 30 September 2014	5,000	156,247	161,247

Unaudited Statements of Cash Flows
For the Third Quarter Ended 30 September 2015

	Group and Bank	
	30 September 2015 RM'000	30 September 2014 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating profit before working capital changes	4,276	7,664
Decrease in financial investments portfolio	20,240	-
Increase in receivables	(28,038)	(1,375)
Increase in payables	4,698	32
Net cash generated from operating activities	<u>1,176</u>	<u>6,321</u>
Net increase in cash and cash equivalents	1,176	6,321
Cash and cash equivalents at beginning of the period	2,151	8,894
Cash and cash equivalents at end of the period	<u>3,327</u>	<u>15,215</u>

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

	Group and Bank			
	30 September 2015	31 December 2014		
(a) Cash and short-term funds				
Cash and bank balances with financial institutions	3,327	51		
Deposit placements maturing within one month	-	2,100		
	3,327	2,151		
(b) Financial assets at fair value through profit or loss				
	Group and Bank			
	30 September 2015	31 December 2014		
	RM'000	RM'000		
At fair value				
Unquoted financial investments:				
Private debt securities in Malaysia	-	20,240		
	-	20,240		
(c) Other assets				
	Group and Bank			
	30 September 2015	31 December 2014		
	RM'000	RM'000		
Debtors and prepayments	179,405	151,367		
	179,405	151,367		
(d) Other liabilities				
	Group and Bank			
	30 September 2015	31 December 2014		
	RM'000	RM'000		
Provisions and accruals	4,908	210		
	4,908	210		
(e) Provision for taxation and zakat				
	Group and Bank			
	30 September 2015	31 December 2014		
	RM'000	RM'000		
Taxation	11,927	10,884		
Zakat	377	105		
	12,304	10,989		
(f) Income derived from investment of Islamic banking capital funds				
	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
Group and Bank				
Gross income from:				
- Financial assets at fair value through profit or loss	317	-	503	-
- Deposits and placements with financial institutions	-	114	194	271
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	(742)	476	(29)	1,430
Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss	184	-	(198)	-
Fee and commission income from:				
- Arranger and upfront fees	3,236	1,520	16,166	5,210
- Brokerage income	901	1,444	3,517	4,690
- Corporate advisory fees	140	115	165	760
- Underwriting commission	-	-	-	120
- Others	795	1,155	2,850	3,762
Total	4,831	4,824	23,168	16,243

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

(g) Overhead expenses

<u>Group and Bank</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Personnel expenses	3,294	1,969	16,272	7,469
Establishment costs				
- Service chargeback	(588)	(59)	(3,040)	(779)
- Other establishment costs	679	297	2,934	964
Marketing expenses	160	110	695	408
Administration and general expenses	221	186	2,031	517
Total	3,766	2,503	18,892	8,579

(h) Capital adequacy

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

	Group and Bank %
<u>At 30 September 2015</u>	
CET1 capital ratio	92.145
Tier 1 capital ratio	92.145
Total capital ratio	<u>92.145</u>
<u>At 31 December 2014</u>	
CET1 capital ratio	65.461
Tier 1 capital ratio	65.461
Total capital ratio	<u>65.461</u>

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

	Group and Bank RM'000
<u>At 30 September 2015</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	159,695
CET1 capital/Tier 1 capital/Total capital	<u>164,695</u>
<u>At 31 December 2014</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	157,559
CET1 capital/Tier 1 capital/Total capital	<u>162,559</u>

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

(h) Capital adequacy (Cont'd)

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

<u>Group and Bank</u>				
30 September 2015	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	3,324	3,324	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1	1	-	-
Other assets	400,156	400,156	113,815	9,105
Total on-balance sheet exposures	403,481	403,481	113,815	9,105
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	403,481	403,481	113,815	9,105
(ii) Market Risk				
Foreign currency risk	-	-	3	-
Profit rate risk	-	-	-	-
Total	-	-	3	-
(iii) Operational Risk				
	-	-	64,917	5,193
Total RWA and capital requirements	403,481	403,481	178,735	14,298
 <u>Group and Bank</u>				
31 December 2014	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	49	49	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	2,102	2,102	420	34
Other assets	346,697	346,697	102,022	8,162
Total on-balance sheet exposures	348,848	348,848	102,442	8,196
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	348,848	348,848	102,442	8,196
(ii) Market Risk				
Interest rate risk	-	-	19,271	1,542
Foreign currency risk	-	-	2	-
Total	-	-	19,273	1,542
(ii) Operational Risk				
	-	-	126,614	13,492
Total RWA and capital requirements	348,848	348,848	248,329	23,230

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

(i) Fair values of financial assets and liabilities

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

(j) Allocation of income

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

(k) Shariah committee

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

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

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

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

The Group and the Bank presently have seven Shariah members.

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30. Fair value of financial instruments

Fair value hierarchy

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

(a) Level 1: Quoted prices

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

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

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

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

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

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 30 September 2015 and 31 December 2014.

<u>Group and Bank</u>	<u>Valuation techniques using</u>			Total RM'000
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 30 September 2015				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	194,389	-	-	194,389
Derivative assets	-	19,386	-	19,386
	<u>194,389</u>	<u>19,386</u>	<u>-</u>	<u>213,775</u>
Financial liabilities measured at fair values:				
Derivative liabilities	21,974	16,122	-	38,096
	<u>21,974</u>	<u>16,122</u>	<u>-</u>	<u>38,096</u>
As at 31 December 2014				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	186,807	20,240	-	207,047
Derivative assets	-	14,754	-	14,754
	<u>186,807</u>	<u>34,994</u>	<u>-</u>	<u>221,801</u>
Financial liabilities measured at fair values:				
Derivative liabilities	14,490	8,555	-	23,045
	<u>14,490</u>	<u>8,555</u>	<u>-</u>	<u>23,045</u>

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30. Fair value of financial instruments (Cont'd)

Valuation techniques

The valuation techniques used for the financial instruments that are not determined by reference to quoted prices (Level 1), are described below:

Financial assets at fair value through profit or loss

The fair values of financial assets and financial investments are determined by reference to prices quoted by independent data providers and independent broker quotations.

Derivative financial instruments

The fair values of the Group's and of the Bank's derivative financial instruments are derived using discounted cash flows analysis, option pricing and benchmarking models.

31. Reclassification

The reclassification within the Group's statements of changes in equity arose as a result of liquidation of MSHK during the period.