

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013

<u>Group</u>	<u>Notes</u>	30 June 2013 RM'000	31 December 2012 RM'000
ASSETS			
Cash and short-term funds	14	520,445	330,142
Deposits and placements with banks and other financial institutions	15	39,947	37,573
Securities held-for-trading	16 (i)	206,988	181,862
Securities available-for-sale	16 (ii)	83,440	87,527
Securities held-to-maturity	16 (iii)	33	33
Loans and advances	17	310,726	375,980
Derivative assets	20 (i)	-	96
Other assets	18	400,236	263,522
Statutory deposits with Bank Negara Malaysia		105	105
Investment in associates		-	4,718
Property, plant and equipment		17,566	16,059
Intangible assets		9,890	9,375
Tax recoverable		23,338	-
Deferred tax assets		14,669	17,681
TOTAL ASSETS		1,627,383	1,324,673
LIABILITIES			
Deposits and placements of a licensed bank		266,067	150,050
Other liabilities	19	717,002	407,121
Derivative liabilities	20 (ii)	5,146	8,953
Provision for taxation and zakat		713	27,244
Deferred tax liabilities		1,069	1,088
TOTAL LIABILITIES		989,997	594,456
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		587,270	680,101
TOTAL EQUITY		637,386	730,217
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,627,383	1,324,673
COMMITMENTS AND CONTINGENCIES			
	27	1,270,095	827,536

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013

<u>Bank</u>	Notes	30 June 2013 RM'000	31 December 2012 RM'000
ASSETS			
Cash and short-term funds	14	464,949	271,642
Deposits and placements with banks and other financial institutions	15	38,669	36,312
Securities held-for-trading	16 (i)	206,988	181,862
Securities available-for-sale	16 (ii)	39,325	39,435
Securities held-to-maturity	16 (iii)	33	33
Loans and advances	17	310,726	375,980
Derivative assets	20 (i)	-	96
Other assets	18	399,200	263,734
Statutory deposits with Bank Negara Malaysia		105	105
Investment in subsidiaries		233,269	233,269
Investment in associates		-	4,200
Property, plant and equipment		17,430	15,912
Intangible assets		9,890	9,375
Tax recoverable		22,562	-
Deferred tax assets		14,669	17,681
TOTAL ASSETS		1,757,815	1,449,636
LIABILITIES			
Deposits and placements of a licensed bank		266,067	150,050
Other liabilities	19	886,063	576,819
Derivative liabilities	20 (ii)	5,146	8,953
Provision for taxation and zakat		713	26,977
TOTAL LIABILITIES		1,157,989	762,799
SHAREHOLDER'S EQUITY			
Share capital		50,116	50,116
Reserves		549,710	636,721
TOTAL EQUITY		599,826	686,837
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,757,815	1,449,636
COMMITMENTS AND CONTINGENCIES			
	27	1,270,095	827,536

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements)

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2013

Group	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Interest income	21	8,587	8,703	21,379	16,671
Interest expense	22	(3,016)	(3,486)	(8,071)	(6,949)
Net interest income		5,571	5,217	13,308	9,722
Net income from Islamic					
Banking Scheme operations	29	8,004	63,440	26,274	97,623
Non-interest income	23	120,393	171,310	221,441	269,188
Net income		133,968	239,967	261,023	376,533
Overhead expenses	24	(69,779)	(85,109)	(143,029)	(145,718)
Operating profit		64,189	154,858	117,994	230,815
Writeback of/(allowance for) impairment on loans and advances and other debtors, net	25	404	392	(1,113)	810
		64,593	155,250	116,881	231,625
Share of results of associate		-	(89)	-	(3,916)
Profit before taxation and zakat		64,593	155,161	116,881	227,709
Taxation and zakat		(15,098)	(38,708)	(29,995)	(59,362)
Net profit for the period, attributable to equity holder of the Bank		49,495	116,453	86,886	168,347
Other comprehensive (loss)/income:					
Net loss on fair value changes on securities available-for-sale, net of tax		(5,851)	(9,426)	(4,815)	(12,539)
Foreign currency translation		1,028	1,769	1,506	159
Other comprehensive loss for the period, net of tax		(4,823)	(7,657)	(3,309)	(12,380)
Total comprehensive income for the period, attributable to equity holder of the Bank		44,672	108,796	83,577	155,967
Basic earnings per share (sen) attributable to equity holder of the Bank		99	232	173	336

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD

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(Incorporated in Malaysia)

**CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2013**

Bank	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Interest income	21	8,370	8,419	20,907	16,262
Interest expense	22	(3,016)	(3,486)	(8,071)	(6,949)
Net interest income		5,354	4,933	12,836	9,313
Net income from Islamic Banking Scheme operations	29	8,004	63,440	26,274	97,623
Non-interest income	23	119,998	160,202	220,895	258,141
Net income		133,356	228,575	260,005	365,077
Overhead expenses	24	(68,414)	(84,572)	(139,269)	(144,348)
Operating profit		64,942	144,003	120,736	220,729
(Allowance for)/writeback of impairment on loans and advances and other debtors, net	25	(274)	392	(1,278)	810
Profit before taxation and zakat		64,668	144,395	119,458	221,539
Taxation and zakat		(15,196)	(36,562)	(30,075)	(57,199)
Net profit for the period, attributable to equity holder of the Bank		49,472	107,833	89,383	164,340
Other comprehensive income/(loss):					
Net gain/(loss) on fair value changes on securities available-for-sale, net of tax		10	(1,730)	14	(9,412)
Other comprehensive income/(loss) for the period, net of tax		10	(1,730)	14	(9,412)
Total comprehensive income for the period, attributable to equity holder of the Bank		49,482	106,103	89,397	154,928

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK INVESTMENT BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2013

<u>Group</u>	←-----Non-distributable----->						Distributable retained earnings RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves * RM'000	Unrealised holding reserves RM'000	Exchange fluctuation reserve RM'000			
At 1 January 2013	50,116	172,669	50,116	18,984	(6,130)	444,462	730,217	
Profit for the period	-	-	-	-	-	86,886	86,886	
Other comprehensive (loss)/income	-	-	-	(4,815)	1,506	-	(3,309)	
Total comprehensive (loss)/income for the period	-	-	-	(4,815)	1,506	86,886	83,577	
Dividend paid	-	-	-	-	-	(176,408)	(176,408)	
At 30 June 2013	50,116	172,669	50,116	14,169	(4,624)	354,940	637,386	
At 1 January 2012	50,116	172,669	50,116	21,871	(4,526)	224,457	514,703	
Profit for the period	-	-	-	-	-	168,347	168,347	
Other comprehensive (loss)/income	-	-	-	(12,539)	159	-	(12,380)	
Total comprehensive (loss)/income for the period	-	-	-	(12,539)	159	168,347	155,967	
At 30 June 2012	50,116	172,669	50,116	9,332	(4,367)	392,804	670,670	

* The statutory reserves are maintained in compliance with Financial Services Act, 2013 and are not distributable as cash dividends.

(These unaudited condensed financial statements should be read in conjunction with the unaudited financial statements for the period ended 31 December 2012 and the accompanying explanatory notes to the interim financial statements)

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2013

<u>Bank</u>	←-----Non-distributable-----→				Distributable retained earnings	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves * RM'000	Unrealised holding reserves RM'000		
At 1 January 2013	50,116	172,669	50,116	(1)	413,937	686,837
Profit for the period	-	-	-	-	89,383	89,383
Other comprehensive income	-	-	-	14	-	14
Total comprehensive income for the period	-	-	-	14	89,383	89,397
Dividend paid	-	-	-	-	(176,408)	(176,408)
At 30 June 2013	50,116	172,669	50,116	13	326,912	599,826
At 1 January 2012	50,116	172,669	50,116	7,249	213,191	493,341
Profit for the period	-	-	-	-	164,340	164,340
Other comprehensive loss	-	-	-	(9,412)	-	(9,412)
Total comprehensive (loss)/income for the period	-	-	-	(9,412)	164,340	154,928
At 30 June 2012	50,116	172,669	50,116	(2,163)	377,531	648,269

* The statutory reserves are maintained in compliance with Financial Services Act, 2013 and are not distributable as cash dividends.

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 SECOND QUARTER ENDED 30 JUNE 2013

	Group		Bank	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Profit before taxation and zakat	116,881	227,709	119,458	221,539
Adjustment for non-operating and non-cash items	13,231	5,267	12,903	2,586
Operating profit before working capital changes	<u>130,112</u>	<u>232,976</u>	<u>132,361</u>	<u>224,125</u>
Changes in working capital:				
Net changes in operating assets	(92,675)	(328,324)	(92,246)	(317,839)
Net changes in operating liabilities	410,889	108,912	410,252	107,666
Net taxes paid	(76,716)	(22,388)	(75,753)	(21,935)
Net cash generated from/(used in) operating activities	<u>371,610</u>	<u>(8,824)</u>	<u>374,614</u>	<u>(7,983)</u>
Net cash used in investing activities	<u>(4,899)</u>	<u>(5,635)</u>	<u>(4,899)</u>	<u>(5,626)</u>
Net cash used in financing activities - dividend paid	<u>(176,408)</u>	<u>-</u>	<u>(176,408)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	<u>190,303</u>	<u>(14,459)</u>	<u>193,307</u>	<u>(13,609)</u>
Cash and cash equivalents at beginning of the period	<u>330,142</u>	<u>320,898</u>	<u>271,642</u>	<u>289,971</u>
Cash and cash equivalents at end of the period	<u>520,445</u>	<u>306,439</u>	<u>464,949</u>	<u>276,362</u>

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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: securities held-for-trading, securities available-for-sale and derivative financial instruments.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012. 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 2012.

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

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 year ended 31 December 2012 except for adoption of the following Malaysian Financial Reporting Standards (“MFRSs”), amendments to MFRSs, Interpretations of the Issues Committee (“IC Interpretations”) and Annual Improvements 2009-2011 Cycle with effective dates of 1 July 2012 and 1 January 2013:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards - Government Loans (Amendments to MFRS 1)*
- MFRS 3 *Business Combinations (IFRS Business Combinations issued by IASB March 2004)*
- MFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)*
- MFRS 10 *Consolidated Financial Statements*
- MFRS 11 *Joint Arrangements*
- MFRS 12 *Disclosure of Interests in Other Entities*
- MFRS 13 *Fair Value Measurement*
- MFRS 101 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)*
- MFRS 119 *Employee Benefits (IAS 19 as amended by IASB in June 2011)*
- MFRS 127 *Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2013)*
- MFRS 127 *Separate Financial Statements (IAS 27 as amended by IASB in May 2011)*
- MFRS 128 *Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)*
- IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

Annual Improvements 2009-2011 Cycle:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards - Repeated application of MFRS 1 and borrowing costs*
- MFRS 101 *Presentation of Financial Statements - Clarification of the requirements for comparative information*
- MFRS 116 *Property, Plant and Equipment - Classification of servicing equipment*
- MFRS 132 *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- MFRS 134 *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

The adoption of the above MFRSs, amendments to MFRSs, IC Interpretations and Annual Improvements 2009-2011 Cycle did not have any material impact on the financial statements of the Group and of the Bank, except for the adoption of following MFRSs and amendments to MFRSs:

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1. Basis of Preparation (Cont'd)

MFRS 10 Consolidated Financial Statements ("MFRS 10")

MFRS 10 replaces the requirements of MFRS 127 *Consolidated and Separate Financial Statements* ("MFRS 127") that address the accounting for consolidated financial statements and IC Interpretation 112 *Consolidation – Special Purpose Entities* ("IC 112"). Under MFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group has applied MFRS 10 retrospectively in accordance with the transition provisions of MFRS 10.

Based on the preliminary assessment performed, the Group assessed that adoption of MFRS 10 did not result in any change in the consolidation status of its subsidiaries as at 30 June 2013.

MFRS 13 Fair Value Measurement ("MFRS 13")

MFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by MFRS. MFRS 13 also requires fair value disclosures for financial instruments to be included in the interim financial report.

The Group and the Bank have adopted the above standard and the fair value disclosures for financial instruments are disclosed in Note 30.

2. Significant Accounting Policies

The audited financial statements of the Group and the Bank for the year ended 31 December 2012 were prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS"). The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2012 except for those disclosed in Note 1 above.

3. Significant Accounting Estimates and Judgements

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

(i) Fair Value Estimation of Securities Held-For-Trading (Note 16 (i)), Securities Available-For-Sale (Note 16 (ii)) and Derivative Financial Instruments (Note 20)

The fair value of securities and derivatives that are not traded in an active market are determined using appropriate valuation techniques. Valuation techniques include the discounted cash flows method, options pricing models, credit models and other relevant valuation models.

(ii) Amortisation of Intangible Assets

The Group's and the Bank's intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful life. The determination of the estimated useful life of these intangible assets requires the management's judgement which includes analysing the circumstances, the industry and market practice.

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

(iii) Deferred Tax and Income Taxes

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

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

(iv) Impairment Losses on Loans and Advances

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

Loans and advances that have been assessed individually but for which no impairment is required and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether allowances should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loans and advances portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and judgements on the effects of concentrations of risks (such as the performance of different individual groups).

(v) Impairment of Investment in Subsidiaries and Investment in Associates

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

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

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

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

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

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

(v) Impairment of Investments in Subsidiaries and Investment in Associates (Cont'd)

Sensitivity to changes in assumptions

Management believes that no reasonably expected possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amounts.

(vi) Impairment of Securities Portfolio

The Group and the Bank review the securities portfolio of securities available-for-sale and securities held-to-maturity at each reporting date whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the assets are subject to impairment review.

The impairment review comprises the following judgement made by management:

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

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2012 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 quarter ended 30 June 2013.

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

During the quarter ended 30 June 2013, 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 quarter ended 30 June 2013.

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 quarter ended 30 June 2013.

9. Changes in the Composition of the Group

There were no changes to the composition of the Group during the quarter ended 30 June 2013, other than as disclosed in Note 11.

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10. Dividends

There was no dividend paid during the quarter ended 30 June 2013. Dividends paid and proposed for the financial period ended 30 June 2013 are as follows:

- (a) At the Annual General Meeting on 27 March 2013, a single-tier first and final dividend in respect of the financial year ended 31 December 2012 of RM3.52 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM176,408,320 was approved and subsequently paid to the shareholder.
- (b) A single-tier interim dividend in respect of the financial period ended 30 June 2013 of RM1.39 on 50,116,000 ordinary shares, amounting to a net dividend payment of RM69,661,240 will be proposed for approval.

11. Significant and Subsequent Events

- (a) Proposed acquisition of additional Anfaal shares

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

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

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

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

On 3 October 2012, the Board of Directors of the parent company i.e. Maybank announced that the Bank, Al Numu and Anfaal have mutually agreed to extend the period for the fulfillment of the conditions precedent of the SPA in relation to the Proposals from 30 September 2012 to 31 December 2012. Save for the above, all the other terms and conditions of the SPA remain unchanged.

The Board of Directors of Maybank has further announced on 1 July 2013 that the Bank, Al Numu and Anfaal have mutually agreed to extend the period for the fulfillment of the conditions precedent of the SPA in relation to the Proposals to 30 September 2013.

- (b) Disposal of Maybank Ventures Sdn Bhd ("MVSB")

On 2 January 2013, the Bank has disposed MVSB, an associated company to Aseamlease Berhad, a wholly-owned subsidiary of Maybank.

MVSB is principally a venture capital company that engages in the promotion of and investment in companies in and outside of Malaysia with the objective of achieving capital appreciation primarily through disposal of such investments.

The disposal of MVSB did not have any material effect on the earnings or assets of the Group and of the Bank for the financial period ended 30 June 2013.

- (c) Liquidation of Maysec (Ipoh) Sdn Bhd ("Maysec Ipoh")

Maysec Ipoh was placed under members' voluntary liquidation on 10 December 2010, and had its final meeting on 14 January 2013.

Maysec Ipoh was previously engaged in stockbroking business and has been dormant since 2005 following the merger of its holding company, Maysec Sdn Bhd (then known as Mayban Securities (Holdings) Sdn Bhd) with Aseambankers Malaysia Berhad to form the Bank. The liquidation of Maysec Ipoh is part of the corporate rationalisation exercise of the Bank which aims to streamline the capital structure of the Group and of the Bank.

The dissolution of Maysec Ipoh did not have any material effect on the earnings or assets of the Group and of the Bank for the financial period ended 30 June 2013.

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11. Significant and Subsequent Events (Cont'd)

(d) Liquidation of Mayban Securities (Jersey) Limited ("MSJL")

MSJL was placed under members' voluntary liquidation on 25 June 2011. The final statement of solvency was filed with Jersey Financial Services Commission on 21 June 2013 and was dissolved on 25 June 2013.

MSJL was previously an investment holding company and has been dormant since 1998. The liquidation of MSJL is part of the corporate rationalisation exercise which aims to streamline the capital structure of the Group and of the Bank.

The dissolution of MSJL did not have any material effect on the earnings or assets of the Group and of the Bank for the financial period ended 30 June 2013.

12. Performance Review

For the period ended 30 June 2013, the Group recorded a lower operating profit compared to the corresponding period last year due to the reduction in number of investment banking deals during first half of 2013. Operating profit dipped by 48.9% from RM230.8 million to RM118.0 million.

Non-interest income declined by 17.7% from RM269.2 million to RM221.4 million due to lower fee-based income from investment banking business. The Islamic Banking income contracted by RM71.3 million from RM97.6 million due to a relatively slower sukuk activities. The net income recorded a significant reduction of RM115.5 million or 30.7% to RM261.0 million. However, the net interest income grew by 36.9% or RM3.6 million due to higher interest income from securities held-for-trading and share margin financing.

Overhead expenses dropped marginally by 1.8% or RM2.7 million to RM143.0 million from RM145.7 million. This was largely attributable to the decrease in personnel related costs.

The Group's profit before taxation and zakat declined by 48.7% or RM111.1 million from RM227.7 million to RM116.9 million. Net profit decreased by 48.4% or RM81.5 million to RM86.9 million compared to the corresponding period previous year.

13. Prospects

Global macro economic growth is expected to stabilise in 2013, with real Gross Domestic Product ("GDP") growth forecasted to be at 3.1%, the same as in 2012, on continued sub-trend US recovery, stabilisation in the Eurozone crisis and the tapering of the single currency area's recession, moderation in China's growth, stimulus-driven expansion in Japan and continued growth momentum in Asia ex-Japan. The International Monetary Fund projects the ASEAN-5 economies of Indonesia, Malaysia, Philippines, Thailand and Vietnam to remain robust with a growth of 5.6% (2012: 6.1%) on the strength of domestic demand, especially investment.

Despite the slower growth in the first quarter of the year amid the soft external demand conditions, Malaysia is projected to see full-year economic growth of between 4.5% and 5.0% (2012: 5.6%), supported by domestic demand that is powered by strong investment momentum, mainly from the implementation of infrastructure projects and business capital expenditures under the Economic Transformation Programme.

Considering the above factors, the Group anticipates to see reasonable growth in its business for the financial year ending 31 December 2013. In addition, the Group will adopt a strategy of responsible growth with equal focus on managing asset quality, liquidity and capital through sound risk management practices.

Barring any unforeseen circumstances, the Group expects to achieve satisfactory financial performance for the financial year ending 31 December 2013.

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14. Cash and short-term funds

	Group		Bank	
	30 June 2013 RM'000	31 December 2012 RM'000	30 June 2013 RM'000	31 December 2012 RM'000
Cash and bank balances with licensed commercial banks and other licensed financial institutions	140,658	94,697	91,962	46,617
Deposit placements maturing within one month	379,787	235,445	372,987	225,025
Total	520,445	330,142	464,949	271,642

The monies held-in-trust for clients by the Group and the Bank as at reporting date are approximately RM190,010,000 (31 December 2012: RM88,699,000). These amounts are excluded from the cash and short-term funds of the Group and of the Bank in accordance with FRSIC 18.

15. Deposits and placements with banks and other financial institutions

	Group		Bank	
	30 June 2013 RM'000	31 December 2012 RM'000	30 June 2013 RM'000	31 December 2012 RM'000
Licensed banks	39,947	37,573	38,669	36,312

16. Securities portfolio

		Group		Bank	
		30 June 2013 RM'000	31 December 2012 RM'000	30 June 2013 RM'000	31 December 2012 RM'000
Securities held-for-trading	16 (i)	206,988	181,862	206,988	181,862
Securities available-for-sale	16 (ii)	83,440	87,527	39,325	39,435
Securities held-to-maturity	16 (iii)	33	33	33	33
Total		290,461	269,422	246,346	221,330

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

At fair value	Group		Bank	
	30 June 2013 RM'000	31 December 2012 RM'000	30 June 2013 RM'000	31 December 2012 RM'000
Quoted Securities:				
Shares in Malaysia	16,473	32,120	16,473	32,120
Shares outside Malaysia	2,515	-	2,515	-
Unquoted Securities:				
Private debt securities in Malaysia	188,000	149,742	188,000	149,742
Total securities held-for-trading	206,988	181,862	206,988	181,862

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16. Securities portfolio (Cont'd)

(ii) **Securities available-for-sale**

At fair value, or cost less impairment losses for certain unquoted equity instruments	Group		Bank	
	30 June 2013 RM'000	31 December 2012 RM'000	30 June 2013 RM'000	31 December 2012 RM'000
Quoted Securities:				
Shares and loan stocks in Malaysia	68	50	68	50
Shares and loan stocks outside Malaysia	44,115	48,273	-	181
	<u>44,183</u>	<u>48,323</u>	<u>68</u>	<u>231</u>
Unquoted Securities:				
Shares and loan stocks in Malaysia	37,627	37,627	37,627	37,627
Shares outside Malaysia	1,630	1,577	1,630	1,577
	<u>39,257</u>	<u>39,204</u>	<u>39,257</u>	<u>39,204</u>
Total securities available-for-sale	<u>83,440</u>	<u>87,527</u>	<u>39,325</u>	<u>39,435</u>

(iii) **Securities held-to-maturity**

At amortised cost	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Unquoted Securities:		
Private debt securities in Malaysia	33	33
Total securities held-to-maturity	<u>33</u>	<u>33</u>

17. Loans and advances

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Term loans		
- Syndicated term loan	6,447	6,447
- Other term loans	1,630	1,806
Amount due from brokers and clients		
- Margin accounts	293,127	358,038
Foreign currency loans	1,517	1,468
Staff loans	14,272	14,488
Gross loans and advances	<u>316,993</u>	<u>382,247</u>
Less: Allowance for impairment		
- Individual assessment allowance	(6,267)	(6,267)
Net loans and advances	<u>310,726</u>	<u>375,980</u>

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Domestic business enterprises	137,802	200,065
Individuals	177,674	180,714
Foreign entities	1,517	1,468
Gross loans and advances	<u>316,993</u>	<u>382,247</u>

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17. Loans and advances (Cont'd)

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Fixed rate		
- Housing loans	8,766	9,123
- Hire purchase receivables	5,164	4,910
- Other fixed rate loans	342	455
Variable rate		
- BLR-plus	9,594	9,721
- Cost-plus	293,127	358,038
Gross loans and advances	<u>316,993</u>	<u>382,247</u>

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Purchase of securities	293,127	358,038
Purchase of transport vehicles	5,323	5,070
Purchase of residential landed property	10,237	10,769
Personal use	338	448
Consumer durables	4	7
Working capital	7,964	7,915
Gross loans and advances	<u>316,993</u>	<u>382,247</u>

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Maturing within one year	294,985	359,881
One year to three years	1,313	962
Three years to five years	3,920	4,047
After five years	16,775	17,357
Gross loans and advances	<u>316,993</u>	<u>382,247</u>

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

	Group and Bank	
	30 June 2013 RM'000	31 December 2012 RM'000
Gross balance at beginning of the period/year	7,009	6,980
Impaired during the period/year	30	964
Recovered/regularised during the period/year	(19)	(935)
Gross balance at end of the period/year	<u>7,020</u>	<u>7,009</u>
Less:		
Individual assessment allowance	<u>(6,267)</u>	<u>(6,267)</u>
Net balance at end of the period/year	<u>753</u>	<u>742</u>
Net impaired loans as % of gross loans and advances less individual assessment allowance	<u>0.24%</u>	<u>0.20%</u>

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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 June	31 December
	2013	2012
	RM'000	RM'000
Purchase of transport vehicles	156	156
Purchase of residential landed property	417	406
Working capital	6,447	6,447
Gross balance at end of the period/year	<u>7,020</u>	<u>7,009</u>

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

	Group and Bank	
	30 June	31 December
	2013	2012
	RM'000	RM'000
Individual assessment allowance:		
Balance at beginning of the period/year	6,267	6,267
Allowance made during the period/year	11	205
Amount written back in respect of recoveries	(11)	(205)
Balance at end of the period/year	<u>6,267</u>	<u>6,267</u>

18. Other assets

	Group		Bank	
	30 June	31 December	30 June	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Amount due from brokers and clients				
- Non-margin accounts (a)	349,440	238,647	349,440	238,647
Amount due from ultimate holding company	25,250	8,074	25,250	8,074
Other debtors, deposits and prepayment	35,748	25,715	32,391	23,441
	<u>410,438</u>	<u>272,436</u>	<u>407,081</u>	<u>270,162</u>
Less: Allowance for doubtful debts	(10,202)	(8,914)	(7,881)	(6,428)
Total	<u>400,236</u>	<u>263,522</u>	<u>399,200</u>	<u>263,734</u>

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

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19. Other liabilities

	Group		Bank	
	30 June 2013 RM'000	31 December 2012 RM'000	30 June 2013 RM'000	31 December 2012 RM'000
Provisions and accruals	79,009	89,386	74,457	85,487
Provision for commitments and contingencies	6,619	6,619	6,619	6,619
Amount due to brokers and clients (a)	280,535	212,384	280,535	212,384
Deposits and other creditors	350,839	98,732	524,452	272,329
Total	717,002	407,121	886,063	576,819

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

20. Derivatives

(i) **Derivative assets**

	Group and Bank			
	30 June 2013		31 December 2012	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Commodity related derivatives:				
Commodity futures	-	-	4,291	96
Total	-	-	4,291	96

(ii) **Derivative liabilities**

	Group and Bank			
	30 June 2013		31 December 2012	
	Contract/ Notional amount RM'000	Fair value RM'000	Contract/ Notional amount RM'000	Fair value RM'000
Equity related derivatives:				
Index futures	707	5	2,527	10
Equity options	378,663	5,140	202,528	8,824
Commodity related derivatives:				
Commodity futures	-	-	5,041	53
Commodity options	5,537	1	40,790	66
Total	384,907	5,146	250,886	8,953

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20. Derivatives (Cont'd)

(iii) The Group and the Bank have recognised the fair value changes of the derivative assets and derivative liabilities as follows (Note 23):

	Group and Bank			
	Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Equity related derivatives:				
Index futures	(31)	731	(5)	5,253
Equity options	(231)	(99)	(13,588)	(99)
Commodity related derivatives:				
Commodity futures	(14)	-	-	-
Commodity options	605	-	2,531	-
Total	329	632	(11,062)	5,154

21. Interest income

	Group			
	Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	5,513	4,693	11,345	8,404
- Recoveries from impaired loans	30	17	63	34
Money at call and deposit placements with banks and other financial institutions	2,911	3,127	6,450	6,474
Securities held-for-trading	132	178	3,611	178
Securities available-for-sale	-	688	-	1,581
Others	26	-	50	-
	8,612	8,703	21,519	16,671
Amortisation of premiums less accretion of discounts, net	(25)	-	(140)	-
Total	8,587	8,703	21,379	16,671

	Bank			
	Quarter Ended		Cumulative 6 Months Ended	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	5,513	4,693	11,345	8,404
- Recoveries from impaired loans	30	17	63	34
Money at call and deposit placements with banks and other financial institutions	2,694	2,801	5,978	6,065
Securities held-for-trading	132	178	3,611	178
Securities available-for-sale	-	730	-	1,581
Others	26	-	50	-
	8,395	8,419	21,047	16,262
Amortisation of premiums less accretion of discounts, net	(25)	-	(140)	-
Total	8,370	8,419	20,907	16,262

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22. Interest expense

	Group and Bank Quarter Ended		Group and Bank Cumulative 6 Months Ended	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
	Deposits and placements of a licensed bank	3,016	3,486	8,071

23. Non-interest income

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Group				
Fee and commission income:				
Arranger and upfront fees	29,397	25,052	46,613	67,946
Brokerage income	52,156	36,561	84,374	72,311
Corporate advisory fees	14,341	52,515	23,149	60,320
Placement and related fees	19,541	35,510	51,175	40,270
Underwriting commission	-	8,710	341	9,757
Others	3,333	7,487	5,594	12,189
	118,768	165,835	211,246	262,793
Investment income:				
Realised gain/(loss) from sale of securities held-for-trading, net	140	(5,076)	1,739	(3,200)
Unrealised (loss)/gain on revaluation of securities held-for-trading, net	(1,039)	4,265	739	(1,800)
Realised gain from sale of derivative financial instruments, net	1,227	2,904	16,524	2,892
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	329	632	(11,062)	5,154
Realised gain from sale of securities available-for-sale, net	-	-	-	900
Gross dividends from:				
Securities available-for-sale				
- Quoted in Malaysia	312	592	312	641
- Quoted outside Malaysia	602	774	602	779
Securities held-for-trading				
- Quoted in Malaysia	304	-	521	-
	1,875	4,091	9,375	5,366
Other income:				
Unrealised foreign exchange (loss)/gain	(35)	1,605	131	1,039
Others	(215)	(221)	689	(10)
	(250)	1,384	820	1,029
Total	120,393	171,310	221,441	269,188

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

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Bank				
Fee and commission income:				
Arranger and upfront fees	29,397	25,052	46,613	67,946
Brokerage income	52,156	34,824	84,374	70,574
Corporate advisory fees	13,756	42,737	22,239	50,247
Placement and related fees	19,541	35,510	51,175	40,270
Underwriting commission	-	10,447	341	11,494
Others	3,333	7,487	5,594	12,189
	118,183	156,057	210,336	252,720
Investment income:				
Realised gain/(loss) from sale of securities held-for-trading, net	140	(5,076)	1,739	(3,973)
Unrealised (loss)/gain on revaluation of securities held-for-trading, net	(1,039)	4,265	739	(1,059)
Realised gain from sale of derivative financial instruments, net	1,227	2,904	16,524	2,924
Unrealised gain/(loss) on revaluation of derivative financial instruments, net (Note 20 (iii))	329	632	(11,062)	5,154
Realised gain from sale of securities available-for-sale, net	-	-	-	900
Gross dividends from:				
Securities available-for-sale				
- Quoted in Malaysia	312	592	312	641
Securities held-for-trading				
- Quoted in Malaysia	304	-	521	-
Gain from disposal of investment in associate	-	-	508	-
	1,273	3,317	9,281	4,587
Other income:				
Unrealised foreign exchange gain	375	772	710	548
Others	167	56	568	286
	542	828	1,278	834
Total	119,998	160,202	220,895	258,141

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24. Overhead expenses

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	42,333	61,958	93,816	98,809
- Pension costs - defined contribution plan	3,695	3,420	7,038	5,679
- Other staff related expenses	2,012	1,673	4,238	3,117
- Dealers' incentives	2,854	4,160	4,473	9,053
- Employee Share Scheme expenses	3,803	1,646	5,752	3,074
	54,697	72,857	115,317	119,732
Establishment costs				
- Depreciation of property, plant and equipment	877	799	1,641	1,591
- Amortisation of computer software	589	400	1,233	805
- Rental	2,761	2,377	5,162	4,485
- Repairs and maintenance of property, plant and equipment	1,848	1,609	3,735	3,124
- Information technology expenses	1,627	802	2,496	1,135
- Service chargeback	(4,594)	(6,395)	(8,239)	(7,312)
- Others	1,745	2,969	3,469	4,988
	4,853	2,561	9,497	8,816
Marketing costs				
- Advertisement and publicity	2,224	2,714	3,623	4,302
- Others	2,920	2,636	5,111	3,639
	5,144	5,350	8,734	7,941
Administration and general expenses				
- Fee and brokerage	3,604	3,411	6,422	6,252
- Administrative expenses	1,024	685	2,056	2,379
- General expenses	457	245	1,003	598
	5,085	4,341	9,481	9,229
Total	69,779	85,109	143,029	145,718

<u>Bank</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	42,333	61,958	93,816	98,809
- Pension costs - defined contribution plan	3,695	3,420	7,038	5,679
- Other staff related expenses	1,991	1,670	4,202	3,102
- Dealers' incentives	2,854	4,160	4,473	9,053
- Employee Share Scheme expenses	3,803	1,646	5,752	3,074
	54,676	72,854	115,281	119,717

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24. Overhead expenses (Cont'd)

<u>Bank</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Establishment costs				
- Depreciation of property, plant and equipment	873	794	1,633	1,579
- Amortisation of computer software	589	400	1,233	805
- Rental	2,762	2,376	5,163	4,447
- Repairs and maintenance of property, plant and equipment	1,848	1,609	3,735	3,124
- Information technology expenses	1,627	802	2,496	1,135
- Service chargeback	(6,043)	(6,395)	(11,971)	(7,312)
- Others	1,745	2,382	3,469	3,762
	3,401	1,968	5,758	7,540
Marketing costs				
- Advertisement and publicity	2,224	2,714	3,623	4,302
- Others	2,917	2,636	5,107	3,639
	5,141	5,350	8,730	7,941
Administration and general expenses				
- Fee and brokerage	3,626	3,391	6,368	6,213
- Administrative expenses	1,114	668	2,130	2,340
- General expenses	456	341	1,002	597
	5,196	4,400	9,500	9,150
Total	68,414	84,572	139,269	144,348

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

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Allowance for impaired loans and advances:				
Individual assessment allowance				
- Made during the period	-	(13)	(11)	(21)
- Written back during the period	6	5	11	13
Bad debts recovered	21	588	175	1,029
Writeback of/(allowance for) impairment on other debtors, net	377	(188)	(1,288)	(211)
Total	404	392	(1,113)	810
Bank				
Allowance for impaired loans and advances:				
Individual assessment allowance				
- Made during the period	-	(13)	(11)	(21)
- Written back during the period	6	5	11	13
Bad debts recovered	21	588	175	1,029
Allowance for impairment on other debtors, net	(301)	(188)	(1,453)	(211)
Total	(274)	392	(1,278)	810

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26. Capital adequacy

(I) Capital Adequacy Framework

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

Bank Negara Malaysia ("BNM") had on 28 November 2012 released the updated guidelines for the computation of capital and capital adequacy ratios in accordance with Capital Adequacy Framework (Capital Components) commencing from 1 January 2013 and subjected to transitional arrangements as set out in paragraphs 36.1 to 36.17 of the said frameworks.

The minimum regulatory capital adequacy ratios are set out as follows:

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

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

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

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the Total Capital Ratio.

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

	Group	Bank
<u>At 30 June 2013</u>	%	%
Capital ratios		
CET1 capital ratio	29.655	26.910
Tier 1 capital ratio	29.655	26.910
Total capital ratio	29.655	26.910
<u>At 31 December 2012</u>	%	%
Capital ratios		
Before deducting proposed dividends:		
Core capital ratio	40.30	38.34
Risk-weighted capital ratio	40.30	38.34
After deducting proposed dividends:		
Core capital ratio	30.73	27.78
Risk-weighted capital ratio	30.73	27.78

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

(I) Capital Adequacy Framework (Cont'd)

<u>At 30 June 2013</u>	Group RM'000	Bank RM'000
Regulatory capital		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	364,485	326,925
CET1 capital before regulatory adjustments	637,386	599,826
Less: Deferred tax assets	(13,600)	(14,669)
Intangible assets	(9,890)	(9,890)
Investment in subsidiaries ¹	-	(61,794)
Liquidity reserve ²	(5,776)	(5,776)
Other regulatory deductions	(7,792)	(7)
CET1 capital/Tier 1 capital/Total capital	600,328	507,690
<u>At 31 December 2012</u>	Group RM'000	Bank RM'000
Tier 1 capital		
Paid-up share capital	50,116	50,116
Share premium	172,669	172,669
Statutory reserves	50,116	50,116
Other reserves	444,462	413,937
Less: Deferred tax assets	(17,681)	(17,681)
Total Tier 1 capital/Total capital	699,682	669,157
Less: Investment in subsidiaries ¹	-	(61,794)
Liquidity reserve ²	(2,395)	(2,395)
Capital base³	697,287	604,968

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

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

³ For purpose of computation of capital adequacy ratio, the core capital is taken to be similar to the capital base.

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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 June 2013				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	398	398	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	821,707	821,707	185,909	14,873
Corporates	312,634	214,223	240,331	19,226
Regulatory retail	201,808	83,828	74,269	5,942
Higher risk assets	83,372	83,372	125,058	10,005
Other assets	144,566	144,566	59,207	4,737
Equity exposures	50	50	50	4
Total on-balance sheet exposures	1,564,535	1,348,144	684,824	54,787
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	673,509	673,509	275	22
Total off-balance sheet exposures	703,509	703,509	3,275	262
Total on and off-balance sheet exposures	2,268,044	2,051,653	688,099	55,049
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	105,050	8,404
Equity position risk	-	-	2,934	235
Foreign currency risk	-	-	73,518	5,881
Options risk	-	-	336,119	26,890
Total	-	-	517,621	41,410
(iii) <u>Operational Risk</u>				
	-	-	818,655	65,492
Total RWA and capital requirements	2,268,044	2,051,653	2,024,375	161,951

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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	Net Exposures	Risk-weighted assets	Capital requirements
31 December 2012	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	260	260	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	450,760	450,760	90,152	7,212
Corporates	341,725	341,725	340,140	27,211
Regulatory retail	194,216	194,216	182,688	14,615
Higher risk assets	92,014	92,014	138,021	11,042
Other assets	125,326	125,326	58,956	4,716
Equity exposures	233	233	233	19
Total on-balance sheet exposures	1,204,534	1,204,534	810,190	64,815
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	542,359	542,359	70	6
Total off-balance sheet exposures	572,359	572,359	3,070	246
Total on and off-balance sheet exposures	1,776,893	1,776,893	813,260	65,061
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	95,729	7,658
Commodity risk	-	-	2,528	202
Equity position risk	-	-	12,557	1,005
Foreign currency risk	-	-	70,696	5,656
Options risk	-	-	18,971	1,518
Total	-	-	200,481	16,039
(iii) <u>Operational Risk</u>				
	-	-	716,690	57,335
Total RWA and capital requirements	1,776,893	1,776,893	1,730,431	138,435

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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 June 2013				
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	398	398	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	764,935	764,935	174,554	13,964
Corporates	312,634	214,223	240,331	19,226
Regulatory retail	201,808	83,828	74,269	5,942
Higher risk assets	39,256	39,256	58,884	4,711
Other assets	143,397	143,397	58,040	4,643
Equity exposures	50	50	50	4
Total on-balance sheet exposures	1,462,478	1,246,087	606,128	48,490
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	673,509	673,509	275	22
Total off-balance sheet exposures	703,509	703,509	3,275	262
Total on and off-balance sheet exposures	2,165,987	1,949,596	609,403	48,752
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	105,050	8,404
Equity position risk	-	-	2,934	235
Foreign currency risk	-	-	26,251	2,100
Options risk	-	-	336,119	26,890
	-	-	470,354	37,629
(iii) <u>Operational Risk</u>	-	-	806,838	64,547
Total RWA and capital requirements	2,165,987	1,949,596	1,886,595	150,928

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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 2012	RM'000	RM'000	RM'000	RM'000
Exposure Class				
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	260	260	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	391,026	391,026	78,205	6,256
Corporates	341,725	341,725	340,140	27,211
Regulatory retail	194,216	194,216	182,687	14,615
Higher risk assets	43,404	43,404	65,106	5,208
Other assets	125,368	125,368	59,296	4,744
Equity exposures	233	233	233	19
Total on-balance sheet exposures	1,096,232	1,096,232	725,667	58,053
Off-balance sheet exposures:				
Underwriting of short-term debt securities exposures	30,000	30,000	3,000	240
Credit-related off-balance sheet exposures	542,359	542,359	70	6
Total off-balance sheet exposures	572,359	572,359	3,070	246
Total on and off-balance sheet exposures	1,668,591	1,668,591	728,737	58,299
(ii) <u>Market Risk</u>				
Interest rate risk	-	-	95,729	7,658
Commodity risk	-	-	2,528	202
Equity position risk	-	-	12,557	1,005
Foreign currency risk	-	-	17,497	1,400
Options risk	-	-	18,971	1,518
Total	-	-	147,282	11,783
(iii) <u>Operational Risk</u>				
	-	-	701,958	56,157
Total RWA and capital requirements	1,668,591	1,668,591	1,577,977	126,239

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26. Capital adequacy (Cont'd)

(III) The RWA and capital requirements for the various categories of market risk:

Group	30 June 2013		31 December 2012	
	Risk-weighted assets equivalent	Capital required	Risk-weighted assets equivalent	Capital required
	RM'000	RM'000	RM'000	RM'000
Interest rate risk	105,050	8,404	95,729	7,658
Commodity risk	-	-	2,528	202
Equity position risk	2,934	235	12,557	1,005
Foreign currency risk	73,518	5,881	70,696	5,656
Options risk	336,119	26,890	18,971	1,518
Total	517,621	41,410	200,481	16,039

Bank	30 June 2013		31 December 2012	
	Risk-weighted assets equivalent	Capital required	Risk-weighted assets equivalent	Capital required
	RM'000	RM'000	RM'000	RM'000
Interest rate risk	105,050	8,404	95,729	7,658
Commodity risk	-	-	2,528	202
Equity position risk	2,934	235	12,557	1,005
Foreign currency risk	26,251	2,100	17,497	1,400
Options risk	336,119	26,890	18,971	1,518
Total	470,354	37,629	147,282	11,783

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26. Capital adequacy (Cont'd)

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

Group	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns/ Central banks	Public Sector Entities	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk- weighted assets
30 June 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk weights										
0%	398	-	-	-	-	-	22,569	-	22,967	-
20%	-	-	749,816	-	-	-	78,487	-	828,303	165,661
50%	-	-	71,891	3,463	336	-	-	-	75,690	37,845
75%	-	-	-	-	41,691	-	-	-	41,691	31,268
100%	-	-	-	155,081	39,739	-	43,510	50	238,380	238,380
150%	-	-	-	55,679	2,062	83,372	-	-	141,113	211,670
Total exposures	398	-	821,707	214,223	83,828	83,372	144,566	50	1,348,144	684,824
Risk-weighted assets by exposures	-	-	185,909	240,331	74,269	125,058	59,207	50	684,824	
Average risk weights	0%	0%	23%	112%	89%	150%	41%	100%	51%	

Group	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns/ Central banks	Public Sector Entities	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk- weighted assets
31 December 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk weights										
0%	260	-	-	-	-	-	6	-	266	-
20%	-	-	450,760	-	-	-	82,584	-	533,344	106,669
50%	-	-	-	3,171	83	-	593	-	3,847	1,924
75%	-	-	-	-	46,712	-	-	-	46,712	35,034
100%	-	-	-	338,554	147,039	-	42,143	233	527,969	527,969
150%	-	-	-	-	382	92,014	-	-	92,396	138,594
Total exposures	260	-	450,760	341,725	194,216	92,014	125,326	233	1,204,534	810,190
Risk-weighted assets by exposures	-	-	90,152	340,140	182,688	138,021	58,956	233	810,190	
Average risk weights	0%	-	20%	100%	94%	150%	47%	100%	67%	

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26. Capital adequacy (Cont'd)

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

Bank	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns/ Central banks	Public Sector Entities	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk- weighted assets
Risk weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	398	-	-	-	-	-	22,567	-	22,965	-
20%	-	-	693,044	-	-	-	78,487	-	771,531	154,306
50%	-	-	71,891	3,463	336	-	-	-	75,690	37,845
75%	-	-	-	-	41,691	-	-	-	41,691	31,268
100%	-	-	-	155,081	39,739	-	42,343	50	237,213	237,213
150%	-	-	-	55,679	2,062	39,256	-	-	96,997	145,496
Total exposures	398	-	764,935	214,223	83,828	39,256	143,397	50	1,246,087	606,128
Risk-weighted assets by exposures	-	-	174,554	240,331	74,269	58,884	58,040	50	606,128	
Average risk weights	0%	0%	23%	112%	89%	150%	40%	100%	49%	

Bank	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns/ Central banks	Public Sector Entities	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk- weighted assets
Risk weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	260	-	-	-	-	-	5	-	265	-
20%	-	-	391,026	-	-	-	82,584	-	473,610	94,722
50%	-	-	-	3,171	83	-	-	-	3,254	1,627
75%	-	-	-	-	46,712	-	-	-	46,712	35,034
100%	-	-	-	338,554	147,039	-	42,779	233	528,605	528,605
150%	-	-	-	-	382	43,404	-	-	43,786	65,679
Total exposures	260	-	391,026	341,725	194,216	43,404	125,368	233	1,096,232	725,667
Risk-weighted assets by exposures	-	-	78,205	340,140	182,687	65,106	59,296	233	725,667	
Average risk weights	0%	-	20%	100%	94%	150%	47%	100%	66%	

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27. Commitments and Contingencies

Group and Bank	As at 30 June 2013			As at 31 December 2012		
	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
<u>Credit-related</u>						
Obligations under underwriting agreements	211,680	105,840	264,810	30,000	15,000	3,000
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	672,960	-	-	542,219	-	-
- Maturity exceeding one year	549	275	275	140	70	70
	885,189	106,115	265,085	572,359	15,070	3,070
<u>Derivative Financial Instruments</u>						
Equity related contracts						
- Less than one year	183,469	-	-	205,010	-	-
- One year to less than five years	195,900	-	-	45	-	-
Commodity related contracts						
- Less than one year	5,537	-	-	50,122	-	-
	384,906	-	-	255,177	-	-
Total commitments and contingencies	1,270,095	106,115	265,085	827,536	15,070	3,070

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

Contingent liabilities

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

Case 1

A corporate borrower had issued a writ of summons and statement of claim against the Bank in 2005 in the latter's capacity as agent bank for three financial institutions, claiming general, special and exemplary damages arising from alleged breach of duty owed by the Bank in connection with a syndicated facility.

The credit facilities consist of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million which were granted by the Bank and the three syndicated lenders. The loan was subsequently restructured to RM38.0 million with terms for repayment. In 2006, the Bank and the three syndicated lenders filed a suit against the corporate borrower for the recovery of the said credit facilities. The two claims were heard together.

The High Court had on 6 May 2009 entered Judgement against the Bank as agent for the syndicated lenders for, inter alia, a sum of RM115.5 million with interest at 6% per annum from date of disbursement to realisation, with the balance of the corporate borrower's claim (including general damages) ordered to be assessed at a later date. In the same Judgement, the recovery action by the Bank and the three syndicated lenders was also dismissed.

At this juncture, the Bank as one of the syndicated lenders has an exposure of RM48.0 million out of the RM115.5 million awarded pursuant to the Judgement.

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27. Commitments and Contingencies (Cont'd)

Contingent liabilities (Cont'd)

Case 1 (Cont'd)

The Bank filed an appeal against the Judgement and an application for stay of execution of the Judgement on 8 May 2009 ("Appeal"). On 24 June 2009, the Bank successfully obtained a stay order for execution of the Judgement pending the disposal of the Appeal against the Judgement. The corporate borrower's appeal to the Court of Appeal against the decision on the stay order was dismissed on 23 November 2009.

The hearing at the Court of Appeal was completed on 23 January 2013. The Court of Appeal has reserved their decision on the matter to be delivered on a later date.

The Bank's solicitors are of the view that the Bank has more than even chance of succeeding in the Appeal against the Judgement.

Case 2

Several holders of a bond ("bondholders") issued by a company served a Summons and Statement of Claim on 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.

The suit was served on the Bank on 7 November 2012. The Bank entered appearance on 20 November 2012 and filed its defence on 4 February 2013. The next case management date is 20 August 2013 while the hearing dates are fixed on 11 to 18 November 2013 and 21 November to 6 December 2013.

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

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28. Interest rate risk

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

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

Group	Up to 1	> 1 - 3	> 3 - 12	1 - 5	Over 5	Non-	Trading		Effective
30 June 2013	month	months	months	years	years	interest	book	Total	interest
	RM'000	RM'000	RM'000	RM'000	RM'000	sensitive	RM'000	RM'000	rate
						RM'000			%
Assets									
Cash and short-term funds	323,040	-	-	-	-	197,405	-	520,445	2.86
Deposits and placements with banks and other financial institutions	20	4,779	1,233	-	-	33,915	-	39,947	3.03
Securities held-for-trading	-	-	-	-	-	-	206,988	206,988	-
Securities available-for-sale	-	-	-	-	-	83,440	-	83,440	-
Securities held-to-maturity	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	293,770	1,518	2	755	9,239	4,689	-	309,973	6.31
- impaired*	-	-	-	-	-	753	-	753	-
Other assets	-	-	-	-	-	400,236	-	400,236	-
Other non-interest sensitive balances	-	-	-	-	-	65,568	-	65,568	-
Total assets	616,830	6,297	1,235	755	9,239	786,039	206,988	1,627,383	

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

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28. Interest rate risk (Cont'd)

Group (Cont'd) 30 June 2013	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities and equity									
Deposits and placements of a licensed bank	24,000	240,000	-	-	-	2,067	-	266,067	3.27
Derivative liabilities	-	-	-	-	-	-	5,146	5,146	-
Other liabilities	-	-	-	-	-	717,002	-	717,002	-
Other non-interest sensitive balances	-	-	-	-	-	1,782	-	1,782	-
Total liabilities	24,000	240,000	-	-	-	720,851	5,146	989,997	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	587,270	-	587,270	-
Total equity	-	-	-	-	-	637,386	-	637,386	
Total liabilities and equity	24,000	240,000	-	-	-	1,358,237	5,146	1,627,383	
On-balance sheet interest sensitivity gap	592,830	(233,703)	1,235	755	9,239	(572,198)	201,842	-	
Total interest sensitivity gap	592,830	(233,703)	1,235	755	9,239	(572,198)	201,842	-	
Cumulative interest rate sensitivity gap	592,830	359,127	360,362	361,117	370,356	(201,842)	-		

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28. Interest rate risk (Cont'd)

<u>Group</u> 31 December 2012	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	226,668	-	-	-	-	103,474	-	330,142	2.83
Deposits and placements with banks and other financial institutions	20	-	1,233	-	-	36,320	-	37,573	3.15
Securities held-for-trading	-	-	-	-	-	-	181,862	181,862	-
Securities available-for-sale	-	-	-	-	-	87,527	-	87,527	-
Securities held-to-maturity	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	360,012	-	4	750	10,235	4,237	-	375,238	6.38
- impaired*	-	-	-	-	-	742	-	742	-
Other assets	-	-	-	-	-	263,522	-	263,522	-
Derivative assets	-	-	-	-	-	-	96	96	-
Other non-interest sensitive balances	-	-	-	-	-	47,938	-	47,938	-
Total assets	586,700	-	1,237	750	10,235	543,793	181,958	1,324,673	

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

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28. Interest rate risk (Cont'd)

Group (Cont'd)	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
31 December 2012									
Liabilities and equity									
Deposits and placements of a licensed bank	150,000	-	-	-	-	50	-	150,050	3.06
Derivative liabilities	-	-	-	-	-	-	8,953	8,953	-
Other liabilities	-	-	-	-	-	407,121	-	407,121	-
Other non-interest sensitive balances	-	-	-	-	-	28,332	-	28,332	-
Total liabilities	150,000	-	-	-	-	435,503	8,953	594,456	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	680,101	-	680,101	-
Total equity	-	-	-	-	-	730,217	-	730,217	
Total liabilities and equity	150,000	-	-	-	-	1,165,720	8,953	1,324,673	
On-balance sheet interest sensitivity gap	436,700	-	1,237	750	10,235	(621,927)	173,005	-	
Total interest sensitivity gap	436,700	-	1,237	750	10,235	(621,927)	173,005	-	
Cumulative interest rate sensitivity gap	436,700	436,700	437,937	438,687	448,922	(173,005)	-		

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28. Interest rate risk (Cont'd)

Bank	Up to 1	> 1 - 3	> 3 - 12	1 - 5	Over 5	Non-	Trading	Total	Effective
30 June 2013	month	months	months	years	years	interest	book	RM'000	interest
	RM'000	RM'000	RM'000	RM'000	RM'000	sensitive	RM'000	RM'000	rate
						RM'000			%
Assets									
Cash and short-term funds	310,740	-	-	-	-	154,209	-	464,949	2.87
Deposits and placements with banks and other financial institutions	-	4,779	-	-	-	33,890	-	38,669	3.05
Securities held-for-trading	-	-	-	-	-	-	206,988	206,988	-
Securities available-for-sale	-	-	-	-	-	39,325	-	39,325	-
Securities held-to-maturity	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	293,770	1,518	2	755	9,239	4,689	-	309,973	6.31
- impaired*	-	-	-	-	-	753	-	753	-
Other assets	-	-	-	-	-	399,200	-	399,200	-
Other non-interest sensitive balances	-	-	-	-	-	297,925	-	297,925	-
Total assets	604,510	6,297	2	755	9,239	930,024	206,988	1,757,815	

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

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28. Interest rate risk (Cont'd)

Bank (Cont'd) 30 June 2013	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities and equity									
Deposits and placements of a licensed bank	24,000	240,000	-	-	-	2,067	-	266,067	3.27
Derivative liabilities	-	-	-	-	-	-	5,146	5,146	-
Other liabilities	-	-	-	-	-	886,063	-	886,063	-
Other non-interest sensitive balances	-	-	-	-	-	713	-	713	-
Total liabilities	24,000	240,000	-	-	-	888,843	5,146	1,157,989	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	549,710	-	549,710	-
Total equity	-	-	-	-	-	599,826	-	599,826	
Total liabilities and equity	24,000	240,000	-	-	-	1,488,669	5,146	1,757,815	
On-balance sheet interest sensitivity gap	580,510	(233,703)	2	755	9,239	(558,645)	201,842	-	
Total interest sensitivity gap	580,510	(233,703)	2	755	9,239	(558,645)	201,842	-	
Cumulative interest rate sensitivity gap	580,510	346,807	346,809	347,564	356,803	(201,842)	-		

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28. Interest rate risk (Cont'd)

<u>Bank</u> 31 December 2012	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	192,040	-	-	-	-	79,602	-	271,642	2.86
Deposits and placements with banks and other financial institutions	-	-	-	-	-	36,312	-	36,312	-
Securities held-for-trading	-	-	-	-	-	-	181,862	181,862	-
Securities available-for-sale	-	-	-	-	-	39,435	-	39,435	-
Securities held-to-maturity	-	-	-	-	-	33	-	33	-
Loans and advances									
- performing	360,012	-	4	750	10,235	4,237	-	375,238	6.38
- impaired*	-	-	-	-	-	742	-	742	-
Other assets	-	-	-	-	-	263,734	-	263,734	-
Derivative assets	-	-	-	-	-	-	96	96	-
Other non-interest sensitive balances	-	-	-	-	-	280,542	-	280,542	-
Total assets	552,052	-	4	750	10,235	704,637	181,958	1,449,636	

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

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28. Interest rate risk (Cont'd)

Bank (Cont'd)	Up to 1	> 1 - 3	> 3 - 12	1 - 5	Over 5	Non-	Trading	Total	Effective
31 December 2012	month	months	months	years	years	interest	book	RM'000	interest
	RM'000	RM'000	RM'000	RM'000	RM'000	sensitive	RM'000	RM'000	rate
						RM'000			%
Liabilities and equity									
Deposits and placements of a licensed bank	150,000	-	-	-	-	50	-	150,050	3.06
Derivative liabilities	-	-	-	-	-	-	8,953	8,953	-
Other liabilities	-	-	-	-	-	576,819	-	576,819	-
Other non-interest sensitive balances	-	-	-	-	-	26,977	-	26,977	-
Total liabilities	150,000	-	-	-	-	603,846	8,953	762,799	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	636,721	-	636,721	-
Total equity	-	-	-	-	-	686,837	-	686,837	
Total liabilities and equity	150,000	-	-	-	-	1,290,683	8,953	1,449,636	
On-balance sheet interest sensitivity gap	402,052	-	4	750	10,235	(586,046)	173,005	-	
Total interest sensitivity gap	402,052	-	4	750	10,235	(586,046)	173,005	-	
Cumulative interest rate sensitivity gap	402,052	402,052	402,056	402,806	413,041	(173,005)	-		

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29. Net income from Islamic Banking Scheme operations

Unaudited Statements of Financial Position as at 30 June 2013

	Notes	Group and Bank	
		30 June 2013 RM'000	31 December 2012 RM'000
ASSETS			
Cash and short-term funds		40,376	37,709
Securities held-for-trading	(a)	188,000	-
Other assets	(b)	127,750	115,510
Total assets		356,126	153,219
LIABILITIES			
Other liabilities	(c)	188,129	143
Provision for taxation and zakat		25,038	21,528
Total liabilities		213,167	21,671
ISLAMIC BANKING FUND			
Islamic banking capital fund		5,000	5,000
Reserves		137,959	126,548
		142,959	131,548
Total liabilities and Islamic banking fund		356,126	153,219

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

Unaudited Statements of Comprehensive Income
For the Second Quarter Ended 30 June 2013

Group and Bank	Notes	Quarter Ended		Cumulative 6 Months Ended	
		30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Income derived from investment of Islamic banking capital funds	(d)	8,004	63,440	26,274	97,623
Income attributable to the Group and the Bank		8,004	63,440	26,274	97,623
Overhead expenses	(e)	(2,913)	(18,344)	(10,872)	(37,917)
Profit before taxation and zakat		5,091	45,096	15,402	59,706
Taxation		(1,273)	(11,273)	(3,851)	(25,821)
Zakat		(43)	(384)	(140)	(879)
Net profit for the period		3,775	33,439	11,411	33,006
Total comprehensive income for the period		3,775	33,439	11,411	33,006

Unaudited Statements of Changes in Equity
For the Second Quarter Ended 30 June 2013

Group and Bank	Islamic banking capital fund RM'000	Distributable retained profits RM'000	Total RM'000
At 1 January 2013	5,000	126,548	131,548
Profit for the period	-	11,411	11,411
Total comprehensive income for the period	-	11,411	11,411
At 30 June 2013	5,000	137,959	142,959
At 1 January 2012	5,000	66,514	71,514
Profit for the period	-	33,006	33,006
Total comprehensive income for the period	-	33,006	33,006
At 30 June 2012	5,000	99,520	104,520

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

Unaudited Statements of Cash Flows
For the Second Quarter Ended 30 June 2013

	Group and Bank	
	30 June	30 June
	2013	2012
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation and zakat	15,402	59,706
Increase in securities held-for-trading	(188,000)	(157,093)
Increase in receivables	(12,240)	(183,269)
Increase in payables	187,505	293,507
Net cash generated from operating activities	2,667	12,851
Net increase in cash and cash equivalents	2,667	12,851
Cash and cash equivalents at beginning of the period	37,709	10,258
Cash and cash equivalents at end of the period	40,376	23,109
(a) Securities held-for-trading	Group and Bank	
	30 June	31 December
	2013	2012
	RM'000	RM'000
Unquoted Securities:		
Private debt securities in Malaysia	188,000	-
(b) Other assets	Group and Bank	
	30 June	31 December
	2013	2012
	RM'000	RM'000
Debtors and prepayments	127,750	115,510
(c) Other liabilities	Group and Bank	
	30 June	31 December
	2013	2012
	RM'000	RM'000
Provisions and accruals	188,129	143

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

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

	Group and Bank Quarter Ended		Group and Bank Cumulative 6 Months Ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	RM'000	RM'000	RM'000	RM'000
Gross income from:				
- Securities held-for-trading	190	119	1,094	119
- Securities available-for-sale	-	-	-	206
- Deposits and placements with financial institutions	233	338	356	553
- Realised gain from sale of securities available-for-sale, net	2,335	7,885	12,198	76,843
- Unrealised gain on revaluation of securities held-for-trading, net	-	1,975	-	1,975
Fee and commission income from:				
- Arranger and upfront fee	2,403	50,991	7,503	14,406
- Corporate advisory fee	135	150	387	330
- Brokerage income	1,658	120	2,649	879
- Other fee income	1,050	503	2,087	953
Others	-	1,359	-	1,359
Total	8,004	63,440	26,274	97,623

(e) Overhead expenses

	Group and Bank Quarter Ended		Group and Bank Cumulative 6 Months Ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	2,782	18,035	10,996	42,790
Establishment costs				
- Service chargeback	(467)	(1,520)	(1,898)	(9,457)
- Other establishment costs	253	733	831	1,999
Marketing costs	230	587	541	1,199
Administration and general expenses	115	509	402	1,386
Total	2,913	18,344	10,872	37,917

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

(f) Capital adequacy

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

	Group and Bank %
<u>At 30 June 2013</u>	
Capital ratios	
CET1 capital ratio	36.998
Tier 1 capital ratio	36.998
Total capital ratio	36.998
<u>At 31 December 2012</u>	
Capital ratios	
Core capital ratio	56.25
Risk-weighted capital ratio	56.25
<u>At 30 June 2013</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained profits	137,959
CET1 capital before regulatory adjustments	142,959
Less: Liquidity reserve	(5,776)
CET1 capital/Tier 1 capital/Total capital	137,183
<u>At 31 December 2012</u>	
Tier 1 capital	
Islamic banking capital fund	5,000
Retained profits	126,548
Capital base	131,548

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

(f) Capital adequacy (Cont'd)

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

<u>Group and Bank</u>				
30 June 2013	Gross exposures	Net exposures	Risk-weighted assets	Capital requirements
Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	170	170	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	40,206	40,206	8,041	643
Other assets	291,031	291,031	90,217	7,217
Total on-balance sheet exposures	331,407	331,407	98,258	7,860
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	331,407	331,407	98,258	7,860
(ii) <u>Market Risk</u>				
Profit rate risk	-	-	105,050	8,404
(iii) <u>Operational Risk</u>				
	-	-	167,472	13,398
Total RWA and capital requirements	331,407	331,407	370,780	29,662
 <u>Group and Bank</u>				
31 December 2012	Gross exposures	Net exposures	Risk-weighted assets	Capital requirements
Exposure Class	RM'000	RM'000	RM'000	RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	106	106	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	37,603	37,603	7,520	601
Other assets	216,249	216,249	75,258	6,021
Total on-balance sheet exposures	253,958	253,958	82,778	6,622
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	253,958	253,958	82,778	6,622
(ii) <u>Operational Risk</u>				
	-	-	151,096	12,088
Total RWA and capital requirements	253,958	253,958	233,874	18,710

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

(f) Capital adequacy (Cont'd)

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

Group and Bank	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns/ Central banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk- weighted assets
30 June 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk weights									
0%	170	-	-	-	-	-	-	170	-
20%	-	40,206	-	-	-	251,018	-	291,224	58,245
100%	-	-	-	-	-	40,013	-	40,013	40,013
Total exposures	170	40,206	-	-	-	291,031	-	331,407	98,258
Risk-weighted assets by exposures	-	8,041	-	-	-	90,217	-	98,258	
Average risk weights	0%	20%	0%	0%	0%	31%	0%	30%	

Group and Bank	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns/ Central banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk- weighted assets
31 December 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk weights									
0%	106	-	-	-	-	-	-	106	-
20%	-	37,603	-	-	-	176,239	-	213,842	42,768
100%	-	-	-	-	-	40,010	-	40,010	40,010
Total exposures	106	37,603	-	-	-	216,249	-	253,958	82,778
Risk-weighted assets by exposures	-	7,520	-	-	-	75,258	-	82,778	
Average risk weights	0%	20%	0%	0%	0%	35%	0%	33%	

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

(g) Yield/profit rate risk on IBS portfolio

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

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

Group and Bank	Up to 1	> 1 - 3	> 3 - 12	1 - 5	Over 5	Non-yield/ profit rate	Trading	Total	Effective
30 June 2013	month	months	months	years	years	sensitive	book	RM'000	yield/profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate
									%
Assets									
Cash and short-term funds	40,200	-	-	-	-	176	-	40,376	2.95
Securities held-for-trading	-	-	-	-	-	-	188,000	188,000	-
Other assets	-	-	-	-	-	127,750	-	127,750	-
Total assets	40,200	-	-	-	-	127,926	188,000	356,126	
Liabilities and Islamic banking fund									
Other liabilities	-	-	-	-	-	213,167	-	213,167	-
Total liabilities	-	-	-	-	-	213,167	-	213,167	
Reserves	-	-	-	-	-	137,959	-	137,959	-
Islamic banking fund	-	-	-	-	-	5,000	-	5,000	-
Total Islamic banking fund	-	-	-	-	-	142,959	-	142,959	
Total liabilities and Islamic banking fund	-	-	-	-	-	356,126	-	356,126	
Total yield/profit rate sensitivity gap	40,200	-	-	-	-	(228,200)	188,000	-	
Cumulative yield/profit rate sensitivity gap	40,200	40,200	40,200	40,200	40,200	(188,000)	-	-	

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

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

<u>Group and Bank</u> 31 December 2012	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	37,600	-	-	-	-	109	-	37,709	2.95
Other assets	-	-	-	-	-	115,510	-	115,510	-
Total assets	37,600	-	-	-	-	115,619	-	153,219	
Liabilities and Islamic banking fund									
Other liabilities	-	-	-	-	-	21,671	-	21,671	-
Total liabilities	-	-	-	-	-	21,671	-	21,671	
Reserves	-	-	-	-	-	126,548	-	126,548	-
Islamic banking fund	-	-	-	-	-	5,000	-	5,000	-
Total Islamic banking fund	-	-	-	-	-	131,548	-	131,548	
Total liabilities and Islamic banking fund	-	-	-	-	-	153,219	-	153,219	
Total yield/profit rate sensitivity gap	37,600	-	-	-	-	(37,600)	-	-	
Cumulative yield/profit rate sensitivity gap	37,600	37,600	37,600	37,600	37,600	-	-		

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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 balance sheet 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 Islamic Financial Services Act 2013 ("the Act"), which stipulates that "any licensed institution carrying on Islamic financial business, in addition to its existing licensed business may, from time to time seek the advise of the Shariah Advisory Council ("SAC") established under subsection (7) of the Act, on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam" and Section IV of BNM's "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" known as Shariah Governance Framework ("SGF") (which supersedes the BNM/GPS 1), stipulates that "every Islamic institution is required to establish a Shariah Committee".

Based on the above, the duties and responsibilities of the Group's and of the Bank's Shariah Committee are to advise on the overall Islamic Banking operations of the Group's and of 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 six (31 December 2012: five) Shariah committee 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 using observable inputs

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 less liquid equities.

(c) Level 3: Valuation techniques using significant unobservable inputs

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 Banks' own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

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 June 2013 and 31 December 2012.

Group	Quoted Market Price (Level 1) RM'000	<u>Valuation technique using</u>		Total RM'000
		Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 30 June 2013				
Financial assets measured at fair value:				
Securities held-for-trading				
Non-money market instruments	18,988	188,000	-	206,988
Securities available-for-sale				
Non-money market instruments	44,183	39,257	-	83,440
	63,171	227,257	-	290,428
Financial liabilities measured at fair value:				
Derivative liabilities				
Equity and commodity related contracts	3,692	1,454	-	5,146

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

Group	Quoted Market Price (Level 1) RM'000	Valuation technique using		Total RM'000
		Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 31 December 2012				
Financial assets measured at fair value:				
Securities held-for-trading				
Non-money market instruments	32,120	149,742	-	181,862
Securities available-for-sale				
Non-money market instruments	48,323	39,204	-	87,527
Derivative assets				
Commodity related contracts	96	-	-	96
	<u>80,539</u>	<u>188,946</u>	<u>-</u>	<u>269,485</u>

Financial liabilities measured at fair value:

Derivative liabilities				
Equity and commodity related contracts	8,746	207	-	8,953
	<u>8,746</u>	<u>207</u>	<u>-</u>	<u>8,953</u>

Bank	Quoted Market Price (Level 1) RM'000	Valuation technique using		Total RM'000
		Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
As at 30 June 2013				
Financial assets measured at fair value:				
Securities held-for-trading				
Non-money market instruments	18,988	188,000	-	206,988
Securities available-for-sale				
Non-money market instruments	68	39,257	-	39,325
	<u>19,056</u>	<u>227,257</u>	<u>-</u>	<u>246,313</u>
Financial liabilities measured at fair value:				
Derivative liabilities				
Equity and commodity related contracts	3,692	1,454	-	5,146
	<u>3,692</u>	<u>1,454</u>	<u>-</u>	<u>5,146</u>

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

Bank As at 31 December 2012	Quoted Market Price (Level 1) RM'000	Valuation technique using		Total RM'000
		Observable Inputs (Level 2) RM'000	Unobservable Inputs (Level 3) RM'000	
Financial assets measured at fair value:				
Securities held-for-trading				
Non-money market instruments	32,120	149,742	-	181,862
Securities available-for-sale				
Non-money market instruments	231	39,204	-	39,435
Derivative assets				
Commodity related contracts	96	-	-	96
	<u>32,447</u>	<u>188,946</u>	<u>-</u>	<u>221,393</u>
Financial liabilities measured at fair value:				
Derivative liabilities				
Equity and commodity related contracts	8,746	207	-	8,953
	<u>8,746</u>	<u>207</u>	<u>-</u>	<u>8,953</u>

Valuation techniques

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

Derivatives

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

Securities held-for-trading and available-for-sale

The fair values of securities portfolio are determined by reference to prices quoted by independent data providers and independent broker quotations.