

**MAYBANK ISLAMIC BERHAD  
(787435-M)  
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements  
30 June 2009**

Ernst & Young  
AF : 0039

**787435-M**

**Maybank Islamic Berhad  
(Incorporated in Malaysia)**

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**Maybank Islamic Berhad  
(Incorporated in Malaysia)**

**Directors' report**

The directors have pleasure in presenting their report together with the audited financial statements of the Bank for the financial year ended 30 June 2009.

**Principal activities**

The Bank was incorporated under the Islamic Banking Act 1983.

The holding company of the Bank is Malayan Banking Berhad ("Maybank"), a licensed Bank incorporated in Malaysia and listed on the Main Board of Bursa Malaysia.

The Bank is principally engaged in the business of Islamic Banking and the provision of related financial services.

**Results**

	<b>Bank RM'000</b>
Profit before taxation and zakat	475,595
Taxation and zakat	(118,176)
Profit for the year	<u>357,419</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statement of changes in equity.

In the opinion of the directors, the results of the operations of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

**Performance review**

The Bank recorded a profit before taxation and zakat of RM475.6 million for financial year ended 30 June 2009, a significant increase from RM155.8 million profit reported in the previous financial period. Consistent with higher profit for the financial year, earning per share rose to 345.7 sen from 116.0 sen in 2008.

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**Performance review (cont'd.)**

Total income of RM1,657.3 million comprising RM1,525.5 million income derived from investment of depositors' funds and RM131.8 million income derived from shareholder's funds, was higher than RM752.2 million posted for the last financial period. Total overhead expenditures for the financial year ended 30 June 2009 were RM352.9 million (2008: RM192.1 million), of which 87.8% were overhead expenditures related to shared services cost paid/payable to Maybank. Return on equity was 16.8% compared to 6.9% in the previous financial period.

The Bank's total assets rose to RM34.0 billion, an increase of RM7.1 billion against previous period, mainly due to expansion in financing and advances, cash and short-term funds and securities portfolio.

Total financing assets grew by RM4.4 billion from RM20.9 billion registered in 2008 to RM25.3 billion, largely due substantial increase in hire purchase receivables and other term financing portfolios. Deposits from customer escalated by RM5.6 billion to close at RM24.3 billion as at 30 June 2009 from RM18.7 billion as at previous financial period as a result of aggressive efforts in mobilising deposits.

Total net non-performing financing ("NPF") dropped significantly to RM484.2 million at end of June 2009 from RM556.8 million at end of 2008. The improvement has resulted in net NPF ratio to drop to 1.88% from 2.62% registered in last financial year.

As at 30 June 2009, the Bank's Risk-Weighted Capital Ratio was 11.56% against 9.67% in the previous financial year.

**Business plan and outlook**

The Bank is optimistic that the economy will further improve in the second-half of calendar year 2009 having witnessed steady improvement in stock market indices and increased consumer confident level suggesting that the global recession may be toward its end. Notwithstanding the above, the Islamic banking industry is expected to continue its strong momentum with continued prediction of double-digit growth in financing assets and deposits in light of the softening of profit rates. The Bank is confident that the Islamic banking industry is set to achieve the target 20% contribution to the overall banking sector's assets by 2010 from where it is now about 18% of the banking sector's assets.

The Bank will continue to leverage on infrastructure within the Maybank Group to continue broaden its customer's base and provide our customers with comprehensive Shariah compliant financial solutions. While focusing on growth in the targeted segments, the Bank will introduce new and innovative products to provide its customers with wider choices and will strive to manage its costs actively optimising on efficient delivery services.

For financial year 2009/2010, the Bank has set the following broad plans and strategies to support the achievement of its financial and key operational targets:

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**Business plan and outlook (cont'd.)**

- (1) Grow selected profitable business by diversifying and reconfiguring overall portfolio concentration;
- (2) Embark on prudent liquidity management targeting at mobilising cheaper source of funding and optimise cost management focusing on effective return from sharing of operational business and support infrastructure of Maybank;
- (3) Strengthen asset quality through proactive management and remedial of non performing financing assets;
- (4) Position the Bank as the leading brand in Islamic financial services industry.

**Dividends**

The directors do not recommend the payment of any dividend in respect of the current financial year.

**Issue of share capital**

On 19 December 2008, the issued and paid-up share capital of the Bank was increased from RM100,000,000 to RM104,000,000 via a rights issue of 4,000,000 new ordinary shares of RM1.00 each at a premium of RM49.00 per shares on the basis of one new share for every twenty five existing ordinary shares held, to Maybank.

On 22 April 2009, the issued and paid-up share capital of the Bank was increased from RM104,000,000 to RM110,500,000 via a rights issue of 6,500,000 new ordinary shares of RM1.00 each at a premium of RM45.00 per shares on the basis of one new share for every sixteen existing ordinary shares held, to Maybank.

**Directors**

The directors of the Company in office since the date of the last report and at the date of this report are:

Haji Mohd Hashir bin Haji Abdullah

Teh Soon Poh

Datuk Dr Syed Othman bin Syed Hussin Al-Habshi

Datuk Johar bin Che Mat

Datuk Abdul Rahman bin Mohd Ramli

(resigned on 31 March 2009)

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**Directors' benefits**

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than the share options granted pursuant to the Maybank Group Employee Share Option Scheme.

No director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors of the Bank as disclosed in Note 25 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

**Directors' interests**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and share options in the holding company, Maybank, during the financial year were as follows:

**Number of ordinary shares of RM1 each**

	<b>1.7.2008</b>	<b>Exercise of ESOS</b>	<b>Bonus/ Rights issue</b>	<b>Sold</b>	<b>30.6.2009</b>
Haji Mohd Hashir bin Haji Abdullah	176,250	79,950	-	-	256,200
Teh Soon Poh	181,500	-	-	10,900	170,600
Datuk Johar bin Che Mat	146,250	-	65,800	-	212,050

**Number of options over ordinary shares of  
RM1 each**

	<b>Exercise price RM</b>	<b>1.7.2008</b>	<b>Granted under ESOS</b>	<b>Exercised</b>	<b>30.6.2009</b>
Haji Mohd Hashir bin Haji Abdullah	10.19	35,000	13,900	-	48,900
Teh Soon Poh	10.19	25,000	9,900	-	34,900
Datuk Johar bin Che Mat	10.19	16,900	-	-	16,900

**Rating by external rating agencies**

No rating has been conducted by external agencies on the Bank.

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**Other statutory information**

- (a) Before the balance sheets and income statements of the Bank were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing and satisfied themselves that all known bad financing had been written off and that adequate allowance had been made for doubtful financing; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render:
  - (i) the amount written off for bad financing or the amount of the allowance for doubtful financing in the financial statements of the Bank inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Bank misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Bank.

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**Other statutory information (cont'd.)**

(f) In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Bank to meet their obligations as and when they fall due; and
- (ii) no item or transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Bank for the financial year in which this report is made.

**Shariah committee**

The operation of the Bank is governed by Section 5(b) of the Islamic Banking Act, 1983 ("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 advice of the Shariah Advisory Council ("SAC") of Bank Negara Malaysia established under the Act, on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam" and Section IV of BNM's "Guidelines on the Governance of Shariah Committee for The Islamic Financial Institutions" known as BNM/GPS 1, stipulates that "Every Islamic institution is required to establish a Shariah Committee".

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

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

- (a) To advise the Board on Shariah matters in its business operations.
- (b) To endorse Shariah Compliance Manual.
- (c) To endorse and validate relevant documentations.
- (d) To assist related parties on Shariah matters for advice upon request.
- (e) To advise on matters to be referred to the SAC.
- (f) To provide written Shariah opinion.
- (g) To assist the SAC on reference for advice.



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**Zakat obligation**

The Bank only pays zakat on its business. The Bank does not pay zakat on behalf of the shareholders or depositors.

**Auditors**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 August 2009.



Haji Mohd Hashir bin Haji Abdullah



Datuk Dr Syed Othman bin Syed Hussin Al-Habshi

Kuala Lumpur, Malaysia

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**Statement by directors**


**Pursuant to Section 169(15) of the Companies Act, 1965**

We, Haji Mohd Hashir bin Haji Abdullah and Datuk Dr Syed Othman bin Syed Hussin Al-Habshi and, being two of the Directors of Maybank Islamic Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 12 to 61 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines and Shariah principles so as to give a true and fair view of the state of affairs of the Bank as at 30 June 2009 and of the results and the cash flows of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 August 2009.



Haji Mohd Hashir bin Haji Abdullah



Datuk Dr Syed Othman bin Syed Hussin Al-Habshi

Kuala Lumpur, Malaysia

**Statutory declaration**

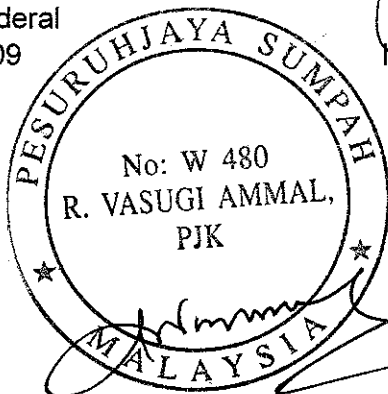
**Pursuant to Section 169(16) of the Companies Act, 1965**

I, Ibrahim bin Hassan, being the officer primarily responsible for the financial management of Maybank Islamic Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 61 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Ibrahim bin Hassan  
at Kuala Lumpur in the Federal  
Territory on 28 August 2009

  
Ibrahim bin Hassan

Before me,



No: 72, Tkt. 3,  
Jalan Mega Mendung,  
Bandar Kompleks,  
58200 Kuala Lumpur.

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**Shariah Committee's Report**

In the Name of Allah, The Compassionate, The Most Merciful

All Praise is due to Allah, the Cherisher of the World, and the Peace and Blessing be upon the Prophet of Allah, his Family and all his Companions

We, Dr. Mohammad Deen bin Mohd Napiah and Dr. Ismail bin Mohd @ Abu Hassan, being two of the members of the Shariah Committee of Maybank Islamic Berhad, do hereby confirm on behalf of the Committee that we have provided Shariah advisory services and consultation on various business and operational aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.


We are of the opinion that:

- (a) New products, business initiatives and enhanced processes introduced by the Bank during the year ended 30 June 2009 are in compliance with Shariah rules and principles.
- (b) The contracts, transactions and dealings entered into by the Bank during the year ended 30 June 2009, that we have reviewed are in compliance with the Shariah rules and principles.
- (c) The main funding sources business and investment activities of the Bank disclosed to us conform to the basis that had been approved by us as well as in accordance with the Shariah rules and principles.
- (d) Financial statements of the Bank for the year ended 30 June 2009 together with the calculation of Zakat disclosed to us is in compliance with the Shariah rules and principles.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

We beg Allah the Almighty to Grant us all the Success and Straight-Forwardness And Allah Knows Best

On behalf of the Committee

  
**Assistant Prof. Dr. Mohammad Deen  
bin Mohd Napiah**

  
**Assistant Prof. Dr. Ismail  
bin Mohd @ Abu Hassan**

Kuala Lumpur, Malaysia  
28 August 2009

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**Independent auditors' report to the members of  
Maybank Islamic Berhad  
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**Report on the financial Statements**

We have audited the financial statements of Maybank Islamic Berhad, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 61.

*Directors' responsibility for the financial statements*

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Independent auditors' report to the members of  
Maybank Islamic Berhad (cont'd.)  
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*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines and the principles of Shariah so as to give a true and fair view of the financial position of the Bank as at 30 June 2009 and of its financial performance and cash flows for the year then ended.

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

**Other matters**

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

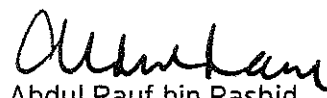


Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia  
28 August 2009



Abdul Rauf bin Rashid

No. 2305/05/10(J)

Chartered Accountant

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**Balance sheet as at 30 June 2009**

	Note	30.6.2009 RM'000	Restated 30.6.2008 RM'000
<b>Assets</b>			
Cash and short-term funds	5	4,125,960	2,282,360
Deposits and placements with banks and other financial institutions	6	421	1,261
Securities portfolio	7	4,102,498	2,715,435
Financing and advances	8	25,302,763	20,897,966
Derivative assets	13	23,641	45,185
Other assets	9	207,013	180,399
Statutory deposits with Bank Negara Malaysia	10	206,000	775,000
Deferred tax assets	17	58,304	27,114
<b>Total Assets</b>		<b>34,026,600</b>	<b>26,924,720</b>
<b>Liabilities</b>			
Deposits from customers	11	24,289,832	18,710,572
Deposits and placements of banks and other financial institutions	12	2,947,095	3,590,978
Deposits and placements of holding company		3,206,071	2,000,000
Bills and acceptances payable		2,931	390,110
Derivative liabilities	13	27,138	45,200
Other liabilities	14	970,184	456,255
Provision for taxation and zakat	16	24,888	46,765
<b>Total liabilities</b>		<b>31,468,139</b>	<b>25,239,880</b>
<b>Equity attributable to equity holder of the bank</b>			
Share capital	18	110,500	100,000
Reserves	19	2,447,961	1,584,840
		<b>2,558,461</b>	<b>1,684,840</b>
<b>Total liabilities and shareholder's equity</b>		<b>34,026,600</b>	<b>26,924,720</b>
<b>Commitments and contingencies</b>	29	<b>15,234,088</b>	<b>8,728,220</b>
<b>Capital adequacy</b>			
Core capital ratio	32	9.85%	8.07%
Risk-weighted capital ratio		11.56%	9.67%

The accompanying notes form an integral part of the financial statements.

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**Income statement**  
**For the year ended 30 June 2009**

			<b>5.9.2007</b> <b>(Date of</b> <b>incorporation)</b>
	<b>Note</b>	<b>30.6.2009</b> <b>RM'000</b>	<b>to 30.6.2008</b> <b>RM'000</b>
Income derived from investment of depositors' funds	20	1,525,511	692,951
Income derived from investment of shareholder's funds	21	131,826	59,256
Allowance for losses on financing and advances	22	(198,653)	(113,978)
Profit equalisation reserve	15	20,435	10,225
Other expenses directly attributable to depositors' & shareholder's fund		(14,719)	(5,601)
Total distributable income		1,464,400	642,853
Income attributable to the depositors	23	(635,922)	(294,983)
Total net income		828,478	347,870
Overhead expenses	24	(352,883)	(192,095)
Profit before taxation and zakat		475,595	155,775
Taxation	26	(113,160)	(37,747)
Zakat		(5,016)	(2,062)
Profit for the year attributable to equity holder of the Bank		357,419	115,966
Earnings per share attributable to equity holder of the Bank Basic/diluted (sen)	27	345.7	116.0

The accompanying notes form an integral part of the financial statements.

**Maybank Islamic Berhad**  
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**Statement of changes in equity**  
**For the year ended 30 June 2009**

	<----- Non-distributable ----->					
	Equity contribution		Unrealised holding reserve/ (deficit)		Distributable retained profits	
	Share capital RM'000	Share premium RM'000	Share holding company RM'000	Statutory reserve RM'000	RM'000	Total equity RM'000
<b>At 1 July 2008</b>	100,000	1,500,000	-	57,983	57,983	1,684,840
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	-	15,505	15,505
Net gain not recognised in the income statement	-	-	-	-	15,505	15,505
Net profit for the year	-	-	-	-	357,419	357,419
Total recognised income for the year	-	-	-	-	357,419	372,924
Waiver of intercompany balances during the year *	-	-	1,697	-	-	1,697
Transfer to statutory reserve	-	-	-	89,355	(89,355)	-
Issue of ordinary shares (Note 18)	10,500	488,500	-	-	-	499,000
<b>At 30 June 2009</b>	<b>110,500</b>	<b>1,988,500</b>	<b>1,697</b>	<b>147,338</b>	<b>(15,621)</b>	<b>2,558,461</b>

\* Arose from waiver of intercompany balances with fellow subsidiaries on the instruction of the holding company.



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Maybank Islamic Berhad  
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Statement of changes in equity  
For the year ended 30 June 2009 (cont'd.)

	<----- Non-distributable ----->				
	Share capital		Unrealised holding		Total equity
	RM'000	Share premium RM'000	Statutory reserve RM'000	reserve/(deficit) RM'000	RM'000
At date of incorporation	-	-	-	-	-
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(31,126)	(31,126)
Net loss not recognised in the income statement	-	-	-	(31,126)	(31,126)
Net profit for the period	-	-	-	-	115,966
Total recognised income/(expense) for the period	-	-	-	(31,126)	84,840
Transfer to statutory reserve	-	-	57,983	-	(57,983)
Issue of ordinary shares (Note 18)	100,000	1,500,000	-	-	1,600,000
At 30 June 2008	100,000	1,500,000	57,983	(31,126)	1,684,840

The accompanying notes form an integral part of the financial statements.

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**Cash flow statement**  
**For the year ended 30 June 2009**

	30.6.2009 RM'000	5.9.2007 (Date of incorporation) to 30.6.2008 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat	475,595	155,775
Adjustments for:		
Amortisation of premium less accretion of discount	(10,089)	(14,054)
Allowances for losses on financing and advances	222,287	120,340
Profit equalisation reserves	(20,435)	(10,225)
Operating profit before working capital changes	667,358	251,836
Change in deposits and placements with banks and other financial institutions	840	(1,261)
Change in securities portfolio	(1,359,772)	(2,732,507)
Change in financing and advances	(4,627,084)	(21,050,328)
Change in derivative assets and liabilities	3,482	15
Change in other assets	(26,614)	(148,377)
Change in statutory deposits with Bank Negara Malaysia	569,000	(775,000)
Change in deposits from customers	5,579,260	18,710,572
Change in deposits and placements of banks and other financial institutions	(643,883)	3,590,978
Change in deposits and placements of holding company	1,206,071	2,000,000
Change in bills and acceptances payable	(387,179)	390,110
Change in other liabilities	534,364	466,480
Cash generated from operations	1,515,843	702,518
Taxes and zakat paid	(171,243)	(20,158)
Net cash generated from operating activities	1,344,600	682,360
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares representing net cash generated from financing activities	499,000	1,600,000
<b>Net increase in cash and cash equivalents</b>	1,843,600	2,282,360
Cash and cash equivalents at beginning of year	2,282,360	-
<b>Cash and cash equivalents at end of year</b>	4,125,960	2,282,360
<b>Cash and cash equivalents comprise:</b>		
Cash and short term funds	4,125,960	2,282,360
	4,125,960	2,282,360

The accompanying notes form an integral part of the financial statements.

**Maybank Islamic Berhad**  
**(Incorporated in Malaysia)**

**Notes to the financial statements - 30 June 2009**

**1. Corporate information**

The Bank is principally engaged in the business of Islamic Banking and the provision of related financial services.

The Bank is a public limited liability company, incorporated on 5 September 2007 and domiciled in Malaysia. The registered office of the Bank is located at 14th Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur.

The holding company of the Bank is Malayan Banking Berhad ("Maybank"), a licensed Bank incorporated in Malaysia and listed on the Main Board of Bursa Malaysia.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 August 2009.

**2. Basis of preparation of the financial statements**

The financial statements of the Bank have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRSs") in Malaysia as modified by Bank Negara Malaysia ("BNM") guidelines and the principles of Shariah.

The financial statements are presented in Ringgit Malaysia ("RM") and values are rounded to the nearest thousand (RM'000) except when otherwise stated.

**3. Significant accounting policies**

**(i) Basis of accounting**

The financial statements of the Bank have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

**(ii) Standards and interpretations issued but not yet effective**

At the date of authorisation of these financial statements, the following new FRSs, amendment to FRS and Interpretations have been issued but are not yet effective and have not been adopted by the Company:

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**3. Significant accounting policies (cont'd.)**

**(ii) Standards and interpretations issued but not yet effective (cont'd.)**

<b>FRS, Amendments to FRS and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
(i) FRS 4: Insurance Contracts	1 January 2010
(ii) FRS 7: Financial Instruments-Disclosures	1 January 2010
(iii) FRS 8: Operating Segments	1 July 2009
(iv) FRS 123: Borrowing Costs	1 January 2010
(v) FRS 139: Financial Instruments - Recognition and Measurement	1 January 2010
(vi) Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
(vii) Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations	1 January 2010
(viii) IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
(ix) IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
(x) IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010
(xi) IC Interpretation 13: Customer Loyalty Programmes	1 January 2010
(xii) IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

The above FRSs and IC Interpretations will take effect from financial periods beginning on or after 1 January 2010 except for FRS 8 which will be effective for financial periods beginning on or after 1 July 2009.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs.

FRS 8, FRS 123, Amendments to FRS 1 and FRS 2, IC Interpretation 9, 10, 11, 13 and 14 are not expected to have significant impact on the financial statements of the Bank.

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**3. Significant accounting policies (cont'd.)**

**(iii) Currency translation**

The financial statements are presented in Ringgit Malaysia which is the Bank's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions are recognised in the income statement.

**(iv) Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents consist of cash at bank, deposit and placement which are held for meeting short term commitments and are readily convertible into cash without significant risk of changes in value.

**(v) Securities portfolio**

The holdings of the securities portfolio of the Bank are recognised based on the following categories and valuation methods:

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

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their values and derecognition of these securities are recognised in the income statement.

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

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity.

Securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statement.

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**3. Significant accounting policies (cont'd.)**

**(v) Securities portfolio (cont'd.)**

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

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value, or at cost (less impairment losses) if the fair value cannot be reliably measured. The return and cost of the securities available-for-sale are credited and charged to the income statement using accreted/amortised cost based on the effective yield method. Any gain or loss arising from a change in fair value after applying the accreted/amortised cost method are recognised directly in equity through the statement of changes in equity, until the securities are sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

**(d) Impairment of securities portfolio**

The Bank assesses at each balance sheet date whether there is any objective evidence that a security or group of securities (other than securities held-for-trading) is impaired.

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

For securities carried at amortised cost in which there is objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective yield rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statement and such impairment losses are not reversed subsequent to its recognition.

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**3. Significant accounting policies (cont'd.)**

**(v) Securities portfolio (cont'd.)**

**(d) Impairment of securities portfolio (cont'd.)**

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

For securities available-for-sale in which there is objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses on investments in equity instruments classified as available-for-sale recognised are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

**(vi) Allowance for losses**

Specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as bad and doubtful. Additional allowances are made for long outstanding non-performing financings aged more than five years.

In addition, a general allowance based on a certain percentage of total risk-weighted assets for credit risk, which takes into account all balance sheet items and their perceived credit risk levels, is maintained.

The allowance for losses on financing and advances of the Bank are computed based on the requirements of BNM/GP3.

**(vii) Derivative instruments**

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception and subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques that include discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

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**3. Significant accounting policies (cont'd.)**

**(viii) Other assets**

Other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful financing based on a review of all outstanding amounts as at the balance sheet date.

**(ix) Liabilities**

Deposits from customers, deposits and placements of banks and financial institutions are stated at placement values. Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

**(x) Bills and acceptances payable**

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

**(xi) Provisions for liabilities**

Provisions for liabilities are recognised when the Bank has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

**(xii) Profit Equalisation Reserves ("PER")**

PER is the amount appropriated out of the total gross income in order to maintain a certain level of return to depositors in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return" (BNM/ GP2-i). PER is appropriated from and written back to the total gross income in deriving the net distributable gross income. This amount appropriated is shared by the depositors and the Bank. The PER is deducted at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. PER is maintained up to the maximum of 30% of total capital fund.



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**3. Significant accounting policies (cont'd.)**

**(xiii) Income tax**

Income tax on the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the year, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

**(xiv) Zakat**

This represent business zakat. It is an obligatory amount payable by the Bank to comply with the principles of Shariah.

**(xv) Income recognition**

**(a) Financing income**

Financing income is recognised using the effective yield method.

Whereas an Islamic financing account becomes non-performing, the recognition of income from financing is suspended until it is realised on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three months.

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**3. Significant accounting policies (cont'd.)**

**(xv) Income recognition (cont'd.)**

**(b) Hibah**

Dividend income from securities portfolio and placements which includes coupons earned, accrued discount and amortization of premium of these securities is recognised on an accrual basis applying the effective yield method in accordance to the principles of Shariah and BNM/GP8-*i*.

**(c) Other operating income**

Commitment and guarantee fees are recognised as income based on time apportionment basis.

Handling fees paid to motor vehicle dealers for Islamic hire purchase financing are amortised in the income statement over the tenure of the financing in accordance with BNM's Circular on "Accounting Treatment of Handling Fees for Hire Purchase Financing" dated 16 October 2006 and is set off against income recognised on the Islamic hire purchase financing.

**(xvi) Financing and related expense recognition**

Finance cost and income attributable on deposits and borrowings of the Bank are amortised using the effective yield method.

**(xvii) Employee benefits**

**(a) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(b) Defined contribution plans**

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement when incurred.

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**3. Significant accounting policies (cont'd.)**

**(xvii) Employee benefits (cont'd.)**

**(c) Share-based compensation**

The Maybank Group's Employee Share Options Scheme ("ESOS") is an equity-settled share-based compensation plan that allows the Maybank Group's Directors and employees to acquire shares of Maybank. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the capital contribution by Maybank within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Bank revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the capital contribution by Maybank.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

**(xviii) Impairment of assets**

The carrying amounts of assets, other than securities portfolio and deferred tax, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

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**3. Significant accounting policies (cont'd.)**

**(xviii) Impairment of assets (cont'd.)**

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

**4. Significant accounting estimates and judgements**

The preparation of financial statements requires 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 judgment and complexity, are as follows:

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**4. Significant accounting estimates and judgements (cont'd.)**

**(i) Fair value estimation of available-for-sale (Note 7) and derivative financial instruments (Note 13)**

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

**(ii) Allowances for losses (Note 8 (viii) and Note 22)**

The Bank reviews the doubtful financing and advances at each reporting date to assess whether allowances for impairment should be recorded in the financial statements. In particular, judgement is required in the identification of doubtful financings, and the estimation of realisation amount from the doubtful financings when determining the level of allowance required.

The Bank has adopted certain criteria in the identification of doubtful financings, which include classifying financings as non-performing when repayments are in arrears for more than three (3) months. Specific allowances for doubtful financings are provided after taking into consideration of the values assigned to collateral. The values assigned to collateral are estimated based on market value and/or forced sale value, as appropriate and conforms with BNM guidelines. In addition to the specific allowances made, the Bank also makes general allowances against exposure not specifically identified based on a certain percentage of total risk-weighted assets for credit risk. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

**(iii) Deferred tax (Note 17) and income taxes (Note 26)**

The Bank is subject to income taxes in Malaysia and significant judgment 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 recognized 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 in which the estimate is revised or the final liability is established.

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

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Money at call and interbank placements with remaining maturity not exceeding one month	<u>4,125,960</u>	<u>2,282,360</u>

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

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	<u>421</u>	<u>1,261</u>

**7. Securities portfolio**

	<b>Note</b>	<b>30.6.2009</b>	<b>30.6.2008</b>
		<b>RM'000</b>	<b>RM'000</b>
Securities available-for-sale	(i)	3,937,078	2,715,435
Securities held-to-maturity	(ii)	135,474	-
Securities held-for-trading	(iii)	29,946	-
		<u>4,102,498</u>	<u>2,715,435</u>

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

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<b>Money market instruments:</b>		
Cagamas bonds	-	37,564
Malaysian Government Investment Issues	2,717,524	1,210,750
Negotiable instruments of deposits	243,401	138,551
Bankers' acceptances and Islamic accepted bills	46,119	676,784
Khazanah bonds	353,069	342,578
	<u>3,360,113</u>	<u>2,406,227</u>

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**7. Securities portfolio (cont'd.)**

**(i) Securities available-for-sale (cont'd.)**

	30.6.2009 RM'000	30.6.2008 RM'000
<b>Unquoted securities:</b>		
Private debt securities in Malaysia	576,965	309,208
<b>Total securities available-for-sale</b>	<b>3,937,078</b>	<b>2,715,435</b>

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

	30.6.2009 RM'000	30.6.2008 RM'000
<b>At amortised cost</b>		
<b>Money market instruments:</b>		
Malaysian Government Investment Issues	135,474	-
<b>Total securities held-to-maturity</b>	<b>135,474</b>	<b>-</b>

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

	30.6.2009 RM'000	30.6.2008 RM'000
<b>At fair value</b>		
<b>Money market instruments:</b>		
Malaysian Government Investment Issues	29,946	-
<b>Total securities held-for-trading</b>	<b>29,946</b>	<b>-</b>
<b>Total securities portfolio</b>	<b>4,102,498</b>	<b>2,715,435</b>

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**7. Securities portfolio (cont'd.)**

The maturity structure of money market instruments available-for-sale and held-to-maturity are as follows:

	30.6.2009 RM'000	30.6.2008 RM'000
Maturing within one year	1,120,551	839,051
One year to three years	549,617	1,139,161
Three years to five years	671,185	97,030
After five years	1,184,180	330,985
	<u>3,525,533</u>	<u>2,406,227</u>

**8. Financing and advances**

	30.6.2009 RM'000	30.6.2008 RM'000
Cashline	2,032,608	1,997,952
Term financing		
- House financing	4,967,816	4,671,245
- Syndicated financing	-	31,144
- Hire purchase receivables	12,658,514	8,670,953
- Other term financing	13,491,187	10,466,301
Bills receivables	47,931	71,263
Trust receipts	137,853	152,488
Claims on customers under acceptance credits	3,374,953	4,064,557
Staff financing	308,966	201,894
Credit/charge cards	46,343	-
Revolving credit	263,100	-
	<u>37,329,271</u>	<u>30,327,797</u>
Unearned income	(11,028,542)	(8,546,218)
Gross financing and advances	<u>26,300,729</u>	<u>21,781,579</u>
Allowance for bad and doubtful financing :		
- Specific	(561,520)	(549,632)
- General	(436,446)	(333,981)
Net financing and advances	<u>25,302,763</u>	<u>20,897,966</u>



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**8. Financing and advances (cont'd.)**

(i) Financing and advances analysed by Shariah concepts are as follows:

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Bai' Bithaman Ajil	9,373,223	8,074,026
Al-Ijarah Thumma Al-Bai (AITAB)	10,581,933	7,202,573
Murabahah	5,914,894	6,383,899
Mudharabah	25,712	30,986
Musharakah Mutanaqisah	325,692	78,505
Bai Al-Dayn	28,507	6,696
Other concepts	50,768	4,894
Gross financing and advances	<u>26,300,729</u>	<u>21,781,579</u>

(ii) Financing and advances analysed by type of customers are as follows:

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-banking institutions	1,792,589	1,521,954
Domestic business enterprises		
- Small and medium enterprises	3,553,629	4,813,257
- Others	3,919,823	2,847,541
Government and statutory bodies	69,465	111,513
Individuals	16,850,272	12,425,844
Other domestic entities	12,263	2,146
Foreign entities in Malaysia	102,688	59,324
Gross financing and advances	<u>26,300,729</u>	<u>21,781,579</u>

(iii) Financing and advances analysed by profit rate sensitivity are as follows:

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- House financing	3,458,004	3,928,565
- Hire purchase receivables	10,581,881	7,211,478
- Other financing	3,389,371	3,103,341
Floating rate		
- House financing	916,436	668,427
- Other financing	7,955,037	6,869,768
Gross financing and advances	<u>26,300,729</u>	<u>21,781,579</u>

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**8. Financing and advances (cont'd.)**

(iv) Financing and advances analysed by their economic purposes are as follows:

	30.6.2009		30.6.2008	
	RM'000	RM'000	RM'000	RM'000
Purchase of securities		1,324,293		52,142
Purchase of transport vehicles	10,921,969		7,820,918	
Less: Hire purchase receivables sold to Cagamas	(268,304)	10,653,665	(611,346)	7,209,572
Purchase of landed properties:				
- Residential	5,364,137		5,474,098	
- Non-residential	659,299		615,952	
Less: House financing sold to Cagamas	(315,069)	5,708,367	(362,256)	5,727,794
Personal use		434,302		344,056
Consumer durables		856		111
Construction		872,845		865,113
Working capital		7,230,993		7,476,013
Other purposes		29,065		106,778
Credit card		46,343		-
Gross financing and advances		<u>26,300,729</u>		<u>21,781,579</u>

(v) The maturity structure of financing and advances is as follows:

	30.6.2009	30.6.2008
	RM'000	RM'000
Maturing within one year	6,252,045	6,521,911
One year to three years	1,335,348	828,674
Three years to five years	3,352,385	1,963,278
After five years	15,360,951	12,467,716
Gross financing and advances	<u>26,300,729</u>	<u>21,781,579</u>

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**8. Financing and advances (cont'd.)**

(vi) Movements in the non-performing financing and advances ("NPF") are as follows:

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the year	<b>1,106,390</b>	-
Amount vested over from Maybank	-	1,245,328
Non-performing during the year	<b>425,269</b>	326,393
Reclassified as performing	<b>(267,311)</b>	(214,035)
Recovered during the year	<b>(116,344)</b>	(130,959)
Expenses debited to customers' accounts	<b>5,509</b>	3,370
Amount written off	<b>(107,801)</b>	(123,707)
At end of the year	<b>1,045,712</b>	1,106,390
Less: Specific allowance	<b>(561,520)</b>	(549,632)
Net NPF	<b>484,192</b>	556,758
 Gross financing and advances	<b>26,300,729</b>	21,781,579
Less: Specific allowance	<b>(561,520)</b>	(549,632)
Net financing and advances	<b>25,739,209</b>	21,231,947
 Ratio of net NPF	<b>1.88%</b>	2.62%

(vii) NPF analysed by their economic purposes are as follows:

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	<b>7,038</b>	46,701
Purchase of transport vehicles	<b>31,793</b>	28,470
Purchase of landed properties:		
- Residential	<b>474,157</b>	513,073
- Non-residential	<b>37,578</b>	43,493
Personal use	<b>37,807</b>	34,565
Consumer durables	<b>4</b>	4
Construction	<b>97,321</b>	136,448
Working capital	<b>359,479</b>	303,636
Credit/charge cards	<b>535</b>	-
	<b>1,045,712</b>	1,106,390

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**8. Financing and advances (cont'd.)**

(viii) Movements in the allowance for bad and doubtful financing accounts are as follows:

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Specific allowance</b>		
Balance at beginning of the year	<b>549,632</b>	-
Amount vested over from Maybank	-	579,816
Allowance made during the year	<b>193,410</b>	146,574
Amount written back in respect of recoveries	<b>(73,721)</b>	(53,051)
Amount written off	<b>(107,801)</b>	(123,707)
Balance at end of the year	<b>561,520</b>	549,632
<b>General allowance</b>		
Balance at beginning of the year	<b>333,981</b>	-
Amount vested over from Maybank	-	307,891
Allowance made during the year	<b>102,465</b>	26,090
Balance at end of the year	<b>436,446</b>	333,981
As a percentage of total financing (less specific allowance)	<b>1.70%</b>	1.57%
As a percentage of total risk-weighted assets for credit risk, excluding deferred tax assets	<b>1.73%</b>	1.60%

**9. Other assets**

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Income receivable	<b>77,436</b>	53,587
Amount due from holding company	-	9,924
Handling fees	<b>87,982</b>	63,302
Prepayments and deposits	<b>1,831</b>	61
Other debtors	<b>39,764</b>	53,525
	<b>207,013</b>	180,399

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**10. Statutory deposits with Bank Negara Malaysia**

The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as set percentages of total eligible liabilities.

**11. Deposits from customers**

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Mudharabah Fund</u>		
Demand deposits	<b>2,451,217</b>	2,179,605
Savings deposits	<b>163,642</b>	108,793
General investment deposits	<b>10,138,519</b>	5,221,906
Negotiable instruments of deposits	<b>1,881,710</b>	3,221,824
	<b><u>14,635,088</u></b>	<u>10,732,128</u>
 <u>Non-Mudharabah Fund</u>		
Demand deposits	<b>3,819,313</b>	3,673,790
Savings deposits	<b>4,414,806</b>	3,959,324
Fixed return investment deposits	<b>872,700</b>	-
Structured deposits *	<b>547,925</b>	345,330
	<b><u>9,654,744</u></b>	<u>7,978,444</u>
	<b><u>24,289,832</u></b>	<u>18,710,572</u>

\* Structured deposits represent Ringgit Malaysia time deposits with embedded foreign exchange option and commodity-linked time deposits.

- (i) The maturity structure of general investment deposits, negotiable instruments of deposits and fixed return investment deposits are as follows:

	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	<b>9,542,374</b>	6,388,130
Six months to one year	<b>2,004,990</b>	679,184
One year to three years	<b>1,136,674</b>	517,622
Three years to five years	<b>102,411</b>	670,150
After five years	<b>106,480</b>	188,644
	<b><u>12,892,929</u></b>	<u>8,443,730</u>

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**11. Deposits from customers (cont'd.)**

(ii) The deposits are sourced from the following customers:

	30.6.2009 RM'000	30.6.2008 RM'000
Business enterprises	7,470,202	5,874,924
Individuals	7,510,435	6,428,066
Government and statutory bodies	4,303,043	2,535,825
Others	5,006,152	3,871,757
	<b>24,289,832</b>	<b>18,710,572</b>

**12. Deposits and placements of banks and other financial institutions**

	30.6.2009 RM'000	30.6.2008 RM'000
<u>Mudharabah fund</u>		
Licensed banks	2,541,592	2,248,619
Licensed investment banks	-	1,500
Other financial institutions	207,118	-
	<b>2,748,710</b>	<b>2,250,119</b>
<u>Non-Mudharabah fund</u>		
Licensed banks	7,417	654,035
Licensed investment banks	-	487,596
Other financial institutions	190,968	199,228
	<b>198,385</b>	<b>1,340,859</b>
	<b>2,947,095</b>	<b>3,590,978</b>

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**13. Derivative financial instruments**

	30.6.2009			30.6.2008		
	Notional amount RM'000	Fair Value assets RM'000	liabilities RM'000	Notional amount RM'000	Fair Value assets RM'000	liabilities RM'000
<b>Profit rate related contracts:</b>						
Options	633,450	22,142	(22,142)	621,750	45,185	(45,185)
Profit rate swaps	350,350	1,499	(4,996)	70,000	-	(15)
<b>Total derivative assets/ (liabilities)</b>	<b>983,800</b>	<b>23,641</b>	<b>(27,138)</b>	<b>691,750</b>	<b>45,185</b>	<b>(45,200)</b>

**14. Other liabilities**

	30.6.2009 RM'000	30.6.2008 RM'000
Profit payable	60,803	63,049
Profit equalisation reserves (Note 15)	41,333	61,768
Due to holding company	797,700	-
Sundry creditors	26,485	188,865
Deposit on trade financing	14,145	57,434
Provisions and accruals	17,418	15,617
Others	12,300	69,522
	<b>970,184</b>	<b>456,255</b>

**15. Profit Equalisation Reserves ("PER")**

	30.6.2009 RM'000	30.6.2008 RM'000
At beginning of the year	61,768	-
Amount vested over from Maybank	-	71,993
Provided during the year	36,141	43,034
Written back during the year	(56,576)	(53,259)
At end of the year *	<b>41,333</b>	<b>61,768</b>

\* PER at the end of the financial year of which the shareholders' portion is RM 3,289,328 (2008: RM 4,857,581).

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**16. Provision for taxation and zakat**

	30.6.2009 RM'000	30.6.2008 RM'000
Taxation	19,691	39,645
Zakat	5,197	7,120
	<u>24,888</u>	<u>46,765</u>

**17. Deferred tax assets**

	30.6.2009 RM'000	30.6.2008 RM'000
At beginning of the year	27,114	-
Recognised in the income statement (Note 26)	36,920	16,178
Recognised in equity	(5,730)	10,936
At end of the year	<u>58,304</u>	<u>27,114</u>

**Deferred tax assets of the Bank:**

	Financing loss and allowances RM'000	Unrealised holding reserve RM'000	Other temporary difference RM'000	Total RM'000
At 1 July 2008	15,068	10,936	1,110	27,114
Recognised in the income statement	35,993	-	927	36,920
Recognised in equity	-	(5,730)	-	(5,730)
At 30 June 2009	<u>51,061</u>	<u>5,206</u>	<u>2,037</u>	<u>58,304</u>
Recognised in the income statement	15,068	-	1,110	16,178
Recognised in equity	-	10,936	-	10,936
At 30 June 2008	<u>15,068</u>	<u>10,936</u>	<u>1,110</u>	<u>27,114</u>



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**18. Share capital**

	Number of ordinary shares of RM1 each		Amount	
	2009	2008	2009	2008
	'000	'000	RM'000	RM'000
<b>Authorised:</b>				
At 30 June 2009/2008	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>				
At 1 July 2008/2007	100,000	-	100,000	-
Shares issued during the year	10,500	100,000	10,500	100,000
At 30 June 2009/2008	<u>110,500</u>	<u>100,000</u>	<u>110,500</u>	<u>100,000</u>

On 19 December 2008, the issued and paid-up share capital of the Bank was increased from RM100,000,000 to RM104,000,000 via a rights issue of 4,000,000 new ordinary shares of RM1.00 each at a premium of RM49.00 per shares on the basis of one new share for every twenty five existing ordinary shares held, to Maybank.

On 22 April 2009, the issued and paid-up share capital of the Bank was increased from RM104,000,000 to RM110,500,000 via a rights issue of 6,500,000 new ordinary shares of RM1.00 each at a premium of RM45.00 per shares on the basis of one new share for every sixteen existing ordinary shares held, to Maybank.

**19. Reserves**

	30.6.2009 RM'000	30.6.2008 RM'000
<b>Non-distributable :</b>		
Share premium	1,988,500	1,500,000
Equity contribution from the holding company	1,697	-
Statutory reserve	147,338	57,983
Unrealised holding reserves	(15,621)	(31,126)
	<u>2,121,914</u>	<u>1,526,857</u>
<b>Distributable :</b>		
Retained profits	326,047	57,983
Total reserves	<u>2,447,961</u>	<u>1,584,840</u>

The statutory reserve is maintained in compliance with the requirements of Bank Negara Malaysia in which the Bank operate and is not distributable as cash dividends.

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**20. Income derived from investment of depositors' funds**

	<b>5.9.2007</b>	
	<b>(Date of</b>	
	<b>incorporation)</b>	
	<b>30.6.2009</b>	<b>to 30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Income from investment of:		
(i) General investment deposits	691,555	193,394
(ii) Other deposits	833,956	499,557
	<b>1,525,511</b>	<b>692,951</b>

(i) Income derived from investment of general investment deposits

	<b>5.9.2007</b>	
	<b>(Date of</b>	
	<b>incorporation)</b>	
	<b>30.6.2009</b>	<b>to 30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>		
Financing and advances	551,895	161,761
Securities :		
- Available-for-sale	42,013	9,234
- Held-for-trading	1	-
- Held-to-maturity	745	-
Money at call and deposits with financial institutions	51,272	8,732
	<b>645,926</b>	<b>179,727</b>
Amortisation of premium less accretion of discount	4,210	3,613
Total finance income and hibah	<b>650,136</b>	<b>183,340</b>
Other operating income :		
Fee income		
- Processing fees	4,655	1,538
- Commissions	19,896	5,782
- Service charges	15,214	2,956
Unrealised (losses)/gains on revaluation of derivatives	(1,458)	4
Unrealised losses on revaluation of securities		
held-for-trading	(5)	-
Losses on sale of securities available-for-sale	(136)	(67)
Unrealised gains/(losses) on foreign exchange		
translations	3,253	(159)
	<b>691,555</b>	<b>193,394</b>

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**20. Income derived from investment of depositors' funds (cont'd.)**

(ii) Income derived from investment of other deposits

	<b>5.9.2007</b>	
	<b>(Date of</b>	
	<b>incorporation)</b>	
	<b>30.6.2009</b>	<b>to 30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>		
Financing and advances	665,540	417,844
Securities :		
- Available-for-sale	50,664	23,852
- Held-for-trading	2	-
- Held-to-maturity	898	-
Money at call and deposits with financial institutions	61,830	22,557
	<u>778,934</u>	<u>464,253</u>
Amortisation of premium less accretion of discount	5,077	9,335
Total finance income and hibah	<u>784,011</u>	<u>473,588</u>
Other operating income :		
Fee income		
- Processing fees	5,613	3,972
- Commissions	23,993	14,935
- Service charges	18,347	7,636
Unrealised (losses)/gains on revaluation of derivatives	(1,760)	10
Unrealised losses on revaluation of securities held-for-trading	(7)	-
Losses on sale of securities available-for-sale	(165)	(172)
Unrealised gains/(losses) on foreign exchange translations	3,924	(412)
	<u>833,956</u>	<u>499,557</u>

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**21. Income derived from investment of shareholder's funds**

	<b>5.9.2007</b>	
	<b>(Date of</b>	
	<b>incorporation)</b>	
	<b>30.6.2009</b>	<b>to 30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>		
Financing and advances	<b>105,204</b>	49,564
Securities :		
- Available-for-sale	<b>8,009</b>	2,829
- Held-to-maturity	<b>142</b>	-
Money at call and deposits with financial institutions	<b>9,774</b>	2,676
	<b>123,129</b>	55,069
Amortisation of premium less accretion of discount	<b>802</b>	1,106
Total finance income and hibah	<b>123,931</b>	56,175
Other operating income :		
Fee income		
- Processing fees	<b>887</b>	471
- Commissions	<b>3,793</b>	1,772
- Service charges	<b>2,900</b>	906
Unrealised (losses)/gains on revaluation of derivatives	<b>(279)</b>	1
Unrealised losses on revaluation of securities held-for-trading	<b>(1)</b>	-
Losses on sale of securities available-for-sale	<b>(26)</b>	(20)
Unrealised gains/(losses) on foreign exchange translations	<b>621</b>	(49)
	<b>131,826</b>	59,256

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**22. Allowances for losses on financing and advances**

	5.9.2007 (Date of incorporation)	
	30.6.2009	to 30.6.2008
	RM'000	RM'000
Allowance for bad and doubtful financing:		
Specific allowance		
- Made in the year	193,410	146,574
- Written back	(73,721)	(53,051)
General allowance		
- Made in the year	117,165	40,597
- Written back	(14,700)	(14,507)
Bad financing		
- Written off	133	727
- Recovered	(23,634)	(6,362)
	<u>198,653</u>	<u>113,978</u>

**23. Income attributable to depositors**

	5.9.2007 (Date of incorporation)	
	30.6.2009	to 30.6.2008
	RM'000	RM'000
Deposits from customers		
- Mudharabah Fund	243,151	131,793
- Non-Mudharabah Fund	92,455	51,337
Deposits and placements of banks and other financial institutions		
- Mudharabah Fund	294,888	109,819
- Non-Mudharabah Fund	5,428	2,034
	<u>635,922</u>	<u>294,983</u>

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**24. Overhead expenses**

	5.9.2007 (Date of incorporation) 30.6.2009 to 30.6.2008	
	RM'000	RM'000
Personnel expenses		
- Salaries and wages	3,958	1,638
- Allowance and bonuses	1,851	812
- Social security cost	23	10
- Pension cost - defined contribution plan	952	368
- Other staff related expenses	1,237	121
	<u>8,021</u>	<u>2,949</u>
Establishment costs		
- Repairs, servicing and maintenance	3	-
- Information technology expenses	1,352	-
	<u>1,355</u>	<u>-</u>
Marketing costs		
- Advertisement and publicity	12,955	6,827
- Others	6	-
	<u>12,961</u>	<u>6,827</u>
Administration and general expenses		
- Fees and brokerage	8,763	3,977
- Administrative expenses	3,287	1,442
- General expenses	8,273	3,154
- Auditors' remuneration	290	230
- Directors' fees (Note 25)	95	40
- Shared service costs paid/payable to Maybank	309,838	173,476
	<u>330,546</u>	<u>182,319</u>
Total	<u>352,883</u>	<u>192,095</u>

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**25. Chief executive officer, directors and Shariah committee members' remuneration**

	5.9.2007 (Date of incorporation) 30.6.2009 to 30.6.2008	
	RM'000	RM'000
Chief executive officer:		
Salary and other remuneration, including meeting allowance	424	163
Estimated money value of benefit-in-kind	91	52
	<u>515</u>	<u>215</u>
Non-executive directors:		
Fees	76	40
Other remunerations	19	11
	<u>95</u>	<u>51</u>
Shariah committee members	169	78
Total	<u>779</u>	<u>344</u>
Total (excluding benefit-in-kind)	<u>688</u>	<u>292</u>

Number of directors of the Bank whose remuneration falls into the following band:

Number of non-executive directors :  
Below RM 50,000

<u>4</u>	<u>5</u>
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**26. Taxation**

	5.9.2007 (Date of incorporation) 30.6.2009 to 30.6.2008	
	RM'000	RM'000
Tax expense for the year	<u>150,080</u>	<u>53,925</u>
Deferred tax (Note 17):		
Deferred tax in relation to origination and reversal of temporary differences	(37,542)	(16,178)
Effect of the changes in tax rate on opening balance of deferred tax	622	-
	<u>(36,920)</u>	<u>(16,178)</u>
	<u>113,160</u>	<u>37,747</u>

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**26. Taxation (cont'd.)**

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank is as follows :

	5.9.2007 (Date of incorporation) 30.6.2009 to 30.6.2008	
	RM'000	RM'000
Profit before taxation	<u>475,595</u>	<u>155,775</u>
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	118,899	40,502
Effect of the changes in tax rate on opening balance of deferred tax	622	-
Income not subject to tax	(6,376)	(2,793)
Expenses not deductible for tax purposes	15	38
Tax expense for the year	<u>113,160</u>	<u>37,747</u>

**27. Earnings per share (EPS)**

The basic and diluted EPS of the Bank are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	30.6.2009	30.6.2008
Profit for the year attributable to equity holders of the Bank (RM' 000)	<u>357,419</u>	<u>115,966</u>
Weighted average number of ordinary shares in issue ('000)	<u>103,384</u>	<u>100,000</u>
Basic/diluted EPS (sen)	<u>345.7</u>	<u>116.0</u>



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**28. Significant related party transactions and balances**

- (a) The Bank's significant transactions and balances with related parties are as follows:

	<b>Bank 2009 RM'000</b>	<b>Bank 2008 RM'000</b>
<b>Holding company</b>		
Expenditure		
Income attributable on deposits and placements of bank	<b>198,932</b>	75,753
Shared service cost paid/payable to Maybank	<b>309,838</b>	173,476
	<b><u>508,770</u></b>	<b><u>249,229</u></b>

- (b) Included in the balance sheet of the Bank are amounts due to holding company represented by the following:

Amount due to:		
Current accounts and deposits	<b>2,461,592</b>	1,978,619
Negotiable instruments of deposits		
- Remaining maturity less than one year	-	500,000
- Remaining maturity more than three years	<b>3,206,071</b>	1,500,000
Profit payable on deposits	<b>16,241</b>	21,884
Others	<b>797,740</b>	39,400
	<b><u>6,481,644</u></b>	<b><u>4,039,903</u></b>

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent parties.

- (c) Key management personnel compensation

The remuneration of directors and other members of key management during the year are as disclosed in Note 25. The movement in share options of key management personnel is as follows:

	<b>Bank 2009 RM</b>	<b>Bank 2008 RM</b>
At July 2007/2008	<b>17,200</b>	-
Granted during the year	<b>6,800</b>	17,200
At 30 June 2009 / 1 July 2008	<b><u>24,000</u></b>	<b><u>17,200</u></b>

The share options were granted on the same terms and conditions as those offered to other employees of the Maybank Group.

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**28. Significant related party transactions and balances (cont'd.)**

(d) Credit exposure arising from credit transactions with connected parties

	<b>2009</b>
Outstanding credit exposure with connected parties (RM'000)	<b><u>212,105</u></b>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<b><u>0.8%</u></b>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<b><u>-</u></b>

The credit exposure above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008, and applied prospectively.

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**29. Commitments and contingencies**

In the normal course of business, the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Bank as at 30 June, are as follows:

	2009			2008		
	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
Direct credit substitutes	190,877	190,877	150,107	170,015	170,015	119,227
Certain transaction-related contingent items	575,052	287,526	252,382	650,224	325,112	289,899
Short-term self-liquidating trade-related contingencies	138,077	27,615	22,778	269,206	53,841	51,414
Housing and hire purchase financing sold to Cagamas Berhad	583,373	583,373	425,839	973,602	973,602	792,474
Commitment on securities sold under sell and buy back agreements	-	-	-	40,000	40,000	8,000
Irrevocable commitments to extend credit:						
- maturity within one year	12,392,187	-	-	5,585,765	-	-
- maturity more than one year	362,205	181,103	164,291	242,234	121,117	104,422
Profit rate related contracts:						
- one year to less than five years	983,800	22,349	4,470	691,750	20,063	20,055
Miscellaneous	8,517	-	-	105,424	-	-
	<b>15,234,088</b>	<b>1,292,843</b>	<b>1,019,867</b>	<b>8,728,220</b>	<b>1,703,750</b>	<b>1,385,491</b>

\* The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors and risk weights, respectively as specified by Bank Negara Malaysia

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**30. Profit rate risk**

The Bank is exposed to the risk associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows. The fluctuations in yield/profit rate can be influenced by changes in profit rates that affect the value of financial instruments. Yield/Profit rate risk is monitored and managed by the Asset and Liability Management Committee ("ALCO") to protect total net profit income from changes in market profit rates.

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

2009	Non trading book						Effective profit rate %
	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-profit sensitive RM'000	
<b>Assets</b>							
Cash and short-term funds	725,370	-	-	-	-	3,400,590	1.97
Deposits and placements with banks and other financial institutions	-	-	-	-	-	421	-
Securities held-for-trading	-	-	-	29,946	-	-	3.94
Securities available-for-sale	150,278	388,816	754,343	1,415,250	1,228,391	-	3.34
Securities held-to-maturity	-	-	-	60,087	75,387	-	3.78
Financing and advances							
- performing	1,794,779	1,462,900	529,549	4,054,585	17,413,204	-	5.47
- non-performing*	-	-	-	-	-	47,746	-
Derivative assets	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	471,317	-
<b>Total assets</b>	<b>2,670,427</b>	<b>1,851,716</b>	<b>1,283,892</b>	<b>5,559,868</b>	<b>18,716,982</b>	<b>3,920,074</b>	<b>34,026,600</b>

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**30. Profit rate risk (cont'd.)**

	Non trading book					Trading books RM'000	Total RM'000	Effective profit rate %
	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- profit sensitive RM'000		
<b>Liabilities and shareholder's equity</b>								
Deposits from customers	7,881,873	3,489,445	5,118,242	7,693,792	106,480	-	24,289,832	1.57
Deposits and placements of banks and other financial institutions	610,057	1,055,000	853,910	172,146	12,160	243,822	2,947,095	2.01
Deposits and placements of holding company	-	-	-	3,206,071	-	-	3,206,071	3.63
Bills and acceptances payable	259	-	-	-	-	2,672	2,931	3.30
Derivative liabilities	-	-	-	-	-	-	27,138	-
Other liabilities	-	-	-	-	-	995,072	995,072	-
<b>Total Liabilities</b>	<b>8,492,189</b>	<b>4,544,445</b>	<b>5,972,152</b>	<b>11,072,009</b>	<b>118,640</b>	<b>1,241,566</b>	<b>31,468,139</b>	
Shareholder's equity	-	-	-	-	-	2,558,461	2,558,461	
<b>Total Liabilities and Shareholder's Equity</b>	<b>8,492,189</b>	<b>4,544,445</b>	<b>5,972,152</b>	<b>11,072,009</b>	<b>118,640</b>	<b>3,800,027</b>	<b>34,026,600</b>	
<b>On-balance sheet profit rate sensitivity gap</b>	<b>(5,821,762)</b>	<b>(2,692,729)</b>	<b>(4,688,260)</b>	<b>(5,512,141)</b>	<b>18,598,342</b>	<b>120,047</b>	<b>(3,497)</b>	
<b>Cumulative profit rate sensitivity gap</b>	<b>(5,821,762)</b>	<b>(8,514,491)</b>	<b>(13,202,751)</b>	<b>(18,714,892)</b>	<b>(116,550)</b>	<b>3,497</b>	<b>-</b>	

\* This is arrived after deducting the general allowances and specific allowances from the outstanding non-performing financing and advances.



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**30. Profit rate risk (cont'd.)**

	Non trading book								
	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- profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Liabilities and shareholder's equity									
Deposits from customers	5,456,340	2,125,416	3,785,273	7,154,899	188,644	-	-	18,710,572	1.99
Deposits and placements of banks and other financial institutions	1,213,695	410,016	1,631,207	103,647	77,221	155,192	-	3,590,978	3.57
Deposits and placements of holding company	-	-	500,000	1,000,000	500,000	-	-	2,000,000	5.08
Bills and acceptances payable	-	175,508	214,056	-	-	546	-	390,110	3.45
Derivative liabilities	-	-	-	-	-	-	45,200	45,200	-
Other liabilities	-	-	-	-	-	503,020	-	503,020	-
Total Liabilities	6,670,035	2,710,940	6,130,536	8,258,546	765,865	658,758	45,200	25,239,880	
Shareholder's equity	-	-	-	-	-	1,684,840	-	1,684,840	
Total Liabilities and Shareholder's Equity	6,670,035	2,710,940	6,130,536	8,258,546	765,865	2,343,598	45,200	26,924,720	
On-balance sheet profit rate sensitivity gap	(2,096,564)	(921,297)	(5,747,634)	(4,436,826)	12,365,283	837,053	(15)	-	
Cumulative profit rate sensitivity gap	(2,096,564)	(3,017,861)	(8,765,495)	(13,202,321)	(837,038)	15	-	-	

\* This is arrived after deducting the general allowances and specific allowances from the outstanding non-performing financing and advances.

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**31. Fair values of financial assets and liabilities**

Financial instruments comprise financial assets, financial liabilities and derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Financing and advances to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Bank's financial instruments, including financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Bank could realise in a sale transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Bank as a going concern.

The financial assets and financial liabilities of the Bank whose fair values are required to be disclosed in accordance with FRS 132 : Financial Instruments: Presentation comprise all its assets and liabilities with the exception of provision for current and deferred taxation.

The estimated fair values of these financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts shown in the balance sheets, except for the following financial assets and liabilities.

	2009		2008	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>Financial assets</b>				
Securities held-to-maturity	135,474	134,813	-	-
Financing and advances*	25,739,209	26,373,936	21,231,947	17,759,672
<b>Financial liabilities</b>				
Deposits from customers	24,289,832	24,334,213	18,710,572	18,719,661
Deposits and placements of banks and other financial institutions	6,153,166	6,344,817	5,590,978	5,518,478



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**31. Fair values of financial assets and liabilities (cont'd.)**

- \* The general allowances for the Bank amounting to RM 436,446,000 (2008: RM 333,981,000) have been added back to arrive at the carrying value of the financing and advances.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments.

**(a) Cash and short-term funds**

The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

**(b) Deposits and placements with financial institutions and bills and acceptance payable**

The fair values of those financial instruments with remaining maturities of less than one year approximate their carrying values due to their relatively short maturities. For those financial instruments with maturities of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates of similar remaining maturities at the balance sheet date.

**(c) Securities**

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including net tangible assets, earnings multiples and discounted cash flow analysis. Where discounted cash flow technique is used, the estimated future cash flow are discounted using applicable prevailing market or indicative rates of similar instruments at the balance sheet date.

**(d) Financing and advances**

The fair values of variable rate financing and advances are estimated to approximate their carrying values. For fixed rate financing and advances, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values which are net of income-in-suspense and specific provision for bad and doubtful financing.

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**31. Fair values of financial assets and liabilities (cont'd.)**

**(e) Deposits from customers, deposits and placements of banks and other financial institutions**

The fair values of deposits are estimated to approximate their carrying values at the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

**(f) Recourse obligation on financing sold to Cagamas**

The fair values of recourse obligation on housing and hire purchase financing sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates at balance sheet date.

**(g) Derivative financial instruments**

Fair values of derivative financial instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates relative to their terms. The fair values of the Bank's derivative financial instruments are estimated by reference to quoted market prices. Internal models are used where no market price is available.

**32. Capital adequacy**

The Bank closely monitors and manages its capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by Bank Negara Malaysia. During the year, the Bank had complied with the externally imposed capital requirements.

With effect from 1 January 2008, the capital adequacy ratios of Islamic Banks are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB) for those Islamic Banks adopting the Standardised Approach. However, the Bank is fully committed to adopt the Foundation Internal Ratings Based (FIRB) Approach for credit risk and Alternative Standardised Approach for operational risk. This is in line with the Maybank Group initiative to adopt FIRB approach beginning financial year 2010. Exemption was granted to the Bank on 20 June 2008 to defer the adoption of CAFIB to the financial year 2010.

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**32. Capital adequacy (cont'd.)**

The capital adequacy ratios of the Bank as at 30 June, are as follows:

	30.6.2009	30.6.2008
<b>Capital ratio</b>		
Core capital ratio	9.85%	8.07%
Risk-weighted capital ratio	11.56%	9.67%
	<b>30.6.2009</b>	<b>30.6.2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier 1 capital</b>		
Paid-up share capital	110,500	100,000
Share premium	1,988,500	1,500,000
Other reserves	475,082	115,966
Less: Deferred tax assets (Note 17)	(58,304)	(27,114)
Total Tier 1 capital	2,515,778	1,688,852
<b>Tier 2 capital</b>		
General allowance for bad and doubtful financing	436,446	333,981
Total Tier 2 capital	436,446	333,981
Capital base	2,952,224	2,022,833

The breakdown of risk-weighted assets for credit risk (excluding deferred tax assets) in the various categories of risk-weights are as follows:

	30.6.2009		30.6.2008	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
0%	7,005,243	-	4,470,526	-
10%	325,000	32,500	37,564	3,757
20%	863,001	172,600	1,336,161	267,232
50%	4,927,914	2,463,957	4,986,066	2,493,033
100%	22,576,426	22,576,426	18,105,020	18,105,020
Total risk-weighted assets for credit risk		25,245,483		20,869,042
Total risk-weighted assets for market risk		287,203		44,115
Total risk-weighted assets for credit and market risks		25,532,686		20,913,157

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**33. Financial risk management policies**

Risk Management is a critical pillar of the Maybank Group's operating model, complementing the other two pillars, which are customer sector and support and services sector. A dedicated Board-level Risk Management Committee provides risk oversight of all material risks across the Maybank Group.

At the management level, the Executive Risk Committee and the Asset and Liability Management Committee ensure all key risks are managed in line with their respective Terms of Reference.

The Maybank Group's approach to risk management is premised on the following Seven Broad Principles of Risk Management:

- (a) The risk management approach is premised on the three lines of defence concept – risk taking units, risk control units and internal audit.
- (b) The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this is Internal Audit which provides independent assurance of the effectiveness of the risk management approach.
- (c) Risk Management provides risk oversight for the major risk categories including credit, market, liquidity, operational and other industry-specific risk types (eg insurance and stockbroking risks).
- (d) Risk Management ensures that the core risk policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.
- (e) Risk Management is functionally and organisationally independent of business sectors and other risk taking units within the Maybank Group.
- (f) The Maybank Board, through the Risk Management Committee, maintains overall responsibility for the risk oversight function within the Maybank Group.
- (g) Risk Management ensures the execution of various risk policies and related decisions of the Board.

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**33. Financial risk management policies (cont'd.)**

The following are the key risk areas encountered by the Maybank Group and how they are managed by the risk management units within the Maybank Group:

**(a) Credit risk management**

The Credit Risk Management team is primarily involved in managing and enhancing asset quality through the formulation and review of credit risk frameworks, policies, credit risk measurement methodologies, tools and reports. The team sets and reviews concentration limits according to various categories such as single customer groups, economic segments, collateral types, product types, banks and countries. Credit risk ratings are also developed to measure the risk of default by enterprise borrowers across the Maybank Group. Periodic credit stress testing under selected scenarios are also performed and the results reported. Credit risk reports are regularly submitted to the Executive Risk Committee, Risk Management Committee and the Board of Directors.

**(b) Market risk management**

The Market Risk Management team continually evaluates risk arising from adverse movements in market prices or rates that impact both the trading and banking book. A proactive risk assessment process is maintained through a robust market risk management framework that includes quantification methodologies, risk limits and measurement systems. Market risk profiles are regularly reported to the various levels of management, the Asset and Liability Management Committee (ALCO), the Risk Management Committee (RMC) and the Board of Directors.

Market risk controls adopted include the "Value-at-Risk" ("VaR"), "Earnings-at-Risk" ("EaR"), "Economic Value-at-Risk" ("EVAR") and dynamic simulation measurement tools, independent mark-to-market valuations, on-line tracking of various risk limits for trading positions, stress testing of portfolios and back testing of risk models.

**(c) Liquidity risk management**

The primary mechanism and tool for monitoring liquidity is the cash flow behaviour of the Bank. A liquidity risk framework ascertains liquidity based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of eligible liquid assets.

Liquidity risk is addressed through various measurement techniques such as liquidity gap analysis, early warning signals and stress testing that are controlled using approved limits and benchmarks. Periodic reports are presented to various operating and management level, including the ALCO, RMC and Board of Directors. In addition, the Bank reviews and enhances its Contingency Funding Plan to address probable circumstances that could cause liquidity distress to the Bank.

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**33. Financial risk management policies (cont'd.)**

**(d) Operational risk management**

Under the Maybank Group's three lines of defence concept, risk taking units (Business/Support Sectors) are the primary parties responsible for the management of day-to-day operational risks inherent in their respective business and functional areas. Risk taking units constitute an integral part of the operational risk management framework and are primarily responsible for the day-to-day management of operational risk. They are responsible for putting in place and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with Maybank Group's operational risk management framework.

Meanwhile, as the second line of defence, the Operational Risk Management team is responsible for the formulation and implementation of operational risk management framework within Maybank Group, which encompasses the operational risk governance structure, policies and processes. The above also include the maintenance and analysis of operational loss database, development and implementation of various operational risk management tools and methodologies to identify, measure, mitigate and monitor operational risks.

Finally, Internal Audit acts as the third line of defence by overseeing compliance in respect of day-to-day management of operational risks at all organisational levels by providing independent assurance regarding the overall effectiveness of the operational risk management process.

Further information on the risk management practices of the Maybank Group are disclosed in the Section on Risk Management.

**34. Comparatives**

**(i) Restatement of comparatives:**

	<b>Previously stated RM'000</b>	<b>Increase/ (decrease) RM'000</b>	<b>Restated RM'000</b>
<b>Balance Sheets:</b>			
Financing and advances*	20,929,988	(32,022)	<b>20,897,966</b>
Other assets*	148,377	32,022	<b>180,399</b>

\* Being reclassification to comply with current year's presentation.

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**34. Comparatives (cont'd.)**

- (ii) The comparatives for the balance sheet, income statement, statement of changes in equity and cash flow statement and their relevant notes as the Bank's first set of financial statement was for the financial period from 5 September 2007 (date of incorporation) to 30 June 2008.