

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016**

<u>Group</u>	Notes	30 September 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>			
Cash and short-term funds	14	559,971	443,078
Deposits and placements with financial institutions	15	387,999	149,046
Financial investments portfolio	16	562,814	379,094
Loans and advances	17	299,511	284,091
Derivative assets	20 (i)	20,719	20,567
Other assets	18	885,880	846,260
Tax recoverable		7,939	7,219
Statutory deposits with Bank Negara Malaysia		105	105
Investment in a joint venture		14,685	15,410
Property, plant and equipment		18,743	18,341
Intangible assets		15,600	17,045
Deferred tax assets		4,743	10,873
<b>TOTAL ASSETS</b>		<b>2,778,709</b>	<b>2,191,129</b>
<b>LIABILITIES</b>			
Deposits and placements from a licensed bank		708,198	461,116
Derivative liabilities	20 (ii)	52,429	55,345
Other liabilities	19	1,478,482	1,102,136
Provision for taxation and zakat		712	506
<b>TOTAL LIABILITIES</b>		<b>2,239,821</b>	<b>1,619,103</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital		50,116	50,116
Reserves		488,772	521,910
<b>TOTAL EQUITY</b>		<b>538,888</b>	<b>572,026</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>2,778,709</b>	<b>2,191,129</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	27	<b>1,810,281</b>	<b>1,785,221</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)*

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016**

<u>Bank</u>	Notes	30 September 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>			
Cash and short-term funds	14	545,153	428,366
Deposits and placements with financial institutions	15	363,479	124,526
Financial investments portfolio	16	562,814	379,094
Loans and advances	17	299,511	284,091
Derivative assets	20 (i)	20,719	20,567
Other assets	18	885,204	844,368
Tax recoverable		5,979	5,557
Statutory deposits with Bank Negara Malaysia		105	105
Investment in subsidiaries		203,259	203,259
Investment in a joint venture		13,996	13,996
Property, plant and equipment		18,728	18,326
Intangible assets		15,600	17,045
Deferred tax assets		4,743	10,873
<b>TOTAL ASSETS</b>		<b>2,939,290</b>	<b>2,350,173</b>
<b>LIABILITIES</b>			
Deposits and placements from a licensed bank		708,198	461,116
Derivative liabilities	20 (ii)	52,429	55,345
Other liabilities	19	1,649,592	1,272,658
Provision for taxation and zakat		712	506
<b>TOTAL LIABILITIES</b>		<b>2,410,931</b>	<b>1,789,625</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital		50,116	50,116
Reserves		478,243	510,432
<b>TOTAL EQUITY</b>		<b>528,359</b>	<b>560,548</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>2,939,290</b>	<b>2,350,173</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	27	<b>1,810,281</b>	<b>1,785,221</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 COMPREHENSIVE INCOME**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

<u>Group</u>	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Interest income	21	9,398	7,990	26,930	20,943
Interest expense	22	(5,730)	(2,724)	(14,636)	(6,707)
Net interest income		3,668	5,266	12,294	14,236
Net income from Islamic Banking Scheme operations	29	2,306	4,831	14,076	23,168
Non-interest income	23	61,930	61,004	263,295	208,642
Net income		67,904	71,101	289,665	246,046
Overhead expenses	24	(78,641)	(59,540)	(214,372)	(187,148)
Operating (loss)/profit		(10,737)	11,561	75,293	58,898
Allowance for impairment on loans and advances and other debtors, net	25	(327)	(798)	(318)	(898)
(Allowance for)/writeback of impairment on derivative assets		(177)	-	612	-
		(11,241)	10,763	75,587	58,000
Share of results of a joint venture		(42)	2,005	(166)	2,297
<b>(Loss)/profit before taxation and zakat</b>		<b>(11,283)</b>	<b>12,768</b>	<b>75,421</b>	<b>60,297</b>
Taxation and zakat		2,367	(3,989)	(20,492)	(21,323)
<b>(Loss)/profit for the period, attributable to equity holder of the Bank</b>		<b>(8,916)</b>	<b>8,779</b>	<b>54,929</b>	<b>38,974</b>
<b>Basic and diluted earnings per share (sen), attributable to equity holder of the Bank</b>		<b>(18)</b>	<b>18</b>	<b>110</b>	<b>78</b>
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>					
Foreign currency translation		381	598	(940)	246
Reclassification of loss on financial investments available-for-sale to profit or loss, net		-	-	-	54
<b>Total other comprehensive income for the period, net of tax</b>		<b>381</b>	<b>598</b>	<b>(940)</b>	<b>300</b>
<b>Total comprehensive income for the period, attributable to equity holder of the Bank</b>		<b>(8,535)</b>	<b>9,377</b>	<b>53,989</b>	<b>39,274</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 2016**

<u>Bank</u>	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Interest income	21	9,146	7,664	26,125	20,241
Interest expense	22	(5,730)	(2,724)	(14,636)	(6,707)
Net interest income		3,416	4,940	11,489	13,534
Net income from Islamic					
Banking Scheme operations	29	2,306	4,831	14,076	23,168
Non-interest income	23	60,786	60,616	259,902	207,161
Net income		66,508	70,387	285,467	243,863
Overhead expenses	24	(77,828)	(57,805)	(210,994)	(183,498)
Operating (loss)/profit		(11,320)	12,582	74,473	60,365
(Allowance for)/writeback of impairment on					
loans and advances and other debtors, net	25	(277)	(723)	(43)	936
Writeback of impairment on derivative assets		(177)	-	612	-
<b>(Loss)/profit before taxation and zakat</b>		<b>(11,774)</b>	11,859	<b>75,042</b>	61,301
Taxation and zakat		2,415	(3,929)	(20,104)	(19,845)
<b>(Loss)/profit for the period, representing</b>					
<b>total comprehensive income for the period,</b>					
<b>attributable to equity holder of the Bank</b>		<b>(9,359)</b>	7,930	<b>54,938</b>	41,456

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

<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	
<b>At 1 January 2016</b>	50,116	172,669	50,116	3,409	-	1,121	294,595	572,026
Profit for the period	-	-	-	-	-	-	54,929	54,929
Other comprehensive income	-	-	-	-	-	(940)	-	(940)
Total comprehensive income for the period	-	-	-	-	-	(940)	54,929	53,989
Transfer to regulatory reserve	-	-	-	185	-	-	(185)	-
Dividends (Note 10)	-	-	-	-	-	-	(87,127)	(87,127)
<b>At 30 September 2016</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>3,594</b>	<b>-</b>	<b>181</b>	<b>262,212</b>	<b>538,888</b>
<b>At 1 January 2015</b>	50,116	172,669	50,116	-	(24,677)	997	289,072	538,293
Reclassifications	-	-	-	-	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	-	-	-	-	-	-	(30,170)	(30,170)
<b>At 30 September 2015</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>3,420</b>	<b>-</b>	<b>1,222</b>	<b>269,854</b>	<b>547,397</b>

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

<u>Bank</u>	<-----Non-distributable----->				Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	
<b>At 1 January 2016</b>	50,116	172,669	50,116	3,409	284,238	560,548
Profit for the period	-	-	-	-	54,938	54,938
Total comprehensive income for the period	-	-	-	-	54,938	54,938
Transfer to regulatory reserve	-	-	-	185	(185)	-
Dividends (Note 10)	-	-	-	-	(87,127)	(87,127)
<b>At 30 September 2016</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>3,594</b>	<b>251,864</b>	<b>528,359</b>
<b>At 1 January 2015</b>	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	-	-	-	-	(30,170)	(30,170)
<b>At 30 September 2015</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>3,420</b>	<b>259,809</b>	<b>536,130</b>

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

	Group		Bank	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Profit before taxation and zakat	75,421	60,297	75,042	61,301
Adjustment for non-operating and non-cash items	<u>(21,450)</u>	12,435	<u>(21,725)</u>	10,088
Operating profit before working capital changes	53,971	72,732	53,317	71,389
Changes in working capital:				
Net changes in operating assets	<b>(476,283)</b>	247,365	<b>(477,009)</b>	261,504
Net changes in operating liabilities	<b>642,777</b>	(341,604)	<b>643,365</b>	(342,533)
Taxation and zakat paid, net	<b>(14,876)</b>	(31,798)	<b>(14,190)</b>	(30,694)
<b>Net cash generated from/(used in) operating activities</b>	<b>205,589</b>	(53,305)	<b>205,483</b>	(40,334)
<b>Net cash used in investing activities</b>	<b>(1,569)</b>	(1,966)	<b>(1,569)</b>	(2,058)
<b>Net cash used in financing activity - dividends paid</b>	<b>(87,127)</b>	(92,715)	<b>(87,127)</b>	(92,715)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>116,893</b>	(147,986)	<b>116,787</b>	(135,107)
<b>Cash and cash equivalents at beginning of the period</b>	<b>443,078</b>	554,940	<b>428,366</b>	526,132
<b>Cash and cash equivalents at end of the period</b>	<b>559,971</b>	406,954	<b>545,153</b>	391,025

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**(15938-H)**  
(Incorporated in Malaysia)

**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 2015. 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 2015.

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 2015 except for adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRSs”) with effective date of 1 January 2016:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets an Investor and its Associate or Joint Venture	To be announced by MASB
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Amendments to MFRS 101: Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 118: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
MFRS 14: Regulatory Deferral Accounts	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018

**2. Significant Accounting Policies**

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2015 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 2015.

**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.



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

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

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 2015.

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

The auditors' report on the audited financial statements for the financial year ended 31 December 2015 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 2016.

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

During the third quarter ended 30 September 2016, 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 2016.

**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 by the Bank during the third quarter ended 30 September 2016.

**9. Changes in the Composition of the Group**

There were no significant changes in the composition of the Group during the third quarter ended 30 September 2016.

**10. Dividends**

(i) Dividend Paid

At the Annual General Meeting on 7 April 2016, a single-tier final dividend in respect of the financial year ended 31 December 2015 of approximately RM0.71 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM35,707,650 was approved and subsequently paid to the shareholder.

(ii) On 24 August 2016, a single-tier interim dividend in respect of the financial year ending 31 December 2016 of approximately RM1.03 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM51,419,016 was approved and subsequently paid.

**11. Significant and Subsequent Events**

(i) Liquidation of Mayban Futures Sdn. Bhd. (MFSB)

MFSB was placed under members' voluntary liquidation on 18 June 2014 and had its final meeting on 11 May 2016. MFSB is wholly owned by Maysec Sdn. Bhd. and the Bank is its ultimate holding company. MFSB was previously a license futures brokers and had ceased operations since 30 June 2003 and remained dormant. The liquidation of MFSB 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 MFSB 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 2016.

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**(15938-H)**  
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## **12. Performance Review**

For the period ended 30 September 2016, the Group recorded a higher operating profit compared to the previous corresponding period mainly due to the increase in corporate advisory fees. Operating profit has surged by 27.8% from RM58.9 million to RM75.3 million.

Non-interest income increased by 26.2% from RM208.6 million to RM263.3 million due to higher fee-based income from investment banking business. However, the Islamic Banking income decreased by 39.2% from RM23.2 million and the net interest income reduced by 13.6% to RM12.3 million. Overall, the net income recorded an increase of 17.7% or RM43.6 million to RM289.7 million.

Overhead expenses increased by 14.5% or RM27.2 million to RM214.4 million from RM187.1 million. This was mainly derived from higher personnel expenses. However, it was partly offset against the decrease in administration and general expenses, establishment costs and marketing costs.

The Group's profit before taxation and zakat increased by 25.1% or RM15.1 million from RM60.3 million to RM75.4 million. Profit for the year increased by 40.9% or RM16.0 million to RM54.9 million compared to the previous corresponding period.

## **13. Prospects**

The real world Gross Domestic Product ("GDP") growth is forecasted to ease slightly to 2.8% in 2016 (2015: 3.1%), due to slowing growth in major advanced economies. GDP growth for the UK is expected to taper to 1.8% (2015: 2.2%), arising from its vote to leave the European Union while US growth is projected at 1.6% (2015: 2.6%). Growth in Eurozone and Japan are expected to remain lacklustre at an estimated 1.5% and 0.6% respectively. Performances in the large emerging economies remain uneven, with India maintaining steady growth, China's growth stabilising after a slowdown, while Brazil and Russia remain in recession.

Growth momentum in Asian Newly Industrialising Economies remain flattish (2016E: 2.0%; 2015: 2.1%) while growth in ASEAN-5 economies (2016E: 5.0%; 2015: 4.8%) will be supported by monetary and fiscal policy stimulus to boost domestic demand. There is an expectation that growth performance in the region will be uneven, with a pick up in Taiwan, Indonesia, Thailand and Philippines, but slower growth in Malaysia, South Korea, Singapore and Vietnam.

Malaysia's real GDP growth is anticipated to ease to 4.1% (2015: 5.0%) mainly on moderating investment and weaker external demand. While the 25 basis points cut in the Overnight Policy Rate to 3.00% in July 2016 was aimed at supporting domestic demand growth, loans growth is expected to ease further this year from 7%-8% in 2015, due to slower household and non-household loans growth.

Barring any unforeseen circumstances, the Group expects its financial performance for the financial year ending 31 December 2016 to be satisfactory in this challenging regional environment.

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(15938-H)  
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## 14. Cash and short-term funds

	Group		Bank	
	30 September 2016 RM'000	31 December 2015 RM'000	30 September 2016 RM'000	31 December 2015 RM'000
	Cash and bank balances with financial institutions	184,372	160,379	177,354
Deposit placements maturing within one month	375,599	282,699	367,799	274,899
<b>Total</b>	<b>559,971</b>	<b>443,078</b>	<b>545,153</b>	<b>428,366</b>

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM151,837,000 (2015: RM148,263,000). 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 2016 RM'000	31 December 2015 RM'000	30 September 2016 RM'000	31 December 2015 RM'000
	Licensed bank	387,999	149,046	363,479

## 16. Financial investments portfolio

		Group and Bank	
		30 September 2016 RM'000	31 December 2015 RM'000
		Financial assets at fair value through profit or loss	(i)
Financial investments available-for-sale	(ii)	39,445	39,445
Financial investments held-to-maturity	(iii)	33	33
<b>Total financial investments portfolio</b>		<b>562,814</b>	<b>379,094</b>

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

	Group and Bank	
	30 September 2016 RM'000	31 December 2015 RM'000
	<b>At fair value</b>	
<b>Quoted financial investments:</b>		
Shares in Malaysia	390,754	310,599
Shares outside Malaysia	120,241	25,322
	<b>510,995</b>	<b>335,921</b>
<b>Unquoted financial investments:</b>		
Structured product	12,341	3,695
<b>Total financial assets at fair value through profit or loss</b>	<b>523,336</b>	<b>339,616</b>

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**(15938-H)**  
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**16. Financial investments portfolio (Cont'd)**

**(ii) Financial investments available-for-sale**

	<b>Group and Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment loss</b>		
<b>Unquoted financial investments:</b>		
Shares and loan stocks in Malaysia	39,445	39,445
<b>Total financial investments available-for-sale</b>	<b>39,445</b>	<b>39,445</b>

**(iii) Financial investments held-to-maturity**

	<b>Group and Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
<b>Unquoted financial investments:</b>		
Private debt securities in Malaysia	33	33
<b>Total financial investments held-to-maturity</b>	<b>33</b>	<b>33</b>

**17. Loans and advances**

	<b>Group and Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loans		
- Syndicated term loan	6,447	6,447
Amount due from brokers and clients		
- Margin accounts	276,779	262,082
Staff loans	22,555	21,829
Gross loans and advances	<b>305,781</b>	290,358
Less: Allowance for impairment losses		
- Individual assessment allowance	(6,270)	(6,267)
<b>Net loans and advances</b>	<b>299,511</b>	<b>284,091</b>

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

	<b>Group and Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic business enterprises	60,843	47,135
Individuals	238,736	241,548
Foreign entities	6,202	1,675
<b>Gross loans and advances</b>	<b>305,781</b>	<b>290,358</b>

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

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

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

	Group and Bank	
	30 September 2016 RM'000	31 December 2015 RM'000
Fixed rate		
- Housing loans	11,061	11,252
- Hire purchase receivables	11,230	10,268
- Other fixed rate loans	6,711	6,756
Variable rate		
- BLR/BR-plus	276,779	262,082
<b>Gross loans and advances</b>	<b>305,781</b>	<b>290,358</b>

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

	Group and Bank	
	30 September 2016 RM'000	31 December 2015 RM'000
Purchase of securities	276,779	262,082
Purchase of transport vehicles	11,230	10,268
Purchase of residential landed property	11,061	11,252
Personal use	264	309
Working capital	6,447	6,447
<b>Gross loans and advances</b>	<b>305,781</b>	<b>290,358</b>

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

	Group and Bank	
	30 September 2016 RM'000	31 December 2015 RM'000
Maturing within one year	283,677	269,132
One year to three years	2,496	1,671
Three years to five years	8,166	8,211
After five years	11,442	11,344
<b>Gross loans and advances</b>	<b>305,781</b>	<b>290,358</b>

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

	Group and Bank	
	30 September 2016 RM'000	31 December 2015 RM'000
At 1 January	6,981	7,001
Impaired during the period/year	117	-
Recovered/regularised during the period/year	(9)	(20)
Gross impaired loans and advances	7,089	6,981
Less: Individual assessment allowance	(6,270)	(6,267)
<b>Net impaired loans and advances</b>	<b>819</b>	<b>714</b>
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	<b>0.27%</b>	<b>0.25%</b>

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

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

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

	Group and Bank	
	30 September 2016 RM'000	31 December 2015 RM'000
Purchase of transport vehicles	159	156
Purchase of residential landed property	483	378
Working capital	6,447	6,447
<b>Gross impaired loans and advances</b>	<b>7,089</b>	<b>6,981</b>

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

	Group and Bank	
	30 September 2016 RM'000	31 December 2015 RM'000
At 1 January	6,267	6,267
Allowance made during the period/year	3	-
<b>Balance at end of period/year</b>	<b>6,270</b>	<b>6,267</b>

## 18. Other assets

	Group		Bank	
	30 September 2016 RM'000	31 December 2015 RM'000	30 September 2016 RM'000	31 December 2015 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	825,867	775,422	825,867	775,422
Amount due from ultimate holding company	7,189	10,839	7,189	10,839
Other debtors, deposits and prepayment	68,182	74,334	63,528	68,739
	<b>901,238</b>	860,595	<b>896,584</b>	855,000
Less: Allowance for impairment losses	(15,358)	(14,335)	(11,380)	(10,632)
	<b>885,880</b>	846,260	<b>885,204</b>	844,368

(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 2016 RM'000	31 December 2015 RM'000	30 September 2016 RM'000	31 December 2015 RM'000
Provisions and accruals	45,584	67,080	45,417	66,896
Amount due to brokers and clients (a)	798,901	705,354	798,902	705,354
Deposits and other creditors	633,997	329,702	805,273	500,408
	<b>1,478,482</b>	1,102,136	<b>1,649,592</b>	1,272,658

(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.

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

## 20. Derivative financial instruments

## (i) Derivative assets

	Group and Bank			
	30 September 2016		31 December 2015	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
<b>Equity related derivatives:</b>				
Equity swaps				
- Less than one year	192,734	20,719	184,688	20,567
	192,734	20,719	184,688	20,567

## (ii) Derivative liabilities

	Group and Bank			
	30 September 2016		31 December 2015	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
<b>Equity related derivatives:</b>				
Equity options				
- Less than one year	254,296	22,789	383,816	29,947
Equity swaps				
- Less than one year	270,888	29,640	103,633	25,398
	525,184	52,429	487,449	55,345

(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 30 September 2016 RM'000	30 September 2015 RM'000	Cumulative 9 Months Ended 30 September 2016 RM'000	30 September 2015 RM'000
	<b>Equity related derivatives:</b>			
Index futures	-	(689)	1,004	(475)
Equity options	(10,322)	26,074	14,434	(4,827)
Equity swaps	(8,828)	-	(9,101)	-
	(19,150)	25,385	6,337	(5,302)

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

## 21. Interest income

	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<b><u>Group</u></b>				
Loans and advances				
- Interest income other than on impaired loans	5,409	5,019	15,702	14,590
- Interest income on impaired loans	43	27	116	83
Money at call and deposits and placements with financial institutions	3,747	2,826	10,521	5,992
Others	199	118	591	278
<b>Total interest income</b>	<b>9,398</b>	<b>7,990</b>	<b>26,930</b>	<b>20,943</b>

	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<b><u>Bank</u></b>				
Loans and advances				
- Interest income other than on impaired loans	5,409	5,019	15,702	14,590
- Interest income on impaired loans	43	27	116	83
Money at call and deposits and placements with financial institutions	3,495	2,500	9,716	5,290
Others	199	118	591	278
<b>Total interest income</b>	<b>9,146</b>	<b>7,664</b>	<b>26,125</b>	<b>20,241</b>

## 22. Interest expense

	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<b><u>Group and Bank</u></b>				
Deposits and placements from a licensed bank	3,104	2,724	8,979	6,707
Derivative financial instruments	2,626	-	5,657	-
<b>Total interest expense</b>	<b>5,730</b>	<b>2,724</b>	<b>14,636</b>	<b>6,707</b>



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

## 23. Non-interest income

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<b>Fee and commission income:</b>				
Arranger and upfront fees	3,004	20,734	24,474	40,663
Brokerage income	34,713	34,886	106,778	115,296
Corporate advisory fees	3,785	2,672	85,457	10,758
Placement and related fees	-	1,964	1,815	10,546
Underwriting commission	972	457	2,383	2,646
Others	3,252	2,081	6,438	10,106
	<u>45,726</u>	<u>62,794</u>	<u>227,345</u>	<u>190,015</u>
<b>Investment income:</b>				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	4,351	8,514	(12,902)	11,816
Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss, net	36,919	(30,413)	15,657	(19,371)
Realised gain/(loss) from sale of derivative financial instruments, net	(7,398)	(15,888)	16,254	14,998
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (iii))	(19,150)	25,385	6,337	(5,302)
Realised loss from sale of financial investments available-for-sale, net	-	-	-	(54)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	-	18	-	92
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	1,243	3,393	5,361	3,878
	<u>15,965</u>	<u>(8,991)</u>	<u>30,707</u>	<u>6,057</u>
<b>Other income:</b>				
Foreign exchange (loss)/gain, net	(1,688)	6,691	327	11,242
Gain from disposal of property, plant and equipment	198	114	240	400
Others	1,729	396	4,676	928
	<u>239</u>	<u>7,201</u>	<u>5,243</u>	<u>12,570</u>
<b>Total non-interest income</b>	<u>61,930</u>	<u>61,004</u>	<u>263,295</u>	<u>208,642</u>

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

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

<b>Bank</b>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<b>Fee and commission income:</b>				
Arranger and upfront fees	3,004	20,734	24,474	40,663
Brokerage income	34,713	34,886	106,778	115,296
Corporate advisory fees	2,864	2,300	82,283	9,986
Placement and related fees	-	1,964	1,815	10,546
Underwriting commission	972	457	2,383	2,646
Others	3,252	2,081	6,438	10,106
	<b>44,805</b>	<b>62,422</b>	<b>224,171</b>	<b>189,243</b>
<b>Investment income:</b>				
Realised (loss)/gain from sale of financial assets at fair value through profit or loss, net	4,351	8,514	(12,902)	11,816
Unrealised gain/(loss) on revaluation of financial assets at fair value through profit or loss, net	36,919	(30,413)	15,657	(19,371)
Realised gain/(loss) from sale of derivative financial instruments, net	(7,398)	(15,888)	16,254	14,998
Unrealised (loss)/gain on revaluation of derivative financial instruments, net (Note 20 (iii))	(19,150)	25,385	6,337	(5,302)
Gross dividends from:				
Financial investments available-for-sale				
- Quoted in Malaysia	-	18	-	92
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	1,243	3,393	5,361	3,878
	<b>15,965</b>	<b>(8,991)</b>	<b>30,707</b>	<b>6,111</b>
<b>Other income:</b>				
Foreign exchange (loss)/gain, net	(1,688)	6,691	326	10,074
Gain from disposal of property, plant and equipment	198	114	240	400
Others	1,506	380	4,458	1,333
	<b>16</b>	<b>7,185</b>	<b>5,024</b>	<b>11,807</b>
<b>Total non-interest income</b>	<b>60,786</b>	<b>60,616</b>	<b>259,902</b>	<b>207,161</b>

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

## 24. Overhead expenses

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses	51,157	29,354	134,412	101,583
- Pension costs - defined contribution plan	4,363	4,306	12,930	13,291
- Employees' Share Scheme expenses	1,893	2,751	5,375	6,998
- Other staff related expenses	2,571	3,121	8,038	8,658
	<b>59,984</b>	<b>39,532</b>	<b>160,755</b>	<b>130,530</b>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	1,615	1,514	4,888	4,392
- Amortisation of computer software	1,188	796	3,325	2,688
- Rental	2,804	2,596	8,518	8,211
- Repairs and maintenance of property, plant and equipment	2,962	3,348	8,868	8,121
- Information technology expenses	3,983	3,401	9,360	9,767
- Service chargeback	(3,227)	(1,986)	(10,693)	(7,704)
- Others	488	374	1,852	1,595
	<b>9,813</b>	<b>10,043</b>	<b>26,118</b>	<b>27,070</b>
<b>Marketing costs</b>				
- Advertisement and publicity	2,521	2,245	8,459	7,643
- Others	1,561	1,425	4,570	5,936
	<b>4,082</b>	<b>3,670</b>	<b>13,029</b>	<b>13,579</b>
<b>Administration and general expenses</b>				
- Fee and brokerage	2,638	3,296	8,480	9,485
- Administrative expenses	1,071	1,710	2,871	3,685
- General expenses	1,053	1,289	3,119	2,799
	<b>4,762</b>	<b>6,295</b>	<b>14,470</b>	<b>15,969</b>
<b>Total overhead expenses</b>	<b>78,641</b>	<b>59,540</b>	<b>214,372</b>	<b>187,148</b>

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

## 24. Overhead expenses (Cont'd)

<b>Bank</b>	<b>Quarter Ended</b>		<b>Cumulative 9 Months Ended</b>	
	<b>30 September 2016 RM'000</b>	<b>30 September 2015 RM'000</b>	<b>30 September 2016 RM'000</b>	<b>30 September 2015 RM'000</b>
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses	51,157	29,354	134,412	101,583
- Pension costs - defined contribution plan	4,363	4,306	12,930	13,291
- Employees' Share Scheme expenses	1,893	2,751	5,375	6,998
- Other staff related expenses	2,571	3,121	8,037	8,639
	<b>59,984</b>	<b>39,532</b>	<b>160,754</b>	<b>130,511</b>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	1,615	1,509	4,888	4,379
- Amortisation of computer software	1,188	796	3,325	2,688
- Rental	2,804	2,596	8,518	8,211
- Repairs and maintenance of property, plant and equipment	2,960	3,347	8,865	8,119
- Information technology expenses	3,983	3,401	9,360	9,767
- Service chargeback	(4,032)	(3,682)	(13,962)	(11,159)
- Others	488	374	1,852	1,595
	<b>9,006</b>	<b>8,341</b>	<b>22,846</b>	<b>23,600</b>
<b>Marketing costs</b>				
- Advertisement and publicity	2,521	2,245	8,459	7,643
- Others	1,577	1,425	4,609	5,939
	<b>4,098</b>	<b>3,670</b>	<b>13,068</b>	<b>13,582</b>
<b>Administration and general expenses</b>				
- Fee and brokerage	2,616	3,268	8,408	9,395
- Administrative expenses	1,071	1,704	2,813	3,658
- General expenses	1,053	1,290	3,105	2,752
	<b>4,740</b>	<b>6,262</b>	<b>14,326</b>	<b>15,805</b>
<b>Total overhead expenses</b>	<b>77,828</b>	<b>57,805</b>	<b>210,994</b>	<b>183,498</b>

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

**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 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Allowance for impairment on loans and advances:				
- Individual allowance made	-	-	(3)	-
Bad debts recovered	79	33	640	894
Writeback of/(allowance for) impairment on other debtors, net	(406)	(831)	(955)	(1,792)
<b>Total</b>	<b>(327)</b>	<b>(798)</b>	<b>(318)</b>	<b>(898)</b>

<u>Bank</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Allowance for impairment on loans and advances:				
- Individual allowance made	-	-	(3)	-
Bad debts recovered	79	33	640	394
Writeback of/(allowance for) impairment on other debtors, net	(356)	(756)	(680)	542
<b>Total</b>	<b>(277)</b>	<b>(723)</b>	<b>(43)</b>	<b>936</b>

**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 subsidiary companies. The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank.

The computation of capital adequacy ratios are based on Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk Weighted Assets) issued on 28 November 2012.

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

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

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

<u>At 30 September 2016</u>	Group %	Bank %
CET1 capital ratio	32.206	30.036
Tier 1 capital ratio	32.206	30.036
Total capital ratio	<b>32.206</b>	<b>30.036</b>
<u>At 31 December 2015</u>	Group %	Bank %
CET1 capital ratio	32.439	30.366
Tier 1 capital ratio	32.439	30.366
Total capital ratio	<b>32.439</b>	<b>30.366</b>

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

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

(l) Capital Adequacy Framework (Cont'd)

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

<b><u>At 30 September 2016</u></b>	<b>Group RM'000</b>	<b>Bank RM'000</b>
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	262,393	251,864
<b>CET1 capital before regulatory adjustments</b>	<b>535,294</b>	<b>524,765</b>
Less: Deferred tax assets	(4,743)	(4,743)
Intangible assets	(15,600)	(15,600)
Investment in subsidiaries and joint venture <sup>1</sup>	(11,091)	(42,186)
<b>CET1 capital/Tier 1 capital</b>	<b>503,860</b>	<b>462,236</b>
<b>Tier 2 capital</b>		
Regulatory reserve	3,594	3,594
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture <sup>1</sup>	(3,594)	(3,594)
<b>Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>503,860</b>	<b>462,236</b>
	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b><u>At 31 December 2015</u></b>		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	295,716	284,238
<b>CET1 capital before regulatory adjustments</b>	<b>568,617</b>	<b>557,139</b>
Less: Deferred tax assets	(10,873)	(10,873)
Intangible assets	(17,045)	(17,045)
Investment in subsidiaries and joint venture <sup>1</sup>	(12,001)	(42,371)
<b>CET1 capital/Tier 1 capital/Total capital</b>	<b>528,698</b>	<b>486,850</b>
<b>Tier 2 capital</b>		
Regulatory reserve	3,409	3,409
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture <sup>1</sup>	(3,409)	(3,409)
<b>Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>528,698</b>	<b>486,850</b>

<sup>1</sup> 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.

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

**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
<b>30 September 2016</b>				
<b>Exposure Class</b>				
(i) <b><u>Credit Risk</u></b>				
Sovereigns/Central banks	307,256	307,256	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	821,961	821,961	258,697	20,696
Corporates	23,310	23,310	23,310	1,865
Regulatory retail	106,149	106,149	100,743	8,059
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	84,568	84,568	73,881	5,910
<b>Total on-balance sheet exposures</b>	<b>1,382,689</b>	<b>1,382,689</b>	<b>515,799</b>	<b>41,263</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,092,363	1,092,363	450	36
<b>Total off-balance sheet exposures</b>	<b>1,092,363</b>	<b>1,092,363</b>	<b>450</b>	<b>36</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,475,052</b>	<b>2,475,052</b>	<b>516,249</b>	<b>41,299</b>
(ii) <b><u>Market Risk</u></b>				
Interest rate risk	-	-	624	50
Equity position risk	-	-	16,358	1,309
Foreign currency risk	-	-	147,810	11,825
Options risk	-	-	10,800	863
<b>Total</b>	<b>-</b>	<b>-</b>	<b>175,592</b>	<b>14,047</b>
(iii) <b><u>Operational Risk</u></b>	-	-	872,633	69,811
<b>Total RWA and capital requirements</b>	<b>2,475,052</b>	<b>2,475,052</b>	<b>1,564,474</b>	<b>125,157</b>

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

**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>	<b>Gross exposures</b>	<b>Net Exposures</b>	<b>Risk-weighted assets</b>	<b>Capital requirements</b>
<b>31 December 2015</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Exposure Class</b>				
<b>(i) <u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	274,099	274,099	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	464,045	464,045	93,312	7,465
Corporates	56,121	38,233	35,800	2,864
Regulatory retail	243,083	151,848	144,894	11,592
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	317,983	317,983	119,611	9,569
<b>Total on-balance sheet exposures</b>	<b>1,394,776</b>	<b>1,285,653</b>	<b>452,785</b>	<b>36,223</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,041,196	1,041,196	421	34
<b>Total off-balance sheet exposures</b>	<b>1,041,196</b>	<b>1,041,196</b>	<b>421</b>	<b>34</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,435,972</b>	<b>2,326,849</b>	<b>453,206</b>	<b>36,257</b>
<b>(ii) <u>Market Risk</u></b>				
Interest rate risk	-	-	503	40
Equity position risk	-	-	20,113	1,609
Foreign currency risk	-	-	96,122	7,690
Options risk	-	-	167,083	13,366
<b>Total</b>	<b>-</b>	<b>-</b>	<b>283,821</b>	<b>22,705</b>
<b>(iii) <u>Operational Risk</u></b>				
	-	-	892,802	71,424
<b>Total RWA and capital requirements</b>	<b>2,435,972</b>	<b>2,326,849</b>	<b>1,629,829</b>	<b>130,386</b>



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

**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
<b>30 September 2016</b>				
<b>Exposure Class</b>				
(i) <b><u>Credit Risk</u></b>				
Sovereigns/Central banks	307,256	307,256	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	782,625	782,625	250,830	20,066
Corporates	23,310	23,310	23,310	1,865
Regulatory retail	106,149	106,149	100,743	8,059
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	83,852	83,852	73,167	5,853
<b>Total on-balance sheet exposures</b>	<b>1,342,637</b>	<b>1,342,637</b>	<b>507,218</b>	<b>40,576</b>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,092,363	1,092,363	450	36
<b>Total off-balance sheet exposures</b>	<b>1,092,363</b>	<b>1,092,363</b>	<b>450</b>	<b>36</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,435,000</b>	<b>2,435,000</b>	<b>507,668</b>	<b>40,612</b>
(ii) <b><u>Market Risk</u></b>				
Interest rate risk	-	-	624	50
Equity position risk	-	-	16,358	1,309
Foreign currency risk	-	-	142,597	11,408
Options risk	-	-	10,800	864
<b>Total</b>	<b>-</b>	<b>-</b>	<b>170,379</b>	<b>13,631</b>
(iii) <b><u>Operational Risk</u></b>	-	-	860,884	68,871
<b>Total RWA and capital requirements</b>	<b>2,435,000</b>	<b>2,435,000</b>	<b>1,538,931</b>	<b>123,114</b>

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

**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
<b>31 December 2015</b>				
<b>Exposure Class</b>				
(i) <u>Credit Risk</u>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	274,099	274,099	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	424,816	424,816	85,467	6,837
Corporates	56,121	38,233	35,800	2,864
Regulatory retail	243,083	151,848	144,894	11,592
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	316,077	316,077	117,707	9,417
<b>Total on-balance sheet exposures</b>	<u>1,353,641</u>	<u>1,244,518</u>	<u>443,036</u>	<u>35,443</u>
<b>Off-balance sheet exposures:</b>				
Credit-related off-balance sheet exposures	1,041,196	1,041,196	421	34
<b>Total off-balance sheet exposures</b>	<u>1,041,196</u>	<u>1,041,196</u>	<u>421</u>	<u>34</u>
<b>Total on and off-balance sheet exposures</b>	<u>2,394,837</u>	<u>2,285,714</u>	<u>443,457</u>	<u>35,477</u>
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	503	40
Equity position risk	-	-	20,113	1,609
Foreign currency risk	-	-	90,041	7,203
Options risk	-	-	167,083	13,367
<b>Total</b>	<u>-</u>	<u>-</u>	<u>277,740</u>	<u>22,219</u>
(iii) <u>Operational Risk</u>	-	-	882,088	70,567
<b>Total RWA and capital requirements</b>	<u>2,394,837</u>	<u>2,285,714</u>	<u>1,603,285</u>	<u>128,263</u>

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

**27. Commitments and contingencies**

Group and Bank	As at 30 September 2016			As at 31 December 2015		
	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
<b><u>Credit-related</u></b>						
Obligations under underwriting agreements	-	-	-	71,888	35,944	7,189
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,091,464	-	-	1,040,355	-	-
- Maturity exceeding one year	899	450	450	841	421	421
	<b>1,092,363</b>	<b>450</b>	<b>450</b>	<b>1,113,084</b>	<b>36,365</b>	<b>7,610</b>
<b><u>Derivative financial instruments</u></b>						
Equity related contracts						
- Less than one year	717,918	-	-	672,137	-	-
Total commitments and contingencies	<b>1,810,281</b>	<b>450</b>	<b>450</b>	<b>1,785,221</b>	<b>36,365</b>	<b>7,610</b>

\* The credit equivalent amount and the risk weighted amount are derived at using the credit evaluation conversion factors and risk weights respectively as specified by BNM for regulatory capital adequacy purposes.

**Contingent liabilities**

The Group and the Bank are 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. On 17 February 2016 and 24 February 2016, parties attended Court for oral submissions. The Court has adjourned the case for decision/clarification to a date to be informed by the Court in due course.

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"). The Bank's rights as a lender was subsequently vested in one of the other Lenders. The Bank retained its agency role.

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.

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

**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. 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 at 30 September 2008 as well as the Bank's annual fees of RM50,000 as at 1 June 2008, both with interest thereon, together with costs of RM120,000.

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 at 30 September 2008 as well as the Bank's annual fees of RM50,000 as at 1 June 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 was heard on 3 December 2015 where the Federal Court dismissed the Review Application with costs of RM20,000 to be paid by the directors of the Borrower.

On 3 February 2016, the Borrower and the guarantor filed a motion to the Court of Appeal for the Court of Appeal to review its own decision dated 27 September 2013 ("Court of Appeal Review Application"). On 16 June 2016, the Court of Appeal unanimously dismissed the Court of Appeal Review Application with costs of RM10,000 to be paid by the directors of the Borrower.

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.

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

**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 ('the Appeals').

On 21 January 2016, the High Court dismissed the Defendants' stay applications filed before the High Court. On 28 March 2016, the Court of Appeal dismissed the 1st Defendant's stay application before the Court of Appeal with costs. The Court of Appeal further struck out the 2nd Defendant's Court of Appeal stay application with liberty to file afresh in view of the Receiving Order obtained by the 2nd Defendant before the Shah Alam bankruptcy court. The Banks are challenging the Receiving Order. In the meantime, the hearing of the Appeals have been adjourned to 2 December 2016.

**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.

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

**28. Segment information (Cont'd)**

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

<b>Group</b>	<b>Pillar 1</b>	<b>Pillar 2</b>	<b>Others</b>	<b>Total</b>
<b>30 September 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>				
Net interest income	1,968	10,326	-	12,294
Net income from Islamic Banking Scheme operations	11,184	2,892	-	14,076
Non-interest income	106,803	158,171	(1,679)	263,295
Total revenue	119,955	171,389	(1,679)	289,665
<b>Results</b>				
Segment results	119,955	171,389	(1,679)	289,665
Overhead expenses	(46,201)	(87,251)	(80,920)	(214,372)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(683)	365	-	(318)
Writeback of impairment on derivative assets	-	612	-	612
Share of results of a joint venture	-	-	(166)	(166)
Profit before taxation	73,071	85,115	(82,765)	75,421
Taxation and zakat				(20,492)
Profit for the period				54,929
<b>Other segment information</b>				
Depreciation	333	2,203	2,352	4,888
Amortisation	247	1,935	1,143	3,325

<b>Group</b>	<b>Pillar 1</b>	<b>Pillar 2</b>	<b>Others</b>	<b>Total</b>
<b>30 September 2015</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>				
Net interest income	423	13,813	-	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	81,544	154,408	10,094	246,046
<b>Results</b>				
Segment results	81,544	154,408	10,094	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)	1,662	-	(898)
Share of results of a joint venture	-	-	2,297	2,297
Profit before taxation	37,388	73,706	(50,797)	60,297
Taxation and zakat				(21,323)
Profit for the period				38,974
<b>Other segment information</b>				
Depreciation	318	1,392	2,682	4,392
Amortisation	-	1,415	1,273	2,688

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

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

**Unaudited Statements of Financial Position as at 30 September 2016**

	Notes	Group and Bank	
		30 September 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>			
Cash and short-term funds	(a)	3,758	2,365
Other assets	(b)	319,734	187,608
<b>Total assets</b>		<b>323,492</b>	<b>189,973</b>
<b>LIABILITIES</b>			
Other liabilities	(c)	158,839	2,575
Provision for taxation and zakat	(d)	312	14,853
<b>Total liabilities</b>		<b>159,151</b>	<b>17,428</b>
<b>ISLAMIC BANKING FUND</b>			
Islamic banking capital fund		5,000	5,000
Retained earnings		159,341	167,545
		<b>164,341</b>	<b>172,545</b>
<b>Total liabilities and Islamic banking fund</b>		<b>323,492</b>	<b>189,973</b>

**Unaudited Statements of Comprehensive Income  
For the Third Quarter Ended 30 September 2016**

Group and Bank	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Income derived from investment of Islamic banking capital funds	(e)	2,306	4,831	14,076	23,168
<b>Income attributable to the Group and the Bank</b>		<b>2,306</b>	<b>4,831</b>	<b>14,076</b>	<b>23,168</b>
Overhead expenses	(f)	(7,108)	(3,766)	(22,150)	(18,892)
<b>(Loss)/profit before taxation and zakat</b>		<b>(4,802)</b>	<b>1,065</b>	<b>(8,074)</b>	<b>4,276</b>
Allowance for impairment on other debtors		(130)	-	(130)	-
<b>(Loss)/profit before taxation and zakat</b>		<b>(4,932)</b>	<b>1,065</b>	<b>(8,204)</b>	<b>4,276</b>
Taxation		-	(240)	-	(1,043)
Zakat		-	-	-	(272)
<b>(Loss)/profit for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank</b>		<b>(4,932)</b>	<b>825</b>	<b>(8,204)</b>	<b>2,961</b>

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

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

**Unaudited Statements of Changes in Equity**  
**For the Third Quarter Ended 30 September 2016**

<b>Group and Bank</b>	<b>Islamic banking capital fund RM'000</b>	<b>Distributable retained earnings RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2016</b>	5,000	167,545	172,545
Loss for the period	-	(8,204)	(8,204)
Total comprehensive income for the period	-	(8,204)	(8,204)
<b>At 30 September 2016</b>	<b>5,000</b>	<b>159,341</b>	<b>164,341</b>
<b>At 1 January 2015</b>	5,000	157,559	162,559
Profit for the period	-	2,961	2,961
Total comprehensive income for the period	-	2,961	2,961
<b>At 30 September 2015</b>	<b>5,000</b>	<b>160,520</b>	<b>165,520</b>

**Unaudited Statements of Cash Flows**  
**For the Third Quarter Ended 30 September 2016**

	<b>Group and Bank</b>	
	<b>30 September 2016 RM'000</b>	<b>30 September 2015 RM'000</b>
<b>Cash flows from operating activities</b>		
(Loss)/profit before taxation and zakat, representing operating profit before working capital changes	(8,204)	4,276
Decrease in financial investments portfolio	-	20,240
Increase in receivables	(132,126)	(28,038)
Increase in payables	141,723	4,698
Net cash generated from operating activities	<b>1,393</b>	<b>1,176</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,393</b>	<b>1,176</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>2,365</b>	<b>2,151</b>
<b>Cash and cash equivalents at end of the period</b>	<b>3,758</b>	<b>3,327</b>



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

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

(a) <b>Cash and short-term funds</b>	<b>Group and Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>
Cash and bank balances with financial institutions	<b>3,758</b>	2,365
<b>(b) Other assets</b>	<b>Group and Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Debtors and prepayments	<b>319,734</b>	187,608
<b>(c) Other liabilities</b>	<b>Group and Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Provisions and accruals	<b>158,839</b>	2,575
<b>(d) Provision for taxation and zakat</b>	<b>Group and Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Taxation	-	14,347
Zakat	<b>312</b>	506
	<b>312</b>	14,853

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

	<b>Quarter Ended</b>		<b>Cumulative 9 Months Ended</b>	
	<b>30 September 2016</b>	<b>30 September 2015</b>	<b>30 September 2016</b>	<b>30 September 2015</b>
<b><u>Group and Bank</u></b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gross income from:				
- Financial assets at fair value through profit or loss	-	317	-	503
- Deposits and placements with financial institutions	-	-	-	194
Realised gain from sale of financial assets at fair value through profit or loss, net	-	(742)	-	(29)
Unrealised loss on revaluation of financial assets at fair value through profit or loss, net	-	184	-	(198)
Fee and commission income from:				
- Arranger and upfront fees	<b>332</b>	3,236	<b>6,462</b>	16,166
- Brokerage income	<b>725</b>	901	<b>2,892</b>	3,517
- Corporate advisory fees	-	140	<b>235</b>	165
- Underwriting commission	-	-	<b>625</b>	-
- Placement fees	-	-	<b>150</b>	-
- Others	<b>1,249</b>	795	<b>3,983</b>	2,850
Foreign exchange loss, net	-	-	<b>(271)</b>	-
<b>Total</b>	<b>2,306</b>	<b>4,831</b>	<b>14,076</b>	<b>23,168</b>

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

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

**(f) Overhead expenses**

<b><u>Group and Bank</u></b>	<b>Quarter Ended</b>		<b>Cumulative 9 Months Ended</b>	
	<b>30 September 2016 RM'000</b>	<b>30 September 2015 RM'000</b>	<b>30 September 2016 RM'000</b>	<b>30 September 2015 RM'000</b>
Personnel expenses	6,366	3,294	20,316	16,272
Establishment costs				
- Service chargeback	(1,039)	(588)	(4,440)	(3,040)
- Other establishment costs	826	679	3,511	2,934
Marketing expenses	222	160	812	695
Administration and general expenses	733	221	1,951	2,031
<b>Total</b>	<b>7,108</b>	<b>3,766</b>	<b>22,150</b>	<b>18,892</b>

**(g) Capital adequacy**

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

	<b>Group and Bank %</b>
<b><u>At 30 September 2016</u></b>	
CET1 capital ratio	86.341
Tier 1 capital ratio	86.341
Total capital ratio	<u>86.341</u>
<b><u>At 31 December 2015</u></b>	
CET1 capital ratio	86.136
Tier 1 capital ratio	86.136
Total capital ratio	<u>86.136</u>

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

	<b>Group and Bank RM'000</b>
<b><u>At 30 September 2016</u></b>	
<b>Tier 1 capital</b>	
Islamic banking capital fund	5,000
Retained earnings	159,341
<b>CET1 capital/Tier 1 capital/Total capital</b>	<u><b>164,341</b></u>
<b><u>At 31 December 2015</u></b>	
<b>Tier 1 capital</b>	
Islamic banking capital fund	5,000
Retained earnings	167,545
<b>CET1 capital/Tier 1 capital/Total capital</b>	<u><b>172,545</b></u>

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

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

**(g) 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>	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
30 September 2016 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	3,755	3,755	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	4	4	1	-
Other assets	441,747	441,747	121,889	9,751
<b>Total on-balance sheet exposures</b>	<b>445,506</b>	<b>445,506</b>	<b>121,890</b>	<b>9,751</b>
<b>Total off-balance sheet exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>445,506</b>	<b>445,506</b>	<b>121,890</b>	<b>9,751</b>
<b>(ii) <u>Market Risk</u></b>				
Foreign currency risk	-	-	3	-
Total	-	-	3	-
<b>(iii) <u>Operational Risk</u></b>				
	-	-	68,446	5,476
<b>Total RWA and capital requirements</b>	<b>445,506</b>	<b>445,506</b>	<b>190,339</b>	<b>15,227</b>

<u>Group and Bank</u>	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
31 December 2015 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	2,362	2,362	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	12	12	2	-
Other assets	427,256	427,256	120,329	9,626
<b>Total on-balance sheet exposures</b>	<b>429,630</b>	<b>429,630</b>	<b>120,331</b>	<b>9,626</b>
<b>Total off-balance sheet exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>429,630</b>	<b>429,630</b>	<b>120,331</b>	<b>9,626</b>
<b>(ii) <u>Market Risk</u></b>				
Foreign currency risk	-	-	3	-
Total	-	-	3	-
<b>(ii) <u>Operational Risk</u></b>				
	-	-	79,984	6,399
<b>Total RWA and capital requirements</b>	<b>429,630</b>	<b>429,630</b>	<b>200,318</b>	<b>16,025</b>

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

**29. 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 reporting date, which are considered short-term in maturity, approximate their carrying amounts as shown in the statements of financial position.

**(i) Allocation of income**

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

**(j) Shariah committee**

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

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

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

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

The Group and the Bank presently have seven Shariah members.

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

**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 2016 and 31 December 2015.

<b><u>Group and Bank</u></b>	<b><u>Valuation techniques using</u></b>			<b>Total</b>
	<b>Quoted Market Price (Level 1) RM'000</b>	<b>Observable Inputs (Level 2) RM'000</b>	<b>Unobservable Inputs (Level 3) RM'000</b>	
<b>As at 30 September 2016</b>				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	510,995	12,341	-	523,336
Derivative assets	-	20,719	-	20,719
	<u>510,995</u>	<u>33,060</u>	<u>-</u>	<u>544,055</u>
Financial liabilities measured at fair values:				
Derivative liabilities	<u>3,196</u>	<u>49,233</u>	<u>-</u>	<u>52,429</u>
<b>As at 31 December 2015</b>				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	335,921	3,695	-	339,616
Derivative assets	-	20,567	-	20,567
	<u>335,921</u>	<u>24,262</u>	<u>-</u>	<u>360,183</u>
Financial liabilities measured at fair values:				
Derivative liabilities	<u>24,549</u>	<u>30,796</u>	<u>-</u>	<u>55,345</u>

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

**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.