

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

<u>Group</u>	Notes	30 September 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and short-term funds	14	773,199	534,129
Deposits and placements with financial institutions	15	676,463	388,587
Financial investments portfolio	16	393,040	508,408
Loans and advances	17	437,615	299,876
Derivative assets	20 (i)	7,614	19,839
Other assets	18	757,887	755,875
Tax recoverable		1,242	2,017
Statutory deposits with Bank Negara Malaysia		105	105
Investment in a joint venture		11,804	15,779
Property, plant and equipment		15,516	19,148
Intangible assets		14,940	16,687
Deferred tax assets		7,287	14,465
TOTAL ASSETS		3,096,712	2,574,915
LIABILITIES			
Deposits and placements from a licensed bank		733,939	615,483
Derivative liabilities	20 (ii)	78,714	31,109
Other liabilities	19	1,678,648	1,384,022
Provision for zakat		859	312
TOTAL LIABILITIES		2,492,160	2,030,926
SHAREHOLDER'S EQUITY			
Share capital		222,785	50,116
Reserves		381,767	493,873
TOTAL EQUITY		604,552	543,989
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		3,096,712	2,574,915
COMMITMENTS AND CONTINGENCIES	27	1,506,882	1,620,064

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2017

<u>Bank</u>	Notes	30 September 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and short-term funds	14	732,902	494,150
Deposits and placements with financial institutions	15	676,443	388,567
Financial investments portfolio	16	393,040	508,408
Loans and advances	17	437,615	299,876
Derivative assets	20 (i)	7,614	19,839
Other assets	18	758,400	753,939
Tax recoverable		-	34
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		15,501	19,133
Intangible assets		14,940	16,687
Deferred tax assets		7,287	14,465
TOTAL ASSETS		3,261,102	2,732,458
LIABILITIES			
Deposits and placements from a licensed bank		733,939	615,483
Derivative liabilities	20 (ii)	78,714	31,109
Other liabilities	19	1,849,851	1,553,409
Provision for taxation and zakat		1,497	312
TOTAL LIABILITIES		2,664,001	2,200,313
SHAREHOLDER'S EQUITY			
Share capital		222,785	50,116
Reserves		374,316	482,029
TOTAL EQUITY		597,101	532,145
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		3,261,102	2,732,458
COMMITMENTS AND CONTINGENCIES	27	1,506,882	1,620,064

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD
(15938-H)
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

Group	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Interest income	21	22,651	9,398	44,951	26,930
Interest expense	22	(9,218)	(5,730)	(23,481)	(14,636)
Net interest income		13,433	3,668	21,470	12,294
Net income from Islamic					
Banking Scheme operations	29	15,769	2,306	64,016	14,076
Non-interest income	23	72,783	61,930	215,896	263,295
Net income		101,985	67,904	301,382	289,665
Overhead expenses	24	(66,264)	(78,641)	(204,844)	(214,372)
Operating profit/(loss)		35,721	(10,737)	96,538	75,293
Allowance for impairment on loans and advances and other debtors, net	25	(4,238)	(327)	(5,207)	(318)
(Allowance for)/writeback of impairment on derivative assets		-	(177)	-	612
		31,483	(11,241)	91,331	75,587
Share of results of a joint venture		(1,683)	(42)	(3,034)	(166)
Profit/(loss) before taxation and zakat		29,800	(11,283)	88,297	75,421
Taxation and zakat		(10,166)	2,367	(26,349)	(20,492)
Profit/(loss) for the period, attributable to equity holder of the Bank		19,634	(8,916)	61,948	54,929
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank		39	(18)	124	110
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		(384)	381	(1,385)	(940)
Total other comprehensive (loss)/income for the period, net of tax		(384)	381	(1,385)	(940)
Total comprehensive income/(loss) for the period, attributable to equity holder of the Bank		19,250	(8,535)	60,563	53,989

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

<u>Bank</u>	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Interest income	21	22,384	9,146	44,173	26,125
Interest expense	22	(9,218)	(5,730)	(23,481)	(14,636)
Net interest income		13,166	3,416	20,692	11,489
Net income from Islamic					
Banking Scheme operations	29	15,769	2,306	64,016	14,076
Non-interest income	23	72,205	60,786	214,273	259,902
Net income		101,140	66,508	298,981	285,467
Overhead expenses	24	(65,529)	(77,828)	(202,613)	(210,994)
Operating profit/(loss)		35,611	(11,320)	96,368	74,473
Allowance for impairment on loans and advances and other debtors, net	25	(4,238)	(277)	(5,207)	(43)
(Allowance for)/writeback of impairment on derivative assets		-	(177)	-	612
Profit/(loss) before taxation and zakat		31,373	(11,774)	91,161	75,042
Taxation and zakat		(10,118)	2,415	(26,207)	(20,104)
Profit/(loss) for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		21,255	(9,359)	64,954	54,938

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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 2017

<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	Exchange fluctuation reserve RM'000	Retained earnings RM'000	
At 1 January 2017	50,116	172,669	50,116	3,497	1,757	265,834	543,989
Profit for the period	-	-	-	-	-	61,948	61,948
Other comprehensive loss	-	-	-	-	(1,385)	-	(1,385)
Total comprehensive income for the period	-	-	-	-	(1,385)	61,948	60,563
Transfer to regulatory reserve	-	-	-	971	-	(971)	-
Transfer to retained earnings	-	-	(50,116)	-	-	50,116	-
Transfer to share capital	172,669	(172,669)	-	-	-	-	-
At 30 September 2017	222,785	-	-	4,468	372	376,927	604,552
At 1 January 2016	50,116	172,669	50,116	3,409	1,121	294,595	572,026
Profit for the period	-	-	-	-	-	54,929	54,929
Other comprehensive loss	-	-	-	-	(940)	-	(940)
Total comprehensive income for the period	-	-	-	-	(940)	54,929	53,989
Transfer from regulatory reserve	-	-	-	185	-	(185)	-
Dividends	-	-	-	-	-	(87,127)	(87,127)
At 30 September 2016	50,116	172,669	50,116	3,594	181	262,212	538,888

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes to the interim financial statements)

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

Bank	<-----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	
At 1 January 2017	50,116	172,669	50,116	3,497	255,749	532,147
Profit for the period	-	-	-	-	64,954	64,954
Total comprehensive income for the period	-	-	-	-	64,954	64,954
Transfer to regulatory reserve	-	-	-	971	(971)	-
Transfer to retained earnings	-	-	(50,116)	-	50,116	-
Transfer to share capital	172,669	(172,669)	-	-	-	-
At 30 September 2017	222,785	-	-	4,468	369,848	597,101
At 1 January 2016	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 from regulatory reserve	-	-	-	185	(185)	-
Dividends	-	-	-	-	(87,127)	(87,127)
At 30 September 2016	50,116	172,669	50,116	3,594	251,864	528,359

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

	Group		Bank	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Profit before taxation and zakat	88,297	75,421	91,161	75,042
Adjustment for non-operating and non-cash items	4,308	(21,450)	3,961	(21,725)
Operating profit before working capital changes	<u>92,605</u>	<u>53,971</u>	<u>95,122</u>	<u>53,317</u>
Changes in working capital:				
Net changes in operating assets	(266,783)	(544,509)	(271,475)	(545,235)
Net changes in operating liabilities	361,617	642,777	363,435	643,365
Taxation and zakat paid, net	(17,849)	(14,876)	(17,810)	(14,190)
Net cash generated from operating activities	<u>169,590</u>	<u>137,363</u>	<u>169,272</u>	<u>137,257</u>
Net cash generated from/(used in) investing activities	16	(1,569)	16	(1,569)
Net cash used in financing activity - dividends paid	-	(87,127)	-	(87,127)
Net increase in cash and cash equivalents	169,606	48,667	169,288	48,561
Cash and cash equivalents at beginning of the period	580,863	520,651	540,864	481,419
Cash and cash equivalents at end of the period	<u>750,469</u>	<u>569,318</u>	<u>710,152</u>	<u>529,980</u>
Cash and short-term funds	773,199	559,971	732,902	545,153
Deposits and placements with financial institutions	676,463	387,999	676,443	363,479
	<u>1,449,662</u>	<u>947,970</u>	<u>1,409,345</u>	<u>908,632</u>
Less:				
Cash and short-term funds and deposit and placements with original maturity more than three months	(699,193)	(378,652)	(699,193)	(378,652)
	<u>750,469</u>	<u>569,318</u>	<u>710,152</u>	<u>529,980</u>

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

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 2016 except for adoption of the following amendments to Malaysian Financial Reporting Standards (“MFRSs”) and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2017:

Description	Effective for annual periods beginning on or after
MFRS 107 <i>Statement of Cash Flows</i> - Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 <i>Income Taxes</i> - Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
MFRS 2 <i>Share-based Payment</i> - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 <i>Financial Instruments</i> (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
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 2014 - 2016 Cycle	
(i) Amendments to MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2017
(ii) Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2018
(iii) Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2018
Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018

Companies Act 2016

The unaudited condensed interim financial statements of the Group and of the Bank are prepared in accordance with the requirements of the Companies Act 2016 (“New Act”), which replaced the Companies Act 1965. Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 are:

- (a) the removal of the authorised share capital;
- (b) the ordinary shares of the Bank will cease to have par or nominal value; and
- (c) the Bank’s share premium will become part of the share capital.

During the financial period ended 30 September 2017, the Bank has transferred RM172.7 million share premium to its share capital. Pursuant to Section 618 of the New Act, the Bank has twenty four (24) months to utilise the amount of share premium that has been transferred to share capital.

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2. Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2016 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 2016.

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 2016.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2016 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 2017.

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

During the third quarter ended 30 September 2017, 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 2017.

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 2017.

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 2017.

10. Dividends

There were no proposed dividends during the third quarter ended 30 September 2017.

11. Significant and Subsequent Events

There were no significant and subsequent events during the third quarter ended 30 September 2017.

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12. Performance Review

For the period ended 30 September 2017, the Group recorded a higher operating profit compared to the previous corresponding period. Operating profit increased by 28.2% from RM75.3 million to RM96.5 million.

Net interest income increased by 74.6% to RM21.5 million due to classification of derivative financial instruments as synthetic term loans during the period and the Islamic Banking income increased by RM49.9 million from RM14.1 million to RM64.0 million due to higher fee-based income from Islamic investment banking business. However, the non-interest income declined by 18.0% from RM263.3 million to RM 215.9 million due to lower fee-based income. Overall, net income increased by 4.0% from RM289.7 million to RM301.4 million.

Overhead expenses decreased by 4.4% or RM9.6 million to RM204.8 million from RM214.4 million. This was mainly due to lower establishment costs. However, it was partly offset by the increase in personnel expenses and administration and general expenses.

The Group's profit before taxation and zakat increased by 17.1% or RM12.9 million from RM75.4 million to RM88.3 million. Profit for the period increased by 12.8% or RM7.0 million to RM61.9 million compared to the previous corresponding period.

13. Business Outlook

Global real Gross Domestic Product ("GDP") growth is forecasted to expand at +3.6% in 2017 (2016: +3.2%), on improved or sustained growth in the US (2017E: +2.2%; 2016: +1.5%), Eurozone (2017E: +2.1%, 2016: +1.8%), Japan (2017E: +1.5%, 2016: +1.0%) and China (2017E: +6.8%, 2016: +6.7%).

Meanwhile, the ASEAN-6 countries could chart relatively faster growth in 2017 at 5.1% (2016: +4.6%) supported by the recovery in external demand coupled with sustained momentum in domestic demand. Singapore is forecasted to grow at +3.4% (2016: +2.0%), Malaysia expected to expand by +5.8% (2016: +4.2%) and Indonesia to remain resilient at +5.1% (2016: +5.0%).

Malaysia's real GDP 2017 growth is supported by improvement in the manufacturing, services and mining sectors amid stronger exports growth, pick up in consumer spending and investment growth. Investment growth for 2017 and 2018 are expected to be underpinned by progress in on-going and rollout of major infrastructure projects in-the-pipeline. The Overnight Policy Rate is unchanged at 3.00% in 2017.

Against the backdrop of selective growth in the region, the investment banking industry is expected to remain challenging due to uncertainty in market conditions and investor sentiments.

Barring any unforeseen circumstances, the Group expects its financial performance for 2017 to be satisfactory given the ongoing challenging global environment.

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14. Cash and short-term funds

	Group		Bank	
	30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
	Cash and bank balances with financial institutions	284,249	208,951	277,459
Deposit placements maturing within one month	488,950	325,178	455,443	292,671
Total cash and short-term funds	773,199	534,129	732,902	494,150

The monies held-in-trust for clients by the Group and by the Bank as at the reporting date are approximately RM236,701,000 (2016: RM173,369,000). 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 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
	Licensed bank	676,463	388,587	676,443

16. Financial investments portfolio

		Group and Bank	
		30 September 2017 RM'000	31 December 2016 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
Total financial investments portfolio		393,040	508,408

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

	Group and Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
	At fair value	
Quoted financial investments:		
Shares in Malaysia	181,209	337,563
Shares outside Malaysia	151,442	120,017
	332,651	457,580
Unquoted financial investments:		
Structured product	20,911	11,350
Total financial assets at fair value through profit or loss	353,562	468,930

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16. Financial investments portfolio (Cont'd)

(ii) Financial investments available-for-sale

	Group and Bank	
	30 September 2017	31 December 2016
	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	39,445
Total financial investments available-for-sale	39,445	39,445

(iii) Financial investments held-to-maturity

	Group and Bank	
	30 September 2017	31 December 2016
	RM'000	RM'000
At amortised cost		
Unquoted financial investments:		
Private debt securities in Malaysia	33	33
Total financial investments held-to-maturity	33	33

17. Loans and advances

	Group and Bank	
	30 September 2017	31 December 2016
	RM'000	RM'000
Term loans		
- Syndicated term loan	-	6,447
- Other term loan	140,458	17,749
Amount due from brokers and clients		
- Margin accounts	275,104	258,717
Staff loans	23,112	23,337
Gross loans and advances	438,674	306,250
Less: Allowance for impairment losses		
- Individual assessment allowance	(266)	(6,270)
- Collective assessment allowance	(793)	(104)
Net loans and advances	437,615	299,876

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

	Group and Bank	
	30 September 2017	31 December 2016
	RM'000	RM'000
Domestic business enterprises	197,783	80,482
Individuals	233,656	220,064
Foreign entities	7,235	5,704
Gross loans and advances	438,674	306,250

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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 2017 RM'000	31 December 2016 RM'000
Fixed rate		
- Housing loans	11,554	11,522
- Hire purchase receivables	11,266	11,541
- Other fixed rate loans	292	6,721
Variable rate		
- BLR/BR-plus	275,104	258,717
- Cost-plus	140,458	17,749
Gross loans and advances	438,674	306,250

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

	Group and Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
Purchase of securities	275,104	258,717
Purchase of transport vehicles	11,266	11,541
Purchase of residential landed property	11,554	11,522
Personal use	292	274
Working capital	-	6,447
Others	140,458	17,749
Gross loans and advances	438,674	306,250

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

	Group and Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
Maturing within one year	275,711	265,564
More than one year to three years	4,213	2,782
More than three years to five years	146,897	26,360
More than five years	11,853	11,544
Gross loans and advances	438,674	306,250

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

	Group and Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
At 1 January	7,083	6,981
Impaired during the period	-	116
Recovered/regularised during the period	(6,457)	(14)
Gross impaired loans and advances	626	7,083
Less: Allowance for impairment losses		
- Individual assessment allowance	(266)	(6,270)
Net impaired loans and advances	360	813
Net impaired loans and advances as % of gross loans and advances less individual assessment allowance	0.08%	0.27%

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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 2017 RM'000	31 December 2016 RM'000
Purchase of transport vehicles	159	159
Purchase of residential landed property	467	477
Working capital	-	6,447
Gross impaired loans and advances	626	7,083

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

	Group and Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
Individual assessment allowance		
At 1 January	6,270	6,267
Allowance made during the period (Note 25)	-	3
Amount written off during the period	(6,004)	-
Balance at end of period	266	6,270
Collective assessment allowance		
At 1 January	104	-
Allowance made during the period (Note 25)	689	104
Balance at end of period	793	104

18. Other assets

	Group		Bank	
	30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	652,358	685,716	652,358	685,716
Amount due from holding company	11,016	11,971	11,016	11,971
Other debtors, deposits and prepayment	114,912	73,036	107,200	67,397
	778,286	770,723	770,574	765,084
Less: Allowance for impairment losses	(20,399)	(14,848)	(12,174)	(11,145)
	757,887	755,875	758,400	753,939

(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.

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19. Other liabilities

	Group		Bank	
	30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
Provisions and accruals	56,999	85,384	56,825	85,202
Provision for commitments and contingencies	4,500	-	4,500	-
Amount due to brokers and clients (a)	621,002	691,678	621,002	691,678
Deposits and other creditors	941,495	525,980	941,398	523,915
Amount due to:				
- Holding company	46,441	73,459	46,441	73,459
- Related companies	8,211	7,521	8,211	7,521
- Subsidiaries	-	-	171,474	171,634
	<u>1,678,648</u>	<u>1,384,022</u>	<u>1,849,851</u>	<u>1,553,409</u>

(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.

20. Derivative financial instruments**(i) Derivative assets**

	Group and Bank			
	30 September 2017		31 December 2016	
	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	77,655	7,614	320,098	19,839

(ii) Derivative liabilities

	Group and Bank			
	30 September 2017		31 December 2016	
	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	120,139	60,937	61,298	26,817
Equity swaps				
- Less than one year	190,548	17,777	123,737	4,292
	<u>310,687</u>	<u>78,714</u>	<u>185,035</u>	<u>31,109</u>

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20. Derivative financial instruments (Cont'd)

(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	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Equity related derivatives:				
Index futures	-	-	5	1,004
Equity options	(11,573)	(10,322)	(19,707)	14,434
Equity swaps	55,382	(8,828)	(25,709)	(9,101)
	43,809	(19,150)	(45,411)	6,337

21. Interest income

	Group			
	Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	14,296	5,409	25,341	15,702
- Interest income on impaired loans	23	43	70	116
Money at call and deposits and placements with financial institutions	8,028	3,747	18,493	10,521
Others	304	199	1,047	591
Total interest income	22,651	9,398	44,951	26,930

	Bank			
	Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than on impaired loans	14,296	5,409	25,341	15,702
- Interest income on impaired loans	23	43	70	116
Money at call and deposits and placements with financial institutions	7,761	3,495	17,715	9,716
Others	304	199	1,047	591
Total interest income	22,384	9,146	44,173	26,125

22. Interest expense

	Group and Bank			
	Quarter Ended		Cumulative 9 Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from a licensed bank	3,689	3,104	10,093	8,979
Derivative financial instruments	5,529	2,626	13,388	5,657
Total interest expense	9,218	5,730	23,481	14,636

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23. **Non-interest income**

Group	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Fee and commission income:				
Arranger and upfront fees	8,708	3,004	21,227	24,474
Brokerage income	38,094	34,713	134,660	106,778
Corporate advisory fees	8,552	3,785	13,876	85,457
Placement and related fees	10,756	-	13,856	1,815
Underwriting commission	1,293	972	2,714	2,383
Others	4,303	3,252	10,828	6,438
	71,706	45,726	197,161	227,345
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	5,699	13,931	41,725	(12,902)
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(26,186)	36,919	65,736	15,657
Realised (loss)/gain from sale of derivative financial instruments, net	(23,900)	(16,978)	(53,659)	16,254
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	43,809	(19,150)	(45,411)	6,337
Gross dividends from:				
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	(965)	1,243	1,273	5,361
- Quoted outside Malaysia	50	-	481	-
	(1,493)	15,965	10,145	30,707
Other income:				
Foreign exchange gain/(loss), net	1,107	(1,688)	4,931	327
Gain from disposal of property, plant and equipment	-	198	-	240
Others	1,463	1,729	3,659	4,676
	2,570	239	8,590	5,243
Total non-interest income	72,783	61,930	215,896	263,295

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

Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Fee and commission income:				
Arranger and upfront fees	8,708	3,004	21,227	24,474
Brokerage income	38,094	34,713	134,660	106,778
Corporate advisory fees	7,974	2,864	12,256	82,283
Placement and related fees	10,756	-	13,856	1,815
Underwriting commission	1,293	972	2,714	2,383
Others	4,303	3,252	10,828	6,438
	71,128	44,805	195,541	224,171
Investment income:				
Realised gain/(loss) from sale of financial assets at fair value through profit or loss, net	5,699	13,931	41,725	(12,902)
Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss, net	(26,186)	36,919	65,736	15,657
Realised (loss)/gain from sale of derivative financial instruments, net	(23,900)	(16,978)	(53,659)	16,254
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	43,809	(19,150)	(45,411)	6,337
Financial assets at fair value through profit or loss				
- Quoted in Malaysia	(965)	1,243	1,273	5,361
- Quoted outside Malaysia	50	-	481	-
	(1,493)	15,965	10,145	30,707
Other income:				
Foreign exchange gain/(loss), net	1,107	(1,688)	4,931	326
Gain from disposal of property, plant and equipment	-	198	-	240
Others	1,463	1,506	3,656	4,458
	2,570	16	8,587	5,024
Total non-interest income	72,205	60,786	214,273	259,902

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24. Overhead expenses

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	48,537	51,157	139,915	134,412
- Pension costs - defined contribution plan	4,692	4,363	13,896	12,930
- Employees' Share Scheme expenses	1,248	1,893	3,673	5,375
- Other staff related expenses	2,408	2,571	6,980	8,038
	<u>56,885</u>	<u>59,984</u>	<u>164,464</u>	<u>160,755</u>
Establishment costs				
- Depreciation of property, plant and equipment	1,555	1,615	4,739	4,888
- Amortisation of computer software	1,099	1,188	3,126	3,325
- Rental	2,732	2,804	8,258	8,518
- Repairs and maintenance of property, plant and equipment	3,743	2,962	8,501	8,868
- Information technology expenses	3,747	3,983	10,150	9,360
- Service chargeback	(14,028)	(3,227)	(25,465)	(10,693)
- Others	597	488	1,415	1,852
	<u>(555)</u>	<u>9,813</u>	<u>10,724</u>	<u>26,118</u>
Marketing costs				
- Advertisement and publicity	2,460	2,521	8,490	8,459
- Others	1,526	1,561	4,332	4,570
	<u>3,986</u>	<u>4,082</u>	<u>12,822</u>	<u>13,029</u>
Administration and general expenses				
- Fee and brokerage	4,274	2,638	11,485	8,480
- Administrative expenses	794	1,071	2,664	2,871
- General expenses	880	1,053	2,685	3,119
	<u>5,948</u>	<u>4,762</u>	<u>16,834</u>	<u>14,470</u>
Total overhead expenses	<u>66,264</u>	<u>78,641</u>	<u>204,844</u>	<u>214,372</u>

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24. Overhead expenses (Cont'd)

Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	48,537	51,157	139,915	134,412
- Pension costs - defined contribution plan	4,692	4,363	13,896	12,930
- Employees' Share Scheme expenses	1,248	1,893	3,673	5,375
- Other staff related expenses	2,407	2,571	6,979	8,037
	<u>56,884</u>	<u>59,984</u>	<u>164,463</u>	<u>160,754</u>
Establishment costs				
- Depreciation of property, plant and equipment	1,555	1,615	4,739	4,888
- Amortisation of computer software	1,099	1,188	3,126	3,325
- Rental	2,732	2,804	8,258	8,518
- Repairs and maintenance of property, plant and equipment	3,742	2,960	8,499	8,865
- Information technology expenses	3,747	3,983	10,150	9,360
- Service chargeback	(14,750)	(4,032)	(27,621)	(13,962)
- Others	597	488	1,415	1,852
	<u>(1,278)</u>	<u>9,006</u>	<u>8,566</u>	<u>22,846</u>
Marketing costs				
- Advertisement and publicity	2,460	2,521	8,490	8,459
- Others	1,535	1,577	4,349	4,609
	<u>3,995</u>	<u>4,098</u>	<u>12,839</u>	<u>13,068</u>
Administration and general expenses				
- Fee and brokerage	4,257	2,616	11,427	8,408
- Administrative expenses	791	1,071	2,633	2,813
- General expenses	880	1,053	2,685	3,105
	<u>5,928</u>	<u>4,740</u>	<u>16,745</u>	<u>14,326</u>
Total overhead expenses	<u>65,529</u>	<u>77,828</u>	<u>202,613</u>	<u>210,994</u>

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25. Allowance for impairment on loans and advances and other debtors, net

<u>Group</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Allowance for impairment on loans and advances:				
- Individual allowance made	-	-	-	(3)
- Collective allowance made	(680)	-	(689)	-
Bad debts recovered	702	79	1,034	640
Allowance for impairment on other debtors, net	(4,260)	(406)	(5,552)	(955)
Total	(4,238)	(327)	(5,207)	(318)

<u>Bank</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Allowance for impairment on loans and advances:				
- Individual allowance made	-	-	-	(3)
- Collective allowance made	(680)	-	(689)	-
Bad debts recovered	702	79	1,034	640
Allowance for impairment on other debtors, net	(4,260)	(356)	(5,552)	(680)
Total	(4,238)	(277)	(5,207)	(43)

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:

	Group %	Bank %
<u>At 30 September 2017</u>		
CET1 capital ratio	30.402	28.636
Tier 1 capital ratio	30.402	28.636
Total capital ratio	<u>30.514</u>	<u>28.636</u>
	Group %	Bank %
<u>At 31 December 2016</u>		
CET1 capital ratio	33.010	30.758
Tier 1 capital ratio	33.010	30.758
Total capital ratio	<u>33.010</u>	<u>30.758</u>

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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):

	Group RM'000	Bank RM'000
<u>At 30 September 2017</u>		
Paid-up share capital	222,785	222,785
Other reserves	377,299	369,848
CET1 capital before regulatory adjustments	600,084	592,633
Less: Deferred tax assets	(7,287)	(7,287)
Intangible assets	(14,940)	(14,940)
Investment in subsidiaries and joint venture ¹	(9,443)	(41,312)
CET1 capital/Tier 1 capital	568,414	529,094
Tier 2 capital		
Regulatory reserve	4,468	4,468
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture ¹	(2,361)	(4,468)
Tier 2 capital	2,107	-
Total capital	570,521	529,094
<u>At 31 December 2016</u>		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	267,591	255,747
CET1 capital before regulatory adjustments	540,492	528,648
Less: Deferred tax assets	(14,465)	(14,465)
Intangible assets	(16,687)	(16,687)
Investment in subsidiaries and joint venture ¹	(12,282)	(42,283)
CET1 capital/Tier 1 capital/Total capital	497,058	455,213
Tier 2 capital		
Regulatory reserve	3,497	3,497
Less: Regulatory adjustment applied in Tier 2 capital		
Investment in subsidiaries and joint venture ¹	(3,497)	(3,497)
Tier 2 capital	-	-
Total capital	497,058	455,213

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

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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 2017				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	423,276	423,276	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,327,363	1,327,363	485,332	38,827
Corporates	173,409	100,477	100,477	8,038
Regulatory retail	263,566	119,450	114,090	9,128
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	126,422	126,422	117,097	9,368
Total on-balance sheet exposures	2,353,481	2,136,433	876,164	70,094
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,118,540	1,118,540	332	27
Total off-balance sheet exposures	1,118,540	1,118,540	332	27
Total on and off-balance sheet exposures	3,472,021	3,254,973	876,496	70,121
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	612	49
Equity position risk	-	-	13,587	1,087
Foreign currency risk	-	-	178,669	14,293
Options risk	-	-	7,813	625
Total	-	-	200,681	16,054
(iii) <u>Operational Risk</u>	-	-	792,499	63,400
Total RWA and capital requirements	3,472,021	3,254,973	1,869,676	149,575

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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 2016				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	265,652	265,652	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	859,976	859,976	267,686	21,415
Corporates	83,968	22,578	20,121	1,610
Regulatory retail	219,284	98,433	93,151	7,452
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	83,201	83,201	77,895	6,232
Total on-balance sheet exposures	<u>1,551,526</u>	<u>1,369,285</u>	<u>518,021</u>	<u>41,442</u>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,114,931	1,114,931	1,640	131
Total off-balance sheet exposures	<u>1,114,931</u>	<u>1,114,931</u>	<u>1,640</u>	<u>131</u>
Total on and off-balance sheet exposures	<u>2,666,457</u>	<u>2,484,216</u>	<u>519,661</u>	<u>41,573</u>
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	731	58
Equity position risk	-	-	7,377	590
Foreign currency risk	-	-	152,542	12,203
Options risk	-	-	2,063	164
Total	<u>-</u>	<u>-</u>	<u>162,713</u>	<u>13,015</u>
(iii) <u>Operational Risk</u>	-	-	823,413	65,873
Total RWA and capital requirements	<u>2,666,457</u>	<u>2,484,216</u>	<u>1,505,787</u>	<u>120,461</u>

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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
30 September 2017				
Exposure Class				
(i) <u>Credit Risk</u>				
Sovereigns/Central banks	423,276	423,276	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,287,084	1,287,084	477,276	38,182
Corporates	173,409	100,477	100,477	8,038
Regulatory retail	263,567	119,450	114,090	9,127
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	126,880	126,880	117,557	9,405
Total on-balance sheet exposures	2,313,661	2,096,612	868,568	69,485
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,118,540	1,118,540	332	27
Total off-balance sheet exposures	1,118,540	1,118,540	332	27
Total on and off-balance sheet exposures	3,432,201	3,215,152	868,900	69,512
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	613	49
Equity position risk	-	-	13,587	1,087
Foreign currency risk	-	-	173,663	13,893
Options risk	-	-	7,813	625
Total	-	-	195,676	15,654
(iii) <u>Operational Risk</u>	-	-	783,067	62,645
Total RWA and capital requirements	3,432,201	3,215,152	1,847,643	147,811

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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	Net Exposures	Risk-weighted assets	Capital requirements
31 December 2016	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	265,652	265,652	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	820,017	820,017	259,694	20,776
Corporates	83,968	22,578	20,121	1,610
Regulatory retail	219,284	98,433	93,151	7,452
Higher risk assets	39,445	39,445	59,168	4,733
Other assets	81,385	81,385	76,081	6,086
Total on-balance sheet exposures	1,509,751	1,327,510	508,215	40,657
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	1,114,931	1,114,931	1,640	131
Total off-balance sheet exposures	1,114,931	1,114,931	1,640	131
Total on and off-balance sheet exposures	2,624,682	2,442,441	509,855	40,788
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	731	58
Equity position risk	-	-	7,377	590
Foreign currency risk	-	-	147,056	11,764
Options risk	-	-	2,063	165
Total	-	-	157,227	12,577
(iii) <u>Operational Risk</u>				
	-	-	812,899	65,032
Total RWA and capital requirements	2,624,682	2,442,441	1,479,981	118,397

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27. Commitments and contingencies

Group and Bank	As at 30 September 2017			As at 31 December 2016		
	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
<u>Credit-related</u>						
Revocable commitments to extend credit:						
- Maturity not exceeding one year	1,117,878	-	-	1,111,651	-	-
- Maturity exceeding one year	663	332	332	3,280	1,640	1,640
	1,118,540	332	332	1,114,931	1,640	1,640
<u>Derivative financial instruments</u>						
Equity related contracts						
- Less than one year	388,342	-	-	505,133	-	-
	388,342	-	-	505,133	-	-
Total commitments and contingencies	1,506,882	332	332	1,620,064	1,640	1,640

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

Contingent liabilities

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

Case 1

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

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

On 4 September 2015, the trial of the matter concluded. On 17 February 2016 and 24 February 2016, parties attended Court for oral submissions.

On 24 July 2017, the High Court found in favour of the Bondholders for the sum of RM177,248,747.31 against the Defendants in the following proportion:

- (a) 1st, 2nd and 3rd Defendants – 100% liable;
- (b) The Bank (4th Defendant) – 50% liable;
- (c) The 5th Defendant – 30% liable; and
- (d) The 6th Defendant – 20% liable.

On 5 October 2017, upon hearing further clarification and submissions on the judgment sum, applicable interest and costs, the High Court held:

- (a) The Judgment against the Defendants is for the sum of RM177,248,747.31;
- (b) The total damages that the Bondholders can recover from the Defendants shall not exceed the aggregate sum of RM177,248,747.31;
- (c) Interest shall be calculated on the reduced sum of RM148,653,953.20 at the rate of 5% per annum from 1 November 2011 until full and final settlement; and

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 1 (Cont'd)

On 5 October 2017, upon hearing further clarification and submissions on the judgment sum, applicable interest and costs, the High Court held (cont'd):

- (d) Costs as awarded against the Defendants in favour of the Plaintiffs:
- (i) 1st – 3rd Defendants : RM350,000;
 - (ii) The 3rd Defendant to pay costs of RM100,000 for the dismissal of his counterclaim;
 - (iii) The Bank to pay costs of RM300,000;
 - (iv) The 5th Defendant to pay costs of RM150,000; and
 - (v) The 6th Defendant to pay costs of RM200,000 and reimburse the Plaintiffs' expert witness costs of RM250,000.

The Bank and the other Defendants have filed their separate and respective appeals to the Court of Appeal ("the Appeals"). The Appeals are now fixed for case management on 13 December 2017.

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

Case 2

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

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

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

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

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

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

On 5 October 2015, the High Court allowed the Banks' application for summary judgement and application to strike out the counterclaim with costs. Accordingly, the Defendants' counterclaim against the Banks have been struck out ("Striking Out Order") and judgement has been entered against the Defendants for the balance purchase price under the SPA ("Summary Judgement"). On 23 October 2015, the Defendants filed their respective appeals to the Court of Appeal against the Striking Out Order and the Summary Judgement ("the Appeals").

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27. Commitments and contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 2 (cont'd)

On 6 December 2016, the Court of Appeal unanimously dismissed the Appeals with costs of RM20,000 to be paid by the Defendants to the Banks for each of the Appeals ('COA Decision').

On 30 December 2016 and 5 January 2017, the 1st Defendant and 2nd Defendant filed their respective applications to the Federal Court for leave to appeal to the Federal Court against the COA Decision ('FC Leave Application'). On 26 April 2017, the Federal Court allowed the FC Leave Application. The 1st Defendant and the 2nd Defendant can now file their appeals to the Federal Court against the Summary Judgment ('FC Appeals'). The FC Appeals are fixed for hearing on 15 March 2018.

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 2017	RM'000	RM'000	RM'000	RM'000
Revenue				
Net interest income	4,113	17,357	-	21,470
Net income from Islamic Banking Scheme operations	60,400	3,616	-	64,016
Non-interest income	63,267	152,629	-	215,896
Total revenue	127,780	173,602	-	301,382
Results				
Segment results	127,780	173,602	-	301,382
Overhead expenses	(44,824)	(88,293)	(71,727)	(204,844)
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	(5,317)	110	-	(5,207)
Share of results of a joint venture	-	-	(3,034)	(3,034)
Profit before taxation	77,639	85,419	(74,761)	88,297
Taxation and zakat				(26,349)
Profit for the period				61,948
Other segment information				
Depreciation	292	2,336	2,111	4,739
Amortisation	318	1,889	919	3,126

Group	Pillar 1	Pillar 2	Others	Total
30 September 2016	RM'000	RM'000	RM'000	RM'000
Revenue				
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	153,800	(1,679)	258,924
Total revenue	119,955	167,018	(1,679)	285,294
Results				
Segment results	119,955	171,389	(1,679)	289,665
Overhead expenses	(46,201)	(82,880)	(80,920)	(210,001)
(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	89,486	(82,765)	79,792
Taxation and zakat				(20,492)
Profit for the period				59,300
Other segment information				
Depreciation	333	2,203	2,352	4,888
Amortisation	247	1,935	1,143	3,325

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29. Net income from Islamic Banking Scheme operations

Unaudited Statements of Financial Position as at 30 September 2017

	Notes	Group and Bank	
		30 September 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and short-term funds	(a)	5,262	2,880
Other assets	(b)	363,404	326,287
Total assets		368,666	329,167
LIABILITIES			
Other liabilities	(c)	165,095	154,985
Provision for taxation and zakat	(d)	8,102	630
Total liabilities		173,197	155,615
ISLAMIC BANKING FUND			
Islamic banking capital fund		5,000	5,000
Retained earnings		190,469	168,552
		195,469	173,552
Total liabilities and Islamic banking fund		368,666	329,167

**Unaudited Statements of Comprehensive Income
For the Third Quarter Ended 30 September 2017**

Group and Bank	Notes	Quarter Ended		Cumulative 9 Months Ended	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Income derived from investment of Islamic banking capital funds	(e)	15,769	2,306	64,016	14,076
Income attributable to the Group and the Bank		15,769	2,306	64,016	14,076
Overhead expenses	(f)	(11,831)	(2,939)	(33,975)	(12,892)
Operating profit/(loss)		3,938	(633)	30,041	1,184
Writeback of/(allowance for) impairment on other debtors		10	(50)	140	(130)
Profit/(loss) before taxation and zakat		3,948	(683)	30,181	1,054
Taxation		(948)	163	(7,243)	(253)
Zakat		(6)	-	(1,021)	-
Profit/(loss) for the period, representing total comprehensive income for the period, attributable to equity holder of the Bank		2,994	(520)	21,917	801

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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 2017

Group and Bank	Islamic banking capital fund RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2017	5,000	168,552	173,552
Profit for the period	-	21,917	21,917
Total comprehensive income for the period	-	21,917	21,917
At 30 September 2017	5,000	190,469	195,469
At 1 January 2016	5,000	167,545	172,545
Profit for the period	-	801	801
Total comprehensive income for the period	-	801	801
At 30 September 2016	5,000	168,346	173,346

Unaudited Statements of Cash Flows
For the Third Quarter Ended 30 September 2017

	Group and Bank	
	30 September 2017 RM'000	30 September 2016 RM'000
Cash flows from operating activities		
Profit before taxation and zakat, representing operating before working capital changes	30,181	1,054
Increase in receivables	(37,117)	(132,126)
Increase in payables	9,318	141,723
Net cash generated from operating activities	2,382	10,651
Net increase in cash and cash equivalents	2,382	10,651
Cash and cash equivalents at beginning of the period	2,880	2,365
Cash and cash equivalents at end of the period	5,262	13,016

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

(a) Cash and short-term funds

	Group and Bank	
	30 September 2017	31 December 2016
Cash and bank balances with financial institutions	5,262	2,880

(b) Other assets

	Group and Bank	
	30 September 2017	31 December 2016
	RM'000	RM'000
Debtors and prepayments	363,404	326,287

(c) Other liabilities

	Group and Bank	
	30 September 2017	31 December 2016
	RM'000	RM'000
Provisions and accruals	165,095	154,985

(d) Provision for taxation and zakat

	Group and Bank	
	30 September 2017	31 December 2016
	RM'000	RM'000
Taxation	7,243	318
Zakat	859	312
	8,102	630

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

Group and Bank	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Gross income from:				
- Financial assets at fair value through profit or loss	212	-	212	-
Realised gain from sale of financial assets at fair value through profit or loss, net	1,064	-	1,317	-
Fee and commission income from:				
- Arranger and upfront fees	10,780	332	37,293	6,462
- Brokerage income	1,090	725	3,616	2,892
- Corporate advisory fees	175	-	16,235	235
- Underwriting commission	-	-	-	625
- Placement fees	750	-	750	150
- Others	1,713	1,249	4,608	3,983
Foreign exchange loss, net	(15)	-	(15)	(271)
Total	15,769	2,306	64,016	14,076

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

(f) Overhead expenses

<u>Group and Bank</u>	Quarter Ended		Cumulative 9 Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Personnel expenses	9,044	2,236	24,523	9,542
Establishment costs				
- Service chargeback	(1,585)	(193)	(2,452)	(940)
- Other establishment costs	2,160	469	5,661	2,365
Marketing costs	563	133	1,744	769
Administration and general expenses	1,649	293	4,499	1,156
Total	11,831	2,939	33,975	12,892

(g) Capital adequacy

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

	Group and Bank %
<u>At 30 September 2017</u>	
CET1 capital ratio	81.973
Tier 1 capital ratio	81.973
Total capital ratio	<u>81.973</u>
<u>At 31 December 2016</u>	
CET1 capital ratio	93.875
Tier 1 capital ratio	93.875
Total capital ratio	<u>93.875</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 2017</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	<u>190,469</u>
CET1 capital/Tier 1 capital/Total capital	<u>195,469</u>
<u>At 31 December 2016</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained earnings	<u>168,552</u>
CET1 capital/Tier 1 capital/Total capital	<u>173,552</u>

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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 2017 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,259	5,259	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	147	147	29	2
Other assets	517,231	517,231	147,763	11,821
Total on-balance sheet exposures	522,637	522,637	147,792	11,823
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	522,637	522,637	147,792	11,823
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
Total	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	90,659	7,253
Total RWA and capital requirements	522,637	522,637	238,454	19,076

<u>Group and Bank</u>	Gross Credit exposures	Net Credit exposures	Risk-weighted assets	Capital requirements
31 December 2016 Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	2,877	2,877	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	4	4	1	-
Other assets	447,191	447,191	124,000	9,920
Total on-balance sheet exposures	450,072	450,072	124,001	9,920
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	450,072	450,072	124,001	9,920
(ii) <u>Market Risk</u>				
Foreign currency risk	-	-	3	-
Total	-	-	3	-
(iii) <u>Operational Risk</u>				
	-	-	60,871	4,870
Total RWA and capital requirements	450,072	450,072	184,875	14,790

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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 five 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 2017 and 31 December 2016.

<u>Group and Bank</u>	<u>Valuation techniques using</u>			Total
	Quoted Market Price (Level 1) RM'000	Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 30 September 2017				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	332,651	20,911	-	353,562
Derivative assets	-	7,614	-	7,614
	332,651	28,525	-	361,176
Financial liabilities measured at fair values:				
Derivative liabilities	1,577	77,137	-	78,714
As at 31 December 2016				
Financial assets measured at fair values:				
Financial assets at fair value through profit or loss	457,580	11,350	-	468,930
Derivative assets	-	19,839	-	19,839
	457,580	31,189	-	488,769
Financial liabilities measured at fair values:				
Derivative liabilities	914	30,195	-	31,109

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

Valuation techniques

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

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.