

50 1960–2010
YEARS – CLOSE TO YOU



Annual Report **2010**

OUR VISION

To be a Regional Financial Services Leader

OUR MISSION

Humanising Financial Services from the Heart of ASEAN

OUR **5**year aspirations

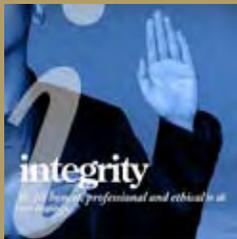
1. Undisputed No.1 Retail Financial Services provider in Malaysia by 2015
2. Leading ASEAN wholesale bank eventually expanding further into Middle East, China & India
3. Domestic Insurance Champion and emerging regional player
4. Truly regional organisation, with ~40% of pre-tax profit derived from international operations by 2015
5. Largest Islamic bank in ASEAN

CORE VALUES



Teamwork

We work together as a team based on mutual respect and dignity



Integrity

We are honest, professional and ethical in all our dealings



Growth

We are passionate about constant improvement and innovation



Excellence & Efficiency

We are committed to delivering outstanding performance and superior service



Relationship Building

We continuously build long-term and mutually beneficial partnerships

Celebrating 50 Years, Close To You

1960-2010

Serving 18.3 million customers from the heart of South East Asia and in key global financial centres, Maybank celebrates a Golden Jubilee of milestone achievement. The year 2010 sees us record our best ever performance. It is truly the Year of the Tiger as we set new benchmarks and expand our frontiers as Malaysia's regional financial services leader. Close To You – our anniversary theme, captures the spirit of the Maybank brand and how we continue to invest our vast experience and expertise in every community we serve, sharing in the lives, hopes and dreams of all our customers.

The invaluable insights gained into the true potential of all our communities – the will of people everywhere to make a better future for themselves and their families, inspire us in our quest to humanise financial services and grow our operations far beyond Malaysia's shores.

50 *Years of Growth*

Profit After Tax

>USD 1 BILLION

Total Assets

>USD 100 BILLION

Human Capital

**>40,000 MAYBANKERS
WORLDWIDE**

Global Network

**>1,750 OFFICES
IN 14 COUNTRIES**

Customers

>18 MILLION CUSTOMERS

Contents

Corporate Framework

- Vision, Mission and Core Values
- Cover Rationale
- Our Global Network
- 001** 50 Years of Growth
- 002** Contents
- 006** Transformation Journey
- 010** Corporate Milestones
- 016** Notice of the 50th Annual General Meeting
- 019** Statement Accompanying Notice of the 50th Annual General Meeting
- 020** Financial Calendar
- 021** Enhancing Value to Shareholders
- 024** Corporate Profile
- 028** Corporate Information
- 029** Group Organisation Structure
- 030** Group Corporate Structure
- 032** Media Milestones 2010
- 036** Corporate Highlights

Achievement

- 050** Innovation & Leadership
- 052** Awards & Recognition
- 054** Past Awards

Financial Performance

- 058** Five-Year Group Financial Summary
- 060** Five-Year Group Growth Summary
- 061** Key Interest Bearing Assets and Liabilities
- 062** Financial Highlights

- 064** Simplified Group Balance Sheet
- 065** Group Quarterly Performance
- 066** Segment Information
- 068** Statement of Value Added
- 069** Management's Discussion & Analysis of Financial Performance

Leadership

- 072** Board of Directors
- 074** Profile of Directors
- 086** Group Executive Committee



Corporate Framework



Achievement

notice of the 50th annual general meeting

Grand Ballroom,
Level 1, Sime Darby
Convention Centre,
1A Jalan Bukit Kiara 1,
60000 Kuala Lumpur
on **Wednesday,**
29 September 2010
at **10.00 a.m.**

Insights

- 094** Chairman's Statement
- 098** President and CEO's Statement
- 104** Review of Operations
 - 104** Consumer Banking
 - 120** Business Banking
 - 124** Corporate Banking
 - 126** Global Markets
 - 128** Islamic Banking
 - 132** Investment Banking
 - 134** Insurance & Takaful
 - 140** International Banking
 - 146** Information and Communication Technology
- 150** Economic Review & Industry Outlook

Reaching Out

- 160** Human Capital Development
- 164** Corporate Responsibility

Accountability

- 174** Statement on Corporate Governance
- 198** Statement on Internal Control
- 202** Audit Committee Report
- 208** Risk Management
- 218** Anti-Money Laundering/Counter Financing of Terrorism Policy
- 219** Code of Ethics and Conduct

The Financials

- 223** Statement of Directors' Responsibility
- 224** Directors' Report
- 231** Statement by Directors
- 231** Statutory Declaration
- 232** Independent Auditors' Report
- 234** Balance Sheets
- 236** Income Statements
- 238** Consolidated Statement of Changes in Equity
- 240** Statement of Changes in Equity
- 242** Cash Flow Statements
- 246** Notes to the Financial Statements

Others

- 425** Investor Information
- 427** Analysis of Shareholdings
- 430** Classification of Shareholders
- 431** Changes in Share Capital
- 434** Properties Owned by Maybank Group
- 436** List of Top 10 Properties Owned by Maybank Group
- 438** Group Directory
 - Form of Proxy



Insights



Reaching Out



Investing in the
human spirit



50 ¹⁹⁶⁰⁻²⁰¹⁰
YEARS - CLOSE TO YOU



transformation **journey**

Maybank's transformation journey began in 2008 to secure its leadership position in the financial industry locally and to improve its position regionally.



The transformation programme, named LEAP30, focused on three key strategies:

- Secure Maybank's position as the undisputed leader in financial services in Malaysia
- Strengthen regional presence through enhancing the quality of operations in seven out of 10 ASEAN countries Maybank operates in today, whilst continuing to look for opportunities in other growth markets in the region
- Become a talent and execution-focused company

The transformation programme was planned to be implemented over two horizons.

Creating the Momentum: Wave I 2009/2010

The first wave covers consumer, enterprise, investment and Islamic banking, insurance, international business, operations and human capital development.

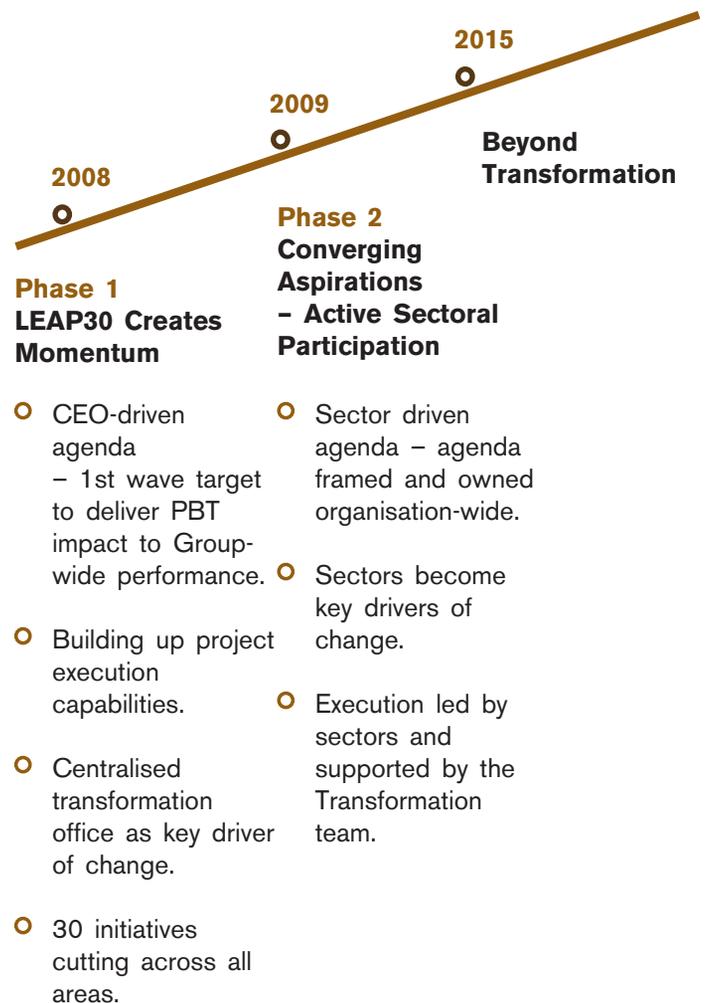
Early results in FY2010 saw over 100% increase in sales performance at branches participating in the initiatives, increased product penetration in our corporate client product portfolio and cost savings and avoidance in excess of RM140 million in procurement and reprioritisation of IT projects.

Actual financial benefits amounted to RM444 million and created a funding engine for the entire transformation programme.



LEAP30 Financial Benefits

| (RM'Million) | FY2009 | FY2010 |
|---------------------------------|------------|------------|
| Profit Before Tax | 40 | 324 |
| Cost reduction | 143 | 120 |
| Total Financial Benefits | 183 | 444 |
| Investments | 28 | 80 |
| ROI | 42% | 305% |



Converging Aspirations: Wave II 2010-2015

By capturing synergies, efficiencies and energy across the business, individual sectors will now drive their own transformation initiatives to accelerate Group-wide performance. Change management skills will be embedded within the business to get the entire Bank engaged on the transformation journey.

In planning the second phase, Maybank has reframed its vision and aspirations to accelerate its journey of change to bring strategic transformation across the Group as it sets its sights on expanding its regional businesses leveraging on its three home markets – Malaysia, Singapore and Indonesia. The move underscores the importance of continuously improving profitability, market value and returns on capital.

We move boldly into the future focussed on our vision and mission to be a regional financial services leader through humanising financial services from the heart of ASEAN.

Maybank's Strategic Objectives:

By 2015 to be:

- Undisputed No.1 Retail Financial Services provider in Malaysia
- The leading ASEAN wholesale bank eventually expanding further into the Middle East, China and India
- Domestic Insurance Champion and emerging regional player
- Truly regional organisation, with around 40% pre-tax profit derived from international operations
- Largest Islamic bank in ASEAN



With fifty years of experience, we can now leverage on our vast network and leadership position, reach out to and connect with people and communities, cultivate relationships and improve lives. We can be more than a bank with products and services. By continuously winning the trust of our customers and the ASEAN community, we will enhance our competitiveness.

With this aspiration and riding on the momentum of the transformation programme, we restructured to enable each sector to drive the reframed Group agenda. The previous LEAP30 Transformation Office is renamed Transformation Office and became part of the Enterprise Transformation Services (ETS), a larger unit providing support in transforming the bank.



New House of Maybank – Group Corporate Structure to support aspirations





corporate **milestones**

1960

- Maybank is incorporated on May 31 and begins operations at Mansion House in High Street in the heart of Kuala Lumpur on September 12.
- Malayan Finance Corporation (later Mayban Finance) is established, the first wholly bank-owned finance company to be set up at a time when the Malayan economy was dependent on rubber and tin.
- On November 28, Maybank's first overseas branch opens in Brunei Darussalam. Two more branches were later opened in Brunei – in Seria in 1983 and Gadong in 1999.

- Branches are opened in Singapore, with the first on South Bridge Road in December. **01**

1962

- The Hong Kong branch opens on February 12, followed by a branch in London on September 12.
- On February 17, Maybank lists on the Kuala Lumpur Stock Exchange.

1960s

Maybank is incorporated on 31 May 1960 and **begins operations** at Mansion House in High Street in the heart of Kuala Lumpur on 12 September 1960.



1970s

In October 1978, the Kuala Lumpur main branch is **computerised**, making Maybank the first Malaysian bank to computerise its savings and current accounts services.

1973

- In September, Maybank sets up its investment banking arm – Asian and Euro-American Merchant Bankers Bhd (ASEAMBANKERS). The bank is renamed Maybank Investment Bank in 2009. 02

1974

- Maybank introduces the first Rural Credit Scheme in Malaysia with 10 project field officers. The scheme aimed to bring the Bank and its services to the people in rural sectors, and to play its role in financing viable small-scale industries and businesses as well as Bumiputeras and Bumiputera concerns in line with the government's objectives to correct the economic imbalance among the populace.

1976

- As part of the Bank's continuing policy to provide financial services to rural communities, the first mobile bank unit is set up in Johor. 03

1977

- In June, Mayban-Phoenix Assurance Bhd – with the Bank holding 70% equity – is incorporated offering underwriting general insurance risks with an authorised capital of up to \$10 million. The remaining 30% is held by British Phoenix Assurance. On October 10, 1986, Mayban-Phoenix Assurance is renamed Mayban Assurance.



1978

- In October, the Kuala Lumpur main branch is computerised, making Maybank the first Malaysian bank to computerise its savings and current accounts services.

1980

- In December, Maybank launches its first credit card – the Maybank Visa Classic card.

1981

- In September, Maybank becomes the first Malaysian bank to set up an ATM at its Ampang branch in Kuala Lumpur.

1983

- Prime Minister Datuk Seri Dr Mahathir Mohamad lays the foundation stone of Menara Maybank – Maybank’s headquarters – in September. 04

1984

- Maybank’s New York branch opens in September. 05

1986

- Maybank introduces the nation’s first integrated and largest ATM network – Automated Banking Consortium or ABC linking Kwong Yik Bank, Mayban Finance and Maybank in Malaysia and Singapore, a total of 296 ATMs. 06

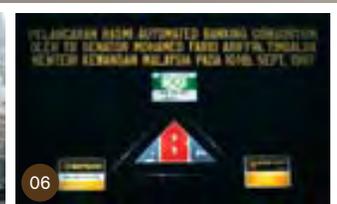
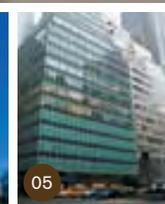
- Maybank launches the first joint pilot EFTPOS service with a number of participating petrol stations.

1988

- In January, Balai Seni Maybank and the Maybank Numismatic Museum are officially opened by Tan Sri Dato’ Jaffar Hussein, Governor of Bank Negara Malaysia. This is followed by the official opening of Menara Maybank in June 1988 by the Prime Minister.
- Maybank becomes the first financial institution to introduce payment for new IPOs through ATMs.

1980s

In September 1981, Maybank becomes the first Malaysian bank to set up an **ATM** at its Ampang branch in Kuala Lumpur.



1990s

In September 1992, **Maybank Autophone** is launched, making it the first local bank in the country to offer customers the convenience of conducting their banking transactions and payment of selected utility bills through a computerised telephone service.



1990

- Maybank sets up an offshore bank in Labuan International Offshore Financial Centre in October.

1992

- In January, Mayban Securities is formed.

1992

- In September, Maybank Autophone is launched, making it the first local bank in the country to offer customers the convenience of conducting their banking transactions and payment of selected utility bills through a computerised telephone service.

1993

- Mayban Ventures begins operations in February. In September, Aseam Leasing and Credit Bhd is incorporated, offering leasing and hire purchase activities.

1994

- Maybank (PNG) Ltd opens for business in Port Moresby in October, with a second branch opened in Lae in 1997. **07**
- In November, Prime Minister Dato Seri Dr Mahathir Mohamad officially launches PT Maybank Nusa Internasional, a joint venture with PT Bank Nusa Internasional of Indonesia.

- A branch is opened in Phnom Penh in Cambodia, and two representative offices are opened in Beijing and Tashkent, capital of Uzbekistan in Central Asia.

1996

- In March, the Hanoi branch and a representative office in Ho Chi Minh City are officially opened. In October 2005 Ho Chi Minh City becomes an official branch making it the second branch in Vietnam.
- In March, Deputy Finance Minister Wong See Wah launches Maybank Bankassurans, the first such service in Southeast Asia offering insurance products to customers at bank branches.

1996

- Maybank sells Kwong Yik Bank to Rashid Hussain Berhad in December.

1997

- In July, Maybank becomes the first bank to launch the Malaysia Airlines Electronic Ticketing or MASET, marking the birth of ticketless air travel via payment at any Maybank Group ATM.
- Maybank acquires a 60% stake in PNB-Republic Bank of the Philippines, and renames it Maybank Philippines Inc. **08**

2000

- Maybank launches Maybank2u.com in June, making it the first bank in Malaysia to introduce Internet banking services.
- Maybank acquires Pacific Bank Bhd and Phileo Allied Bank Bhd. In 2001, they were merged into Maybank's operations.

2001

- Maybank and Fortis International NV, one of the largest providers of integrated financial services in Europe, collaborate to set up Mayban Fortis Holdings Bhd. The partnership, with Maybank holding a 70% stake and Fortis 30%, sees the grouping of all Maybank's insurance companies under Mayban Fortis Holdings Bhd.
- In July, Maybank Tower, the new headquarters of Maybank Singapore, is officially opened by the republic's Deputy Prime Minister Brig-Gen (Rtd) Lee Hsien Loong. **09**

- In November, Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi launches Dataran Maybank in Kuala Lumpur. Dataran Maybank houses the head offices of Mayban Finance, Mayban General Assurance, Mayban Fortis Holdings, Mayban Life Assurance, Mayban Life International, Mayban Securities and Mayban Futures.

2002

- In July, Mayban Takaful commences operations, making it the first Takaful company owned by a conventional bank in Malaysia. Its products are sold via Maybank and Mayban Finance branches under the bancassurance model.

2003

- Maybank officially launches its Bahrain branch, the first Malaysian bank to operate there.



2000
 Maybank launches
Maybank 2u.com
 in June 2000, making it
 the first bank in Malaysia
 to introduce Internet
 banking services.



2004

- In February, Maybank is the first local bank to introduce e-Dividend via Maybank2e, a comprehensive dividend payment system that streamlines dividend processing and payment through the Bank's enterprise cash management system, Maybank2e.net.
- In October, the entire operations and business of Mayban Finance Bhd is vested into Maybank.

2005

- The acquisition of Malaysia National Insurance Bhd, Malaysia's largest national insurer and its subsidiary, Takaful Nasional Sdn Bhd, Malaysia's premier Takaful provider, catapults Mayban Fortis to the position of second largest insurer in Malaysia. The merger culminates in the rebranding of the entire Insurance and Takaful group which takes the new brand name of Etiqa in November 2007.

2006

- In August, Maybank signs a business transfer agreement with American Express to be the sole issuer and manager of the American Express charge card and merchant acquiring businesses in Malaysia. **10**
- Maybank becomes the first Malaysian bank to provide its Region Link services for over-the-counter-cash withdrawal services in its offices in Malaysia, Singapore, Brunei Darussalam and the Philippines.

2007

- Maybank Group launches Etiqa, the new brand name for its conventional and takaful businesses under Mayban Fortis Holdings.

2008

- Maybank establishes its Islamic banking subsidiary, Maybank Islamic Berhad, in January.
- Maybank expands its international network with strategic acquisitions of stakes in Bank Internasional Indonesia, An Binh Bank of Vietnam and MCB Bank Ltd of Pakistan.

2009

- Maybank launches the country's first wireless (mobile) payment terminal facility to accept credit or debit payment at the point of delivery with Pizza Hut. Later in the year, Maybank, in partnership with Maxis, Nokia, Touch n Go and Visa, launches the first-in-the-world, contactless mobile payments using near field communications (NFC) via Nokia phones.
- In April, Maybank and Permodalan Nasional Berhad jointly launch Malaysia's first-ever service for making additional investments in ASB units via Internet banking.
- Maybank successfully completes a RM6 billion rights issue – the largest in Malaysian corporate history.

2010

- Maybank launches 50th anniversary celebrations in January.
- In March, Maybank becomes the first public listed company on Bursa Malaysia to announce a dividend reinvestment plan that allows shareholders of Maybank to reinvest their dividend into new ordinary shares of Maybank.
- First Malaysian bank to achieve more than USD100 billion in total asset size and USD1 billion in profit after tax.
- First to launch disabled friendly banking branches for wheelchair bound users nationwide. **11**
- Launches TradeConnex, first local bank in Malaysia to offer a comprehensive suite of conventional trade finance products online.
- Maybank Islamic launches Waqf, first structured community giving programme for customers by a financial institution in Malaysia.
- Maybank Singapore launches the first Islamic financing package for SMEs in Singapore offering fixed rates beyond the conventional three year period.

notice of the 50th annual general meeting

NOTICE IS HEREBY GIVEN THAT the 50th Annual General Meeting of Malayan Banking Berhad (Maybank/the Company) will be held at the Grand Ballroom, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 29 September 2010 at 10.00 a.m. for the following businesses:-

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2010 together with the Reports of the Directors and Auditors thereon.
(Ordinary Resolution 1)
2. To approve the payment of a Final Dividend of 44 sen per share less 25% income tax, for the financial year ended 30 June 2010 as recommended by the Board.
(Ordinary Resolution 2)
3. To re-elect the following Directors, each of whom retires by rotation in accordance with Articles 96 and 97 of the Company's Articles of Association:-
 - i) Dato' Sri Abdul Wahid Omar
(Ordinary Resolution 3)
 - ii) Tan Sri Datuk Dr Hadenan A. Jalil
(Ordinary Resolution 4)
 - iii) Dato' Seri Ismail Shahudin
(Ordinary Resolution 5)
4. To re-elect the following Directors, each of whom retires in accordance with Article 100 of the Company's Articles of Association:-
 - i) Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor
(Ordinary Resolution 6)
 - ii) Dato' Mohd Salleh Hj Harun
(Ordinary Resolution 7)
5. To approve the following directors' remuneration:-
 - (a) payment of directors' fees amounting to RM300,000 per annum for the Non-Executive Chairman, RM285,000 per annum for Non-Executive Vice-Chairman and RM190,000 per annum for each of the Non-Executive Directors for the financial year ended 30 June 2010; and
 - (b) increase in directors' meeting allowances for Board meetings from RM750 per meeting per director to RM1,500 per meeting per director and for Board Committee meetings from RM750 per meeting per director to RM1,000 per meeting per director effective 1 July 2009.
(Ordinary Resolution 8)
6. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 30 June 2011 and to authorise the Directors to fix their remuneration.
(Ordinary Resolution 9)

AS SPECIAL BUSINESS:

To consider, and if thought fit, to pass the following Ordinary resolutions:-

7. AUTHORITY TO DIRECTORS TO ISSUE SHARES

“THAT subject always to the Companies Act, 1965, the Company’s Articles of Association and approval of the relevant government/regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being.” **(Ordinary Resolution 10)**

8. ALLOTMENT AND ISSUANCE OF NEW ORDINARY SHARES OF RM1.00 EACH IN MAYBANK (“MAYBANK SHARES”) IN RELATION TO THE RECURRENT AND OPTIONAL DIVIDEND REINVESTMENT PLAN THAT ALLOWS SHAREHOLDERS OF MAYBANK (“SHAREHOLDERS”) TO REINVEST THEIR DIVIDEND TO WHICH THE DIVIDEND REINVESTMENT PLAN APPLIES, IN NEW ORDINARY SHARES OF RM1.00 EACH IN MAYBANK (“DIVIDEND REINVESTMENT PLAN”)

“THAT pursuant to the Dividend Reinvestment Plan as approved by the Shareholders at the Extraordinary General Meeting held on 14 May 2010, approval be and is hereby given to the Company to allot and issue such number of new Maybank Shares for the Dividend Reinvestment Plan until the conclusion of the next AGM upon such terms and conditions and to or with such persons as the Directors may, in their

absolute discretion, deem fit and in the interest of the Company PROVIDED THAT the issue price of the said new Maybank Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price (“VWAMP”) of Maybank Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the Dividend Reinvestment Plan with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments or at the discretion of the Directors in the best interest of the Company.” **(Ordinary Resolution 11)**

9. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD**MOHD NAZLAN MOHD GHAZALI**

LS0008977

Company Secretary

Kuala Lumpur

7 September 2010

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend and on a show of hands or on a poll, to vote in his stead. A proxy shall be a member of the Company, an Advocate, an approved Company Auditor or a person approved by the Companies Commission of Malaysia. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal or in some other manner approved by its directors.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the meeting provided that where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least one proxy but not more than two proxies each in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. Duly completed Forms of Proxy must be deposited at the office of the appointed share registrar for this AGM, Tricor Investor Services Sdn Bhd (formerly known as Tenaga Koperat Sdn Bhd) at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur no later than 27 September 2010 at 10.00 a.m.
4. For a Form of Proxy executed outside Malaysia, the signature must be attested to by a Solicitor, Notary Public, Consul or Magistrate.
5. Only members registered in the Record of Depositors as at 23 September 2010 shall be eligible to attend the AGM or appoint a proxy to attend and vote on his/her behalf.
6. If a proxy or proxies appointed is/are not a member of Maybank, please ensure that the proof of eligibility of the proxy or proxies is/are enclosed with the Form of Proxy submitted and the original counterpart of such proof of eligibility is/are presented by your proxy or proxies for verification purposes during the registration process.

Payment of Final Dividend

7. The proposed gross dividend as per Resolution 2 consists of an electable portion of 40 sen (30 sen net per ordinary share) which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan as disclosed in Note 51(c) to the financial statements.

Pursuant to Section 8.26 of the Main Market Listing Requirements of Bursa Securities Malaysia Berhad the final dividend, if approved, will be paid no later than three (3) months from the shareholders' approval. The Book Closure Date will be announced by the Company after the AGM.

Abstention from Voting

8. All the Non-Executive Directors who are shareholders of the Company will abstain from voting on Resolution 8 in relation to the remuneration to Non-Executive Directors at the 50th AGM.

9. Explanatory notes on Special Business:-

- (i) **Ordinary Resolution 10 – Authority to Directors to Issue Shares**

The Company has not issued any new shares under the general mandate for issuance and allotment of shares up to 10% of the issued and paid-up capital of the Company, which was approved at the 49th AGM held on 30 September 2009 and which will lapse at the conclusion of the 50th AGM held on 29 September 2010. A renewal of this mandate is sought at the 50th AGM under proposed Ordinary Resolution 10.

The proposed Ordinary Resolution 10, if passed, will give powers to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.

The purpose of the proposed mandate from shareholders is to provide the Bank flexibility to undertake any share issuance during the financial year that is not material in nature under exceptional circumstances i.e. in the event of any strategic opportunities involving equity deals which may require the Bank to allot and issue new shares on urgent basis – and which is only to be undertaken if the Board considers it to be in the best interest of the Company.

(ii) **Ordinary Resolution 11 – Dividend Reinvestment Plan**

This proposed ordinary resolution will give authority to the Directors to allot and issue shares for the Dividend Reinvestment Plan in respect of dividends declared in this AGM and subsequently until the next AGM. A renewal of this authority will be sought at the next AGM.

10. **Statement Accompanying the Notice of Annual General Meeting**

Additional information pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is set out in Annexure A in Maybank's 2010 Annual Report.

Annexure A

statement accompanying notice of the 50th annual general meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The Profile of the Directors who are standing for re-election (as per Ordinary Resolutions 3 to 7 as stated above) at the 50th Annual General Meeting of Malayan Banking Berhad which will be held at Grand Ballroom, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 29 September 2010 at 10.00 a.m. are stated on pages 74 to 78 of the Annual Report 2010.

The details of any interest in the securities of Maybank and its subsidiaries (if any) held by the said Directors are stated on page 227 of the Annual Report 2010.

financialcalendar

25 August 2009

Announcement of the audited results of Maybank and of the Group and announcement of the final dividend for the financial year ended 30 June 2009

8 September 2009

Notice of the 49th Annual General Meeting, Notice of Dividend Payment and Book Closure and issuance of annual report for the financial year ended 30 June 2009

30 September 2009

49th Annual General Meeting

15 October 2009

Book closure for determining the entitlement of the dividends

27 October 2009

Date of payment of the final dividend of 8 sen per share (less 25% Malaysian Income Tax) in respect of the financial year ended 30 June 2009

12 November 2009

Announcement of the unaudited results of Maybank and the Group for the first quarter of the financial year ended 30 June 2010

9 February 2010

Announcement of the unaudited results of Maybank and the Group for the second quarter and announcement of the interim dividend for the financial year ended 30 June 2010

5 March 2010

Book closure for determining the entitlement of the interim dividend

16 March 2010

Date of payment of the interim dividend of 11 sen per share (less 25% Malaysian Income Tax) in respect of the financial year ended 30 June 2010

29 April 2009

Notice of Extraordinary General Meeting in relation to the proposed recurrent and optional dividend reinvestment plan that allows shareholders of Maybank to reinvest their dividend to which the dividend reinvestment plan applies, in new ordinary shares of RM1.00 each in Maybank

13 May 2010

Announcement of the unaudited results of Maybank and the Group for the third quarter of the financial year ended 30 June 2010

14 May 2010

Extraordinary General Meeting in relation to the proposed recurrent and optional dividend reinvestment plan that allows shareholders of Maybank to reinvest their dividend to which the dividend reinvestment plan applies, in new ordinary shares of RM1.00 each in Maybank

20 August 2010

Announcement of the audited results of Maybank and of the Group and announcement of the final dividend for the financial year ended 30 June 2010

7 September 2010

Notice of the 50th Annual General Meeting and issuance of annual report for the financial year ended 30 June 2010

29 September 2010

50th Annual General Meeting

enhancing **value** to **shareholders**

With the robust financial performance delivered in FY2010, Maybank has stood by its commitment to return greater value to its shareholders in the form of higher dividend payment together with continued capital appreciation of its shares.

FY2010 represented a year where Maybank strived to make good on the investments made by its providers of capital, both in fixed income through our capital securities raising exercise and in equity capital through our rights issue to shareholders in the previous financial year.

The confidence demonstrated by shareholders towards our long term strategy to seek for higher growth opportunities beyond the domestic market has been justified as BII recorded significant asset growth and increased its profit contribution to the Group while MCB Bank and ABBank have both contributed positively to our bottom line despite the challenges and uncertainties that prevailed at the onset of the acquisitions.

By delivering better profits every quarter than the year before, Maybank share price has risen steadily as more analysts upgraded their recommendations to "Buy". As a result, Maybank's foreign shareholding ratio rose from 11.20% to 12.66% during the year, a positive indication of greater interest from foreign institutional funds.

Dividend Reinvestment Plan

With the record profit achieved in FY2010, Maybank has declared a higher gross dividend of 55 sen per share, a reflection of the Board's desire to reward shareholders following the previous year's gross dividend of 8 sen per share.

The Board, however, also recognises the need to balance providing healthy dividend income to shareholders while ensuring that future capital requirements of the company

are adequately met in order to preserve its financial strength and to grow its business. This is especially important since in response to the financial crisis, the Basel Committee on Banking Supervision is updating its guidelines for capital and banking regulations which as part of the forthcoming Basel III, banks are expected to be better capitalised via core equity.

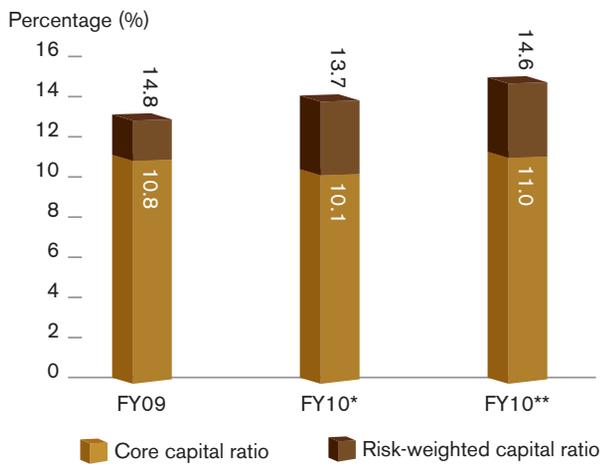
In view of this, the Board had during the financial year proposed and obtained approval for a Dividend Reinvestment Plan (DRP) that will be a part of Maybank's strategy to conserve and manage its capital. The DRP will enable Maybank to declare dividends in accordance to the dividend policy while allowing shareholders to either receive the dividend in cash or reinvest the dividend into new Maybank shares. The reinvestment in new Maybank shares will enhance value to shareholders as the shares are issued at a discount of up to 10% while for Maybank the reinvestment will help to preserve a portion of its capital declared as dividends.

Since the previous year's debt raising and rights issue, Maybank did not raise any additional capital during the financial year. The DRP would help in Maybank's capital management by issuance of new shares from reinvestment of the dividends declared.

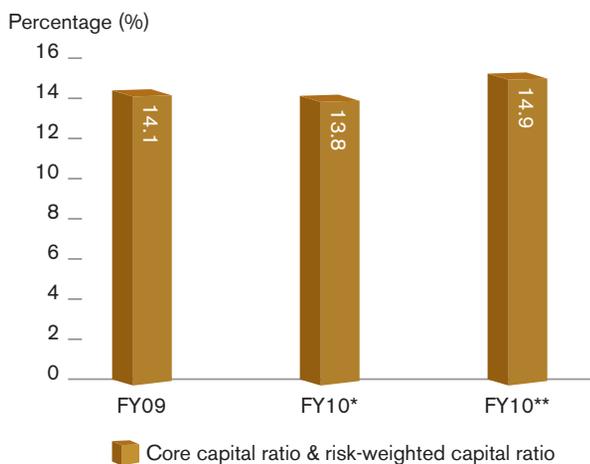
With the DRP, Maybank's capital adequacy ratio (risk weighted capital ratio after dividends), would remain healthy at between 13.71% and 14.58% at Group level and 13.78% and 14.91% at Bank level, depending on the amount of the dividend under DRP reinvested.

Maybank's capital ratios

Group



Bank



* Entire electable portion not reinvested under DRP
 ** Entire electable portion reinvested under DRP

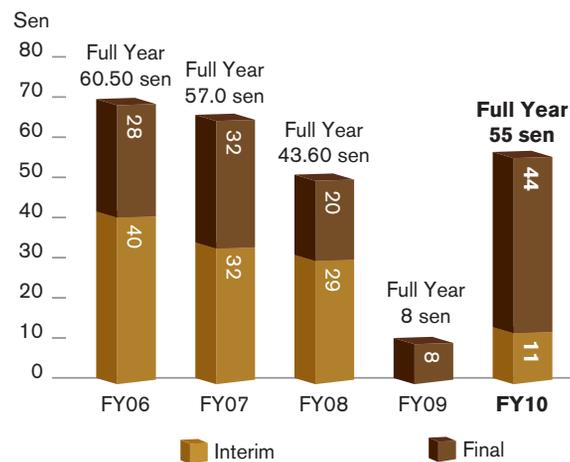
Dividends

Maybank has a long-term dividend policy of between 40% and 60% dividend payout ratio based on the reported net profit attributable to shareholders.

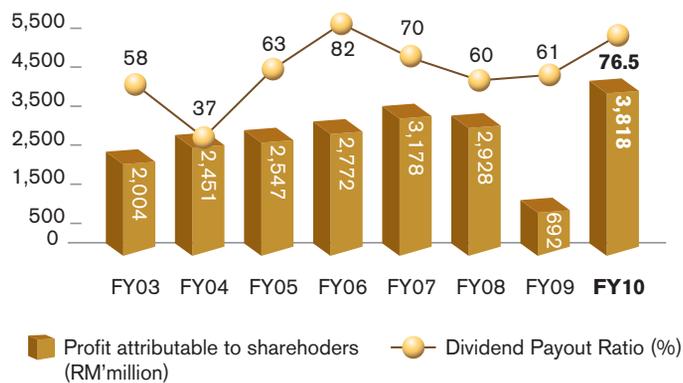
The Board of Directors has proposed a final gross dividend of 44 sen (33 sen net) per share. In addition to the interim dividend of 11 sen gross (8.25 sen net), the full year gross dividend amounts to 55 sen (41.25 sen net) compared to 8 sen (6 sen net) in the previous year. This translates to a dividend payout ratio of 76.5%, which is higher than the dividend policy's stated target of between a 40% and 60% dividend payout ratio, and higher than the previous year's dividend payout ratio of 61%.

Out of the net dividend of 33 sen, 30 sen will be the electable portion where shareholders can elect to fully reinvest into Maybank shares at a discount of up to 10% of the five-day volume weighted average market price of Maybank shares ex-dividend.

Gross Dividends



Profit Attributable to Shareholders and Dividend Payout Ratio



Share Price Performance

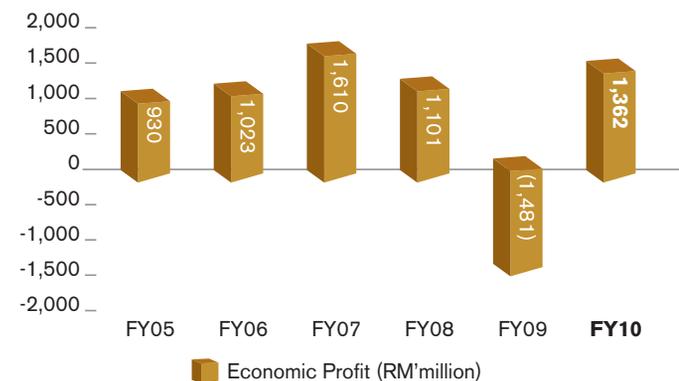
Apart from dividends paid to shareholders, enhancing our value to shareholders includes improving Maybank's share price performance. During the financial year, Maybank's share price rose 28.1%, outperforming the FBM KL Composite Index which rose 22.2%. However, Maybank's performance for FY2010 was lower against the KL Finance Index, which rose 38.7%. Please refer to pages 425 and 426 for further commentary and a chart on Maybank's share price performance for the year.

Economic Profit

As part of the Transformation Programme for Government-linked Companies (GLCs) introduced by Khazanah Nasional, Maybank has tracked the performance of its Economic Profit since 2005. The transformation programme is an initiative to develop high-performing entities for the future prosperity of the country and Economic Profit is used as a key measure of value creation to shareholders by showing a company's return over and above its cost of capital.

For FY2010, Maybank's Economic Profit rebounded to RM1.36 billion from a deficit of RM1.48 billion the previous year mainly attributable to higher profit for the year despite the expanded equity base.

Economic Profit



Credit Rating

Maybank's financial strength, which was fortified by the rights issue in the previous year, was further strengthened by the robust profits during FY2010. With strong fundamentals, Maybank has retained its credit ratings on par with Malaysia's sovereign rating during the financial year as follows:

| | |
|----------------------------|-----|
| Standard and Poor's | A- |
| Fitch Ratings | A- |
| Moody's Investors Services | A3 |
| RAM Ratings | AAA |

The outlook for the long-term credit ratings for Maybank was maintained as Stable throughout the financial year by all four rating agencies. Maybank is regularly in contact with its credit rating agencies as well as regulators to ensure continued adoption of prudent capital management practices and remains committed towards maintaining its investment grade credit ratings.

corporate **profile**

total net profit

USD **1.2** billion

market capitalisation

USD **18.6** billion

employing

40,000

serving over

18 million customers

Maybank Group is the leading financial services provider in Malaysia catering to the needs of consumers, investors, entrepreneurs, non-profit organisations and corporations. The Group, which has expanded internationally, has the largest network among Malaysian banks of over 1,750 branches and offices in 14 countries, employing 40,000 Maybankers and serving over 18 million customers. It also has the distinction of holding the largest asset base – of more than USD100 billion; and market capitalisation – of USD18.6 billion; with total equity and total net profit of USD9.1 billion and USD1.2 billion respectively.

In 2008, the Bank established an Islamic banking subsidiary, Maybank Islamic, which today is the leading Islamic financial services provider in Malaysia with 17% of Islamic financing market share and is set to become a key player internationally.

Having occupied a stable and leading space in the Malaysian financial landscape for 50 years, the Group is currently on the second wave of a transformation journey to further strengthen its processes, systems and human resource capabilities. The objective is to offer unparalleled products and services targeted at customer needs so as to secure greater leadership in Malaysia and the region.

A 50-Year Legacy

Ever since opening its doors in the heart of Kuala Lumpur on 12 September 1960, Maybank has been a partner to economic development in Malaysia. It has supported the country since the early years of independence, providing the financial services necessary to transform from an agrarian to a newly industrialised economy, consistently setting new benchmarks in product and service delivery.

From the beginning, Maybank has focused on being a bank for all Malaysians, going the extra mile to provide access to those who were not being served by any other financial institution. It was the first bank to offer a rural credit scheme, promoting the growth of small-scale industries. This was later supplemented by mobile units that were able to reach out to more Malaysians across the length and breadth of the country.

As the economy evolved and Malaysians began to globalise, taking their business ventures overseas, Maybank continued to be their trusted financial services provider. Its international expansion began from its very first year, when it opened branches in Brunei and Singapore. Two years later, it expanded to Hong Kong and London. Maybank is the only Malaysian bank in Papua New Guinea, and was the first to have set up base in Bahrain. It is also in Cambodia, China, Pakistan, the Philippines, the US, Uzbekistan and Vietnam.

Over the span of half a century, Maybank has steadily built an unshakeable foundation by focusing on the fundamentals of a healthy balance sheet and profitability, while maintaining best-in-class risk management and other essential support systems. From this secure vantage point, it has acquired a reputation for being an innovative, ICT-driven bank. Maybank has always adopted the latest information and communication technologies to create greater efficiency and flexibility of products and services which translate into enhanced convenience for its growing customer base.

Among its ICT-based milestones, Maybank was the first to computerise its savings and current accounts services; the first to introduce ATMs, and then to allow Malaysians to subscribe to new IPOs by paying through these machines; the first to introduce Internet banking; and, most recently, the first to launch a wireless mobile payment facility.



Maybank's Leadership

Maybank celebrates its 50th anniversary in true style, having clear market leadership in almost all the business sectors it is involved in. This comprises commercial banking, investment banking, Islamic banking, offshore banking, insurance and takaful, factoring, trustee services, asset management, stock broking, nominee services, venture capital and Internet banking.

Consumer banking remains one of the Group's largest revenue earners with a variety of services and products, including mortgage and automobile financing, credit and debit cards, bancassurance, wealth management as well as retail and Internet banking. Corporate Banking provides one-stop financial solutions tailor-made to the specific requirements of individual corporate clients from government linked companies (GLCs), public-listed Malaysian companies and multinational corporations. Business Banking caters to SMEs and commercial enterprises not listed on Bursa Malaysia, providing commercial finance, trade finance, cash management and factoring services. Maybank Islamic offers *Shariah*-compliant products and services to a growing Muslim and non-Muslim base in Malaysia and overseas. The Investment

Banking Group, spearheaded by Maybank Investment Bank, offers a complete range of investment solutions from corporate finance to debt capital markets, equity markets to research and strategic advisory. The Group's insurance business under the Etiqa brand encompasses all types of Life and General conventional insurance as well as Family and General Takaful plans via a robust agency force of more than 28,000 agents complemented by wide bancassurance and bancatakaful networks.

Corporate Responsibility

As the leading financial services provider in Malaysia, Maybank feels it is only befitting to assume a leadership role as a responsible corporate citizen. Our tradition of corporate responsibility (CR) dates back to the very beginning, when we first served the rakyat fulfilling their banking, investing and financing needs. Over the years, issues of corporate governance, transparency and risk management have surfaced in the corporate arena and we have proactively incorporated global best practices into our operations. Today, our CR initiatives are truly integrated into the core of our business framework and strategy.

Our ambition of becoming a regional financial services leader underlines the need for sustainability via good governance and integration with local communities. A major focus of our community initiatives is education. While elevating the standard of education in rural schools, we provide scholarships to deserving Malaysians and offer them jobs within the Group upon graduation. In addition, Maybank provides financial aid to numerous homes and organisations for the underprivileged. We also donate generously to victims of natural disasters and make available our payment channels for contributions from the public.

Conscious of the need to protect the environment for a sustainable future, we are reducing our carbon footprint via energy saving, minimising the use of paper, and planting trees. Our employees play a big role in all our CR initiatives. Indeed, they play a huge role in our sustainability as a corporate organisation, and we acknowledge the invaluable contribution of our employees by engaging them in meaningful dialogue and training them to enhance their career progression.

We act as a responsible organisation towards our customers, suppliers and shareholders by upholding the highest level of integrity in all our dealings and ensuring fair play at every juncture of our operations. We believe that our focus on CR will not only benefit our various stakeholders but, by bringing us closer to our communities, will propel the Group to greater heights. Serving from the heart, we will reach for the sky.

corporate **information**

BOARD OF DIRECTORS

TAN SRI DATO' MEGAT ZAHARUDDIN MEGAT MOHD NOR

(Appointed with effect from 1 October 2009)
DPCM, PJN, PSM
Non-Independent Non-Executive
Chairman

DATO' MOHD SALLEH HJ HARUN

(Appointed with effect from 18 November 2009)
DSDK
Independent Non-Executive
Vice-Chairman

DATO' SRI ABDUL WAHID OMAR
SSAP, DSAP

Non-Independent Executive Director
(*President and CEO*)

TAN SRI DATUK DR HADENAN A. JALIL

PNBS, PSM, SIMP, JMN, DMSM,
KMN, AMN
Independent Non-Executive Director

DATO' SERI ISMAIL SHAHUDIN
SPMP

Independent Non-Executive Director

DATO' DR TAN TAT WAI

PhD DMPN
Independent Non-Executive Director

ENCIK ZAINAL ABIDIN JAMAL

Non-Independent Non-Executive
Director

MR ALISTER MAITLAND

Independent Non-Executive Director

MR CHEAH TEIK SENG

Independent Non-Executive Director

DATO' JOHAN ARIFFIN

DPTJ
Independent Non-Executive Director

MR SREESANTHAN ELIATHAMBY

Non-Independent Non-Executive
Director

COMPANY SECRETARY

Mohd Nazlan Mohd Ghazali
(LS0008977)
General Counsel & Company
Secretary

REGISTERED OFFICE

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Telephone: (6)03-2070 8833
Facsimile : (6)03-2032 4775
(Investor Relations)
: (6)03-2711 3421
(Customer Feedback
Management)
: (6)03-7845 9858
(Maybank Group
Customer Care)
: (6)03-2031 0071
(Secretarial Services)
SWIFT : MBBEMYKL
Website : <http://www.maybank.com>
E-Mail : publicaffairs@maybank.com.my

SHARE REGISTRAR

Malayan Banking Berhad
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Telephone: (6)03-2074 7405
Facsimile : (6)03-2072 0079

STOCK EXCHANGE LISTING

**Main Market of Bursa Malaysia
Securities Berhad**
(Listed since 17 February 1962)

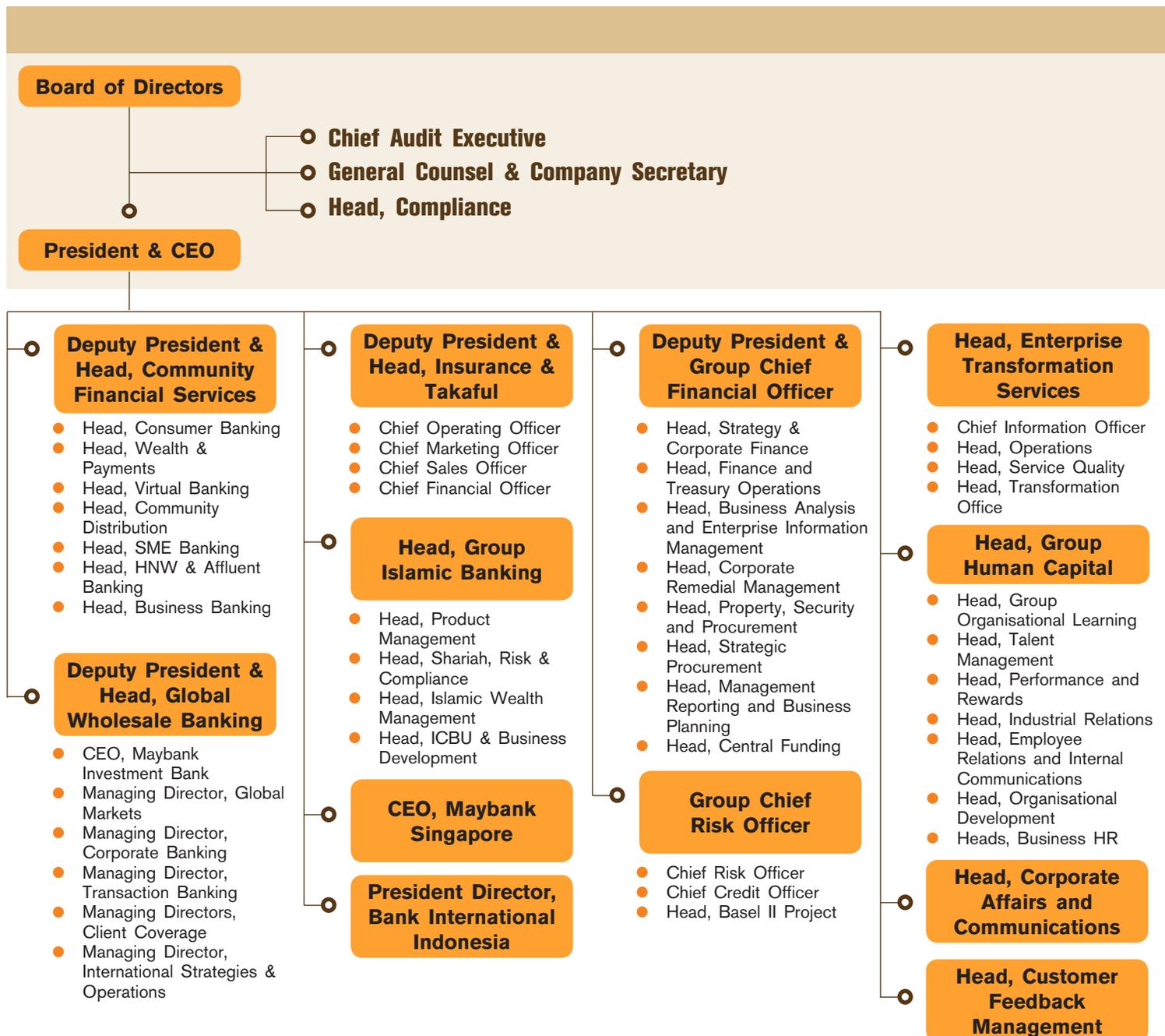
EXTERNAL AUDITORS

Messrs. Ernst & Young
(AF : 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Telephone : (6)03-7495 8000
Facsimile : (6)03-2095 9076/78

AGM Helpdesk

Telephone : (6)03-2264 3883
(Tricor Investor
Services Sdn Bhd)
: (6)03-2074 8256
(Group Corporate
Secretarial, Maybank)

group organisation structure



group **corporate structure**

Note: • Companies that are dormant, under member's voluntary liquidation, or have ceased operations are not listed in the Group Corporate Structure.

• The complete list of Maybank subsidiaries is on pages 417 to 424 of this Annual Report.



mediamilestones2010

The Star, 09 Jul 2009

Maybank eyes top 5 rank

Leap30 programme has realigned bank to be competitive

By ELLIOTT HUI

PERALIHAN JAWA (Business Briefing) — Maybank's aggressive Leap30 programme has realigned the bank to be competitive in the long-term, says its president and CEO, Datuk Seri Abdul Wahid Omar, in an interview with the Star. "We have already made a profit, but we are not satisfied with it," he says. "We are looking for a better return on our investments, for example, the real estate and a diversified portfolio in various parts of the world, and we are looking for a better return on our investments."



Datuk Seri Abdul Wahid Omar — The bank has hopes to be a high performer in the next few years.

It also suggests the commercial banking model is strengthening, which is a good thing, but it is not a complete picture, he says. "We are looking for a better return on our investments, for example, the real estate and a diversified portfolio in various parts of the world, and we are looking for a better return on our investments."



New Straits Times, 26 Aug 2009

Maybank remains upbeat

Group sees better year after writedowns hit FY2009 profit

CEO under Malaysia Banking South quarter compared with

Utusan Malaysia, 31 Aug 2009

Maybank peneraju sektor perbankan Malaysia



Bank nombor satu tempatan itu turut berhasrat untuk menjadi sebuah organisasi bank yang mantap berdasarkan 40 peratus gajitangan kasar diperolehi dari operasi antarabangsa.

The Edge, 01 Sep 2009

Time to deliver

Maybank's president and CEO Datuk Seri Abdul Wahid Omar says the worst is over now that the bank has made a full impairment charge on its investments in Indonesia and Pakistan. The challenge ahead is to make Bank Internasional Indonesia earnings accretive. Leading the charge at BI is its newly appointed president director Ridha Wirakusumah. What is their

Kosmo, 26 Aug 2009



Maybank catat untung sebelum cukai RM1.67b

The Star, 02 Jul 2009

Maybank Islamic to secure RM750mil via two new products



New Straits Times, 09 Jul 2009

Maybank tapping overseas markets for takaful tie-ups



New Straits Times, 03 Oct 2009

RM500,000 boost for disaster relief fund



New Straits Times Press group receiving editor Zainal Abidin Mohamed (in right) receiving the RM500,000 donation from Maybank's Fund of International Market Losses.

International Business Review, 02 Dec 2009

RIDING THE ISLAMIC WAVE

Maybank Islamic carves a niche in growing Islamic finance market



Business Review, IBCI of Maybank Islamic.

Malaysian Reserve, 01 Oct 2009

Maybank plans to open 200 BII branches by 2012

For FY09, BII accounted for 4% of Maybank's overseas pre-tax profit & 29% of its overseas loan.

Malaysian Reserve, 13 Nov 2009

Maybank's 1Q10 net profit rises 54% to RM882m

Treasury, international, insurance and investment banking operations were the key drivers in the strong performance.



MALAYSIAN Banking. BII (Maybank) is reaping the benefits of its Bank International Indonesia (BII) and other regional focus as well as the increasing investments towards its growing 54.1% increase in net profit to RM882 million for its first quarter ended Sept 30, 2009 from RM572.27 million a year ago. Maybank acquired BII together with a 20% stake in Indonesia's SACI Bank Ltd and



MEMORABLE CHANGE The 3rd Deputy Governor of Bank Indonesia (right) took over as chairman of Maybank-Indonesia BII (Maybank's Bank International Indonesia) as the banking group's annual general meeting proceeds. The bank also announced that it was undertaking an aggressive expansion for Bank International Indonesia (BII) under a three-year plan. For the financial year ended June 30, 2009, BII accounted for 4% of Maybank's overseas pre-tax profit and 19% of its overseas loan. IBCI 10

The Star, 18 Dec 2009

Maybank completes An Binh stake buy

It now owns the maximum allowed 20% of the Vietnamese bank



Danuk Seri Abdul Wahid Omar (right) and Danuk Nii Kamarudin (left) having a chat before the seasonal celebrations.

The Sun, 19 Nov 2009

Maybank Islamic wins Most Outstanding Islamic Bank award

The Sun, 08 Jan 2010

Maybank to increase overseas branches, offices to 2,000

Abdul Wahid (left) and Megat Zaharuddin unveil the group's 50th anniversary logo and theme at Meriara Maybank in Kuala Lumpur yesterday.



Smart Investor, 06 Feb 2010



Maybank Opens Seventh Branch in Cambodia

Maybank Cambodia opened its seventh branch located at Tonle Sap District in Phnom Penh to provide financial services to residents, institutions, universities and businesses. The new branch provides retail and commercial banking services, namely deposit and placement, trade finance, remittance, foreign exchange and mortgage as well as ATM facilities.

Malay Mail, 22 Feb 2010

Maybank's BII embarks on rights issue

New Straits Times, 31 Mar 2010

Tiger Corner a big hit with 'cubs'



Children getting their face painted at Maybank's Tiger Corner during the gift promotion.

The Edge Financial Daily, 19 Feb 2010

Maybank contributes RM1m to tiger conservation



Megat Zaharuddin (2nd from left) handing over a mock cheque for RM1 million to Kawasulu in Meriara Maybank yesterday. Also present were Deputy Secretary-General 1 of the Human Resources and Environment Ministry Datuk Azidah Mohamed (left), Perhilitan Director-General Tanak Abd Razak Samudin (2nd from right) and Maybank president and CEO Datuk Seri Abdul Wahid Omar. Photo by Muzil Usman Mohd Nazam.

The Star, 25 Mar 2010

Five decades of service



Maybank is 50 years old and still going strong.

Maybank is Malaysia's largest financial services group.

The Edge Financial Daily,
08 Mar 2010

Noh pulls off dramatic win over Choi at Malaysian Open



Malaysian Reserve, 01 Apr 2010

Maybank dividend reinvestments to drive Basel 3 compliance

Borneo Post (KK), 04 Apr 2010

Maybank Islamic pays zakat of RM5.01 million

The Edge Financial Daily, 06 Apr 2010

Maybank Islamic to continue growth



Maybank Islamic CEO Ibrahim Hassan (left) presents a check (right) to Minister in the Prime Minister's Department Senator Majid Ghaffar (2nd from left) and Khalid Yusoff (2nd from right) at the ceremony. Looking on are Maybank Islamic chairman Datuk Seri Ismail Shahrudin (2nd from left) and Abdul Wahid. Photo by Anthony Wong

Malay Mail, 01 Jun 2010



Maybank celebrates 50th anniversary

WILDA LOHMAN (Singapore) was one of the first women to work for Maybank in 1960. She is now a senior executive at the bank. The bank is celebrating its 50th anniversary with a special event. The event is a celebration of the bank's 50th anniversary. The bank is celebrating its 50th anniversary with a special event. The event is a celebration of the bank's 50th anniversary. The bank is celebrating its 50th anniversary with a special event.

The Star, 03 Apr 2010



Funding: Maybank president and CEO Datuk Seri Abdul Wahid Omar (right) exchanging documents with Japan Bank for International Cooperation (JBIC) resident executive officer for Asia and Oceania, Ryuichi Kaga. Maybank has signed an agreement with JBIC on April 1 for an additional US\$200mil funding facility, bringing to US\$400mil the total financing it has received from JBIC so far.

Eastern Times, 16 Apr 2010

Etiqa treats staff to a day of fun and excitement

The Star, 15 May 2010

Maybank eyes Indonesian listing

It also plans to open more branches in China, Cambodia and the Philippines

Berita Harian, 22 Apr 2010

Aktiviti MSAM pikat ramai pengunjung
Program beri pendedahan pelaburan, rancang kewangan

The Sun, 17 Jun 2010

RM16m for customer service: Maybank



corporate **highlights**

July 16

july 2009

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July 4



July 23

Jul 1 Maybank Islamic launched two term financing facilities based on the syariah concept of Murabahah, namely, Commodity Murabahah Term Financing-i and Murabahah Term Financing-i.

Jul 4 Etiqa Takaful contributed RM200,000 to build hostels and improve the multipurpose hall and classrooms at a Madrasah in Malacca.

Jul 16 Maybank presented a BMW X6 worth over RM700,000 to the Grand Prize winner of the American Express Win a BMW Campaign. The six-month campaign from November 2008 – April 2009 attracted over 3 million entries.

Jul 16 Maybank Singapore launched its first Islamic Term Deposit, Term Deposit-i, based on the commodity Murabahah principle. It is the first such Islamic product to pay fixed returns upfront.

Jul 23 The nation's largest rewards redemption fair, Maybank TreatsFair, opened at the Mid Valley Megamall with more participating merchants and greater savings. The four-day annual fair provides an opportunity for Maybank cardmembers to redeem their points for products and services. Proceeds from an auction held were channelled to UNICEF and Mercy Malaysia.

Jul 24 Maybank and Sony Malaysia launched a limited edition co-brand SonyCard Visa with FIFA branding. By spending on the card, customers stood to win tickets to the World Cup Semi Finals and Finals in South Africa.



July 24

august 2009

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| 23 | 24 | 25 | 26 | 27 | 28 | 29 |



Aug 10



Aug 13

Aug 3 Maybank Singapore introduced a customised flexible tenure with its Choice Date Time Deposit product which allows customers to choose their own placement period while the interest earned is calculated up to the maturity date of the deposit.

Aug 7 Maybank introduced M2UMap to Malaysian customers. The free application containing built-in maps for Singapore and Malaysia can be downloaded onto iPhones and provides information on the location of Maybank branches, ATMs as well as Maybankard Dining Treats outlets in the two countries.

Aug 10 Maybank opened its fifth branch in Cambodia at Chbar Ampov Town, southeast of Phnom Penh City.

Aug 13 Maybank Islamic introduced Collateral Management Arrangement-i (CMA-i), a *Shariah*-compliant trade finance solution for commodity-based products for export or distribution in local markets as well as those imported into the country. Maybank

Islamic also introduced its Commercial Industrial Hire Purchase based on the *Shariah* contract Al-Ijarah Thumma Al-Bai for sole-proprietorships, partnerships, private limited and public limited companies.

Aug 13 Maybank and Yayasan Sejahtera under the auspices of Putrajaya Committee on GLC High Performance (PCG) teamed up with New Straits Times Press to launch Tabung Maybank Sejahtera – a special fund set up during Ramadhan to support PCG's Sejahtera programme. The Bank contributed RM50,000 to the fund which is channelled to vulnerable communities in Malaysia. Maybank also offered its branches and delivery channels to enable the public to contribute to the programme.

Aug 17 Maybank held a joint launch with Inland Revenue Board Malaysia (LHDN) of its online income tax payment service via Maybank2e.net for corporations.



Aug 17



Aug 27



Sept 2

august 2009

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september 2009

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Sept 9

Aug 19 Etiqa launched the Khairat scheme for women employees of the Kajang Prisons Department. It also set up a partnership with TuneTalk with the option of cross-selling products via TuneTalk's mobile and website advertising.

Aug 25 Maybank completed the subscription of approximately 2.16 million additional shares in An Binh Bank (ABB) for a total consideration of about VND43.3 billion (RM8.5 million). Maybank maintained its 15% shareholding in ABB.

Aug 25 Maybank Group announced a pre-tax profit of RM1.67 billion for the financial year ending 30 June 2009. Profit after tax and minority interest was RM691.9 million.

Aug 27 Maybank presented cash incentives to 104 children of the employees in Klang Valley who excelled in their PMR, SPM and STPM examinations. Over 400 children nationwide received the Maybank Group Academic Excellence Award.

Aug 27 1 Utama selected Maybank as its pioneer partner in introducing yet another first in the shopping mall industry in Malaysia – the maybank2u.com lounge as well as the first credit card customer service centre located in a mall.

Sept 2 Etiqa Takaful contributed RM358,072.59 in zakat payment to the Majlis Ugama Islam Sabah.

Sept 5 Maybank Islamic added a new family of Islamic credit cards with the launch of its Petronas Ikhwan Card.

Sept 9 Maybank and 1 Utama Shopping Centre launched the Rewarding Redemptions for Retail (RCubed) Free Shopping Programme, that allows Maybank customers to shop for free by redeeming their TreatsPoints at merchant outlets in the mall.

Sept 11 Etiqa contributed RM102,478.69 in zakat payment to the Majlis Agama Islam Selangor.

Sept 29 Maybank and Pizza Hut Malaysia launched the nation's first wireless payment terminal facility that accepts credit or debit payment at the point of delivery of pizza. A hand held device accepts cashless payment for credit or debit cards instead of cash upon delivery of a customer's order.

Sept 30 Maybank held its 49th AGM in Kuala Lumpur. Tan Sri Mohamed Basir Ahmad retired as Chairman after serving 16 years in the capacity, and handed over to his successor Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor, who took office as Chairman effective 1 October 2009.



Oct 2

october 2009

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| 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 | 29 | 30 | 31 |



Oct 2



Oct 14

Oct 2 In response to the earthquake in Padang, Sumatra, Maybank partnered with Utusan Malaysia to relaunch the Tabung Gempa Nusantara Utusan-Maybank for victims of natural disasters in Sumatra. It opened its branches, Internet banking and ATMs as channels through which members of the public could contribute to the Fund. The Bank also supported NSTP-Media Prima in its Tabung Bencana NSTP-Media Prima for victims of natural disasters in the region by donating RM500,000 to kick-start the campaign. Bil also mobilised its employees for ground support to affected victims. Maybank also supported its employees affected by the natural disasters in the Philippines, Vietnam and Indonesia.

Oct 8 Maybank launched the Maybankard MasterCard Platinum Debit for entrepreneurs and professionals. It is also the Bank's first debit card with higher daily spending limit.

Oct 14 Maybank Investment Bank Berhad was lead arranger for Sime Darby Berhad's Islamic Medium Term Note of RM4.5 billion and Islamic Commercial Paper (ICP)/Islamic

Medium Term Note Programme of RM500 million with a Combined Master Limit of RM4.5 billion.

Oct 19 Maybank opened its sixth branch in Cambodia, located at the Olympic area, Phnom Penh's largest business centre dominated by the city's Olympic Stadium landmark.

Oct 20 Maybank and its employees donated RM17,000 to provide new playground facilities to residents of Tengku Budariah Children's Home, one of the seven homes in Malaysia adopted by Maybank under its Cahaya Kasih CSR programme in collaboration with the Ministry of Women, Family and Community Development.

Oct 20 Maybank Singapore raised over S\$35,000 through its Maybank Card donation campaign for victims of the earthquake in Padang, Indonesia; Typhoon Ketsana in Vietnam and the Philippines; and the tsunami in Samoa. The Bank rewarded customers with five times the normal loyalty points for every dollar pledged which was converted into cash donation.



Oct 19



Oct 20

november 2009

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Nov 10

Nov 8 Etiqa set up its government business unit within the Ministry of Finance building in Putrajaya to facilitate its operations with the Housing Loan Management Division of the government, and to serve the protection needs of the government sector and its employees.

Nov 10 Etiqa opened a new branch office in Kamunting, Taiping.

Nov 12 Maybank Group announced a pre-tax profit of RM1.16 billion for the three months ended 30 September 2009. Profit after tax and minority interest was RM881.8 million.

Nov 19 Maybank launched the 1Malaysia Momentum (M3) Structured Deposit, a capital protected investment plan for those seeking potential gain regardless of market conditions, with a target fund size of RM100 million. The five-year investment product guarantees 100% capital protection if the Floating Rate Negotiable Instruments of Deposit is held to maturity or autocalled.

Nov 28 Etiqa staff and agents joined 400 Pantai Dalam residents in the Hari Raya Haji celebration held at Masjid Al-Ikhlasih, sharing and spreading the spirit of goodwill, especially among the poor and needy.



Dec 12



Dec 17



Jan 5

december 2009

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january 2010

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Jan 7

Dec 9 Maybank launched the Extra Rewards Deposit Campaign, pioneering an assured reward programme to all qualified depositors who had a RM500 increase each month in the Bank's conventional or Islamic savings or current account. Top savers during the four-month campaign also stood a chance to win monthly prizes of electronic products as well as Grand Prizes comprising cruise packages to exotic holiday destinations.

Dec 10 Etiqa launched the Triple Lifestyle Protector (TLP), providing guaranteed benefit coverage, regular cash payout of 15% of the sum insured every three years beginning from the 5th policy anniversary and payout of 100% of sum insured upon maturity.

Dec 12 Maybank Singapore organised a Youngstarz Children's Colouring & Drawing contest, matching every entry received with a food pack to a needy child. A total of 1,100 food packs were given away.

Dec 17 Maybank and MoneyTree (M) Sdn Bhd signed an agreement for a year-long financial literacy programme to promote financial education and awareness among the young as well as to instil the spirit of entrepreneurship among tertiary students via the Maybank-MoneyTree Young Entrepreneur Startup (Y.E.S.) Challenge.

Dec 31 Maybank launched the MaxiHome and MaxiShop Fixed Rate mortgage packages for periods of three, five or 10 years starting from as low as BLR-1.8% for MaxiHome, and BLR-1.40% for MaxiShop.

Jan 4 Maybank Singapore joined AXS' bill payment platform, D-Pay, to offer customers more options and greater convenience in paying their bills.

Jan 5 Maybank opened its seventh branch in Cambodia in the upmarket Phnom Penh district of Toul Kork consisting of affluent residences, government ministries, universities and commercial businesses.

Jan 7 Maybank announced its 50th Anniversary Celebration programme in the Year of the Tiger. Themed *Close to You*, the year-long activities will focus on strengthening bonds with consumers and the community.

Jan 27 Etiqa Insurance and Takaful established a partnership with Universiti Utara Malaysia (UUM) to offer the first Malaysian bachelor's degree programme for insurance and takaful agents.

february 2010

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Feb 8

Feb 6 Etiqa contributed four houses costing a total of RM240,000 to Rumah Pendidikan At Tohiriah in Port Dickson, Negeri Sembilan, providing for more than 60 orphans and needy children along with their caretakers and educators.

Feb 8 In conjunction with the Bank's 50th Anniversary, Maybank provided a RM1 million grant to the Malaysian Conservation Alliance for Tigers (MYCAT) for a two-year outreach and research programme on tiger conservation in Malaysia.

Feb 9 Maybank Group announced a pre-tax profit of RM2.56 billion for the half-year ended 31 December 2009. Profit after tax and minority interest was RM1.88 billion.

Feb 19 Maybank announced that its subsidiary BII would embark on a rights issue to raise gross proceeds of approximately Rp1.407 trillion.

Feb 24 Maybank Singapore launched the three-year Maybank Blue Skies Structured Deposit, linked to the performance of Singapore blue chips. Customers will receive one per cent fixed payout every year for the three years, and guaranteed principal deposit at maturity.



Mar 4-7



Mar 19



Mar 24

march 2010

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Mar 29



Mar 31

Mar 4-7 Maybank was title sponsor for the fifth year of the Maybank Malaysian Open 2010 held at the Kuala Lumpur Golf & Country Club. More than 150 golfing professionals from the European and Asian Tours participated.

Mar 9 Maybank revised its Base Lending Rate (BLR) from 5.55% p.a to 5.80% p.a. The Base Financing Rate (BFR) of Maybank Islamic Berhad was similarly revised from 5.55% to 5.80%. The interest rate revisions were based on an adjustment in the Overnight Policy Rate.

Mar 15 Maybank Singapore partnered with Western Union, a global leader in money transfer services, to offer its Worldwide Remittance Service at 12 branches to customers and non-customers.

Mar 19 Maybank Singapore received the Excellence in Employee Engagement award from Asian Banker, outperforming other top global banks.

Mar 19 Maybank Philippines opened a new branch at Cebu-Mandaue in Metro Cebu, southern Philippines, its second branch in Cebu. A week later, Maybank Valenzuela was opened.

Mar 24 Maybank clinched top place and the Gold award in the Finance category at the inaugural Putra Brand Awards, where winning brands were selected by a consumer polling system.

Mar 25 Maybank announced a Dividend Reinvestment Plan (DRP), the first listed company in Malaysia to introduce a recurrent and optional dividend reinvestment plan that provides shareholders the option to receive their dividend in cash or reinvest the dividend into new Maybank shares.

Mar 29 Maybank signed its second agreement with the Japan Bank for International Cooperation (JBIC) for an additional USD200 million funding facility, bringing to USD400 million the total financing received from JBIC. The new facility will be used to support customers who have business relations with Japanese enterprises.

Mar 31 Maybank gave away Malaysian Grand Prix 2010 tickets worth over RM650,000 to winners of the PETRONAS Maybankard Visa Campaign. The Grand Prize was a Paddock Club Ticket and privileges worth over RM14,000 for the live event on 4 April 2010.

Mar 31 Maybank was the first bank in Singapore to achieve a triple certification for Singapore Quality Class, Service Class and People Developer Organisation in Business Excellence from SPRING Singapore.

april 2010

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Apr 3

Apr 3 Etiqa's zakat contribution of RM193,300.00 to the Baling community saw five families receiving new homes, three families having their homes renovated, the renovation of a surau and 185 children receiving school uniforms.

Apr 12 Maybank Philippines opened its Las Piñas branch, in a highly-developed suburban city in Manila.

Apr 15 Maybank Islamic Berhad launched Islamic Fixed Deposit or i-FD, a hybrid deposit product which combines the features of a General Investment Account (GIA-i) and Profit Non Account-I (PNA-i) based on the Shariah concept of Murabahah.

Apr 20-26 Maybank was again the premier partner of Permodalan Nasional Berhad's Minggu Amanah Saham Malaysia 2010 Roadshow held in Kuching, Sarawak.

Apr 25 Over 120 employees from Etiqa headquarters and the East Coast Region took part in a beach clean-up at Teluk Cempedak in Kuantan, Pahang.

Apr 29 Maybank announced the completion of the rights issue exercise of BII comprising 6,253,554,529 new ordinary shares of Rp22.5 each (Rights Shares) at an issue price of Rp225 which amounted to Rp1.407 trillion (Rights Issue). The subscription received amounted to 6,279,215,402 Rights Shares totalling Rp1,412,823,465,450, which resulted in an over subscription of the Rights Shares.



Apr 20-26

may 2010

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May 18

May 5 Maybank completed the transfer of 69.5% equity in Maybank Fortis to Etiqa International while the remaining 30.95% is held by Fortis Insurance International N.V.. Etiqa International is a wholly-owned subsidiary of Maybank.

May 13 Maybank Group announced a pre-tax profit of RM4.01 billion for the nine-month period ended 31 March 2010. Profit after tax and minority interest was RM2.91 billion.

May 14 Maybank held an extraordinary general meeting which approved the Bank's proposed Dividend Reinvestment Plan (DRP) to be implemented in conjunction with the announcement of the 4th quarter results in August 2010.

May 18 Maybank revised its base lending rate upwards by 25 basis points to 6.05% in line with the increase in the Overnight Policy Rate (OPR). The base financing rate (BFR) of Maybank Islamic Berhad was similarly increased by 25 basis points to 6.05%.

May 18 Maybank Singapore launched the Privilege Plus Savings Account for customers aged 50 years and above, offering a higher interest rate and free Personal Accident insurance.

May 18 Winners of the Maybankard MasterCard Platinum Debit received their prizes at a ceremony held at Menara Maybank. The Grand Prize was an all expense paid four-day London trip worth over RM50,000 for two. Maybank also announced a new auto-bill payment service for the Maybankard MasterCard Platinum Debit.

may 2010

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May 21

May 21 Maybank announced the issue of its second millionth Maybankard Visa Debit card within just two years of its launch. To celebrate this milestone, Maybank announced new on-line shopping & payment and auto-bill payment services.

May 23 Maybank announced a proposed conversion to Shariah banking and a corresponding reduction in share capital of its 96.83% owned subsidiary PT Bank Maybank Indocorp (BMI) in Indonesia.

May 31 The Prime Minister of Malaysia Dato' Sri Mohd Najib Tun Abdul Razak visited Menara Maybank to celebrate the 50th anniversary of Maybank's incorporation with its employees.



May 31



June 11

June 2010

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June 16



June 18-19

June 2 Maybank presented over RM642,000 worth of prizes to winners of the first phase of its 50th Anniversary Rewards Campaign and Extra Rewards Deposit Campaign.

June 11 Maybank signed on as a main sponsor of The Golden Bull Award organised by Nanyang Siang Pau, a leading Chinese daily to recognise outstanding SMEs in the country.

June 14 Maybank Singapore launched the Pocket Me GIRO, an industry first, which rounds up a customer's payment to the nearest S\$5, and gives the customer the difference between the rounded up amount and the billed amount.

June 16 Maybank officially launched its disabled-friendly branches which have specially built ramps as well as ATM and cash deposit machines for wheelchair bound customers. In addition, it also offer designated counters with personnel on hand to render special assistance.

June 16 Etiqa launched the Etiqa Academy in Bangunan Datuk Zainal which will serve as a centre for learning and development for its 26,000 agents nationwide.

June 18-19 Etiqa, in partnership with Supercamp Malaysia, initiated a pilot academic programme for children of employees which focuses on imparting academic and life skills.

June 19 Etiqa Takaful donated RM106,000 to Madrasah Rahmaniah in Tumpat, Kelantan, to build and equip a canteen. The madrasah provides hostel facilities for underprivileged students and orphans. Etiqa staff also joined forces with the students to spruce up the madrasah's compound.

June 22 Maybank Singapore was the first bank in Singapore to offer Islamic Term Financing for SMEs, and the only bank to offer fixed rates for up to 10 years, beyond the conventional three years.



June 24

June 24 Maybank opened its eighth branch in Cambodia, in Battambang, the second largest city in the country after Phnom Penh. Battambang is the main commercial hub of the northwestern region of Cambodia.



We'll be there innovating new ways to help our children save and grow their money.

Thank you for sharing your lives, hopes and dreams with us. Celebrating 50 years, close to you.





innovation & leadership

Malaysia's financial services icon has been making waves since its inception in 1960. Over the years, Maybank has achieved many milestone moments, all of which support our vision of becoming a leading regional financial services group by 2015.

LARGEST

Financial Services provider in Malaysia

NO.1

Bank In Malaysia by assets and reach

FIRST

Bank In Malaysia to cross USD100 billion in total asset size and USD1 billion in profit after tax in 2010

PIONEER

In Internet Banking services in Malaysia in 2000



- **Largest** banking network in Malaysia with 386 branches, 17 trade finance centres, 39 business centres, 37 share investment centres and 22 private banking centres
- **No.1** Islamic bank in Malaysia by assets
- **No.1** Islamic financial services provider in Asia Pacific
- **Largest** rights issue of RM6 billion in Malaysia
- **First** to launch disabled banking branches in Malaysia for wheelchair bound users in 2010
- **First** public listed company in Malaysia to implement a dividend reinvestment plan for shareholders in 2010
- **First** to launch online facility for making additional investments in ASB units with PNB in 2009
- **Malaysia's** Most Valuable Brand in 2008 & 2007
- **First** to launch Malaysia's dual purpose Bankcard in partnership with Visa International in 2008
- **First** to launch complete mobile money service in Malaysia with Maxis in 2007
- **First** to introduce the structured commodity financing solution for business customers in 2007
- **First** to offer online mobile banking via SMS followed by M2U Mobile Services using GPRS/3G phones in 2006
- **First** bank at a petrol station in 2004
- **First** to launch Malaysia's Internet banking kiosk, Maybank2u.com Internet Kiosk in 2003
- **First** Malaysian bank to open a branch in Shanghai, People's Republic of China in 2000
- **First** in Malaysia and South East Asia to offer common ATM and over-the-counter services in Malaysia, Singapore, Brunei and the Philippines in 2000
- **First** to introduce View & Pay service in Malaysia using credit card and direct debit via Internet with Mesiniaga Bhd in 2000
- **First** to offer the convenience of ticket-less travel for domestic flights on MAS through MAS Electronic Ticketing (MASET) in 1997
- **Pioneer** in bancassurance in South East Asia in March 1996
- **First** Malaysian bank to set up ATMs in Malaysia in 1981
- **Pioneer** in computerisation of banking operations in Malaysia in 1978
- **First** to introduce mobile bus banking services in 1976
- **First** to introduce a rural credit scheme in 1974

awards & recognition



2010

- **Malaysian Institute of Human Resource Management**
 - HR Excellence Category (Gold Award)
 - HR Innovation Category (Silver Award)
- **Malaysian Rating Corporation Berhad**
 - Top Lead Managers Award (Jan-Jun 2010)
 - No. 1 by Issue Count
 - No. 1 by Issue Value
- **Asiamoney Private Banking Poll**
 - Best Domestic Private Banking in Malaysia
 - Overall Best Domestic Private Bank in Malaysia (Asset under management of US\$1 million – US\$5 million)
 - Overall Best Private Bank in Malaysia (Asset under management of US\$5.01 million – US\$25 million)
- **Credit Guarantee Corporation Malaysia**
 - Top SMI Supporter Award
 - Best Financial Partner Award
- **Reader's Digest Trusted Brands Awards**
 - Bank Category – Gold Award
 - Credit Card Issuing Bank – Gold Award



- **Association of Accredited Advertising Agents Malaysia / Malaysia's Most Valuable Brands - Putra Brand Awards 2010.**
 - Finance Gold Award : Maybank
- **The Asset Triple A Award**
 - Best SME Bank in Malaysia
 - Best e-Commerce Bank in Malaysia
- **Asian Banker Excellence in Retail Financial Services Awards**
 - Best Improved Retail Bank in Asia for 2009
 - Excellence in Employee Engagement for Asia Pacific, Central Asia and Gulf Regions (Maybank Singapore)
- **Asiamoney**
 - Best FX Bank in Indonesia
- **Euromoney Awards**
 - Best Private Banking Services Overall - Malaysia
- **KLIFF Islamic Finance Awards**
 - Most Outstanding Retail Islamic Bank Award (Maybank Islamic Berhad)

pastawards

2009

- **Malaysian Rating Corporation Berhad**
 - Top Lead Managers Award (Jan-Dec 2009)
 - No. 1 by Issue Count
 - No. 2 by Issue Value
- **Finance Asia Country Awards**
 - Best Cash Management Bank
 - Best Trade Finance Bank
- **Euromoney Awards**
 - Best Local Bank – Malaysia
 - Best Private Banking Services Overall – Malaysia
- **The Asset Triple A Award**
 - Best Cash Management Bank in Malaysia
- **The Asset Triple A Award. Islamic Finance Award (Maybank Investment Bank)**
 - Most Innovative Islamic Finance Deals – WCT Engineering Berhad RM300 million Sukuk Musyarakah with warrants
 - Best Innovative Islamic finance deals – Cagamas RM2 billion Sukuk Commodity Murabahah
- **Global Finance**
 - Best Foreign Exchange Bank in Malaysia
 - Best Trade Finance Provider in Malaysia
 - Best Sub-Custodian Bank in Malaysia
- **International Takaful Award (Etiqa Takaful Berhad)**
 - Best Bancassurance Takaful Award
- **KLIFF Islamic Finance Awards**
 - Most Outstanding Islamic Bank Award (Maybank Islamic Berhad)
 - Most Outstanding Takaful Company (Etiqa Takaful Berhad)
 - Most Innovative Deal of the Year & Tawarruq Deal of the Year – Cagamas Berhad's RM915 million Medium Term Notes (Maybank Investment Bank)
 - Sovereign Deal of the Year & Indonesia Deal of the Year – Republic of Indonesia; Perusahaan Penerbit SBSN Indonesia I USD650 million Global Sukuk Indonesia (Maybank Investment Bank)
 - Ijarah Deal of the Year & Qatar Deal of the Year – Qatar Airways Syndicated Financing Islamic Finance Facility (Maybank Investment Bank)
- **Investor Magazine (Maybank Indocorp)**
 - Best Bank for asset size Rp1 trillion – Rp10 trillion category
- **Ministry of Human Resources, Malaysia**
 - Caring Employer Award – Winner
- **Asiamoney Private Banking Poll**
 - Overall Best Domestic Private Bank in Malaysia (Asset under management of USD1 million and above)
- **Trade Finance Magazine Awards for Excellence**
 - Best Local Trade Bank in Malaysia
 - Best Islamic Trade Bank in Asia (Maybank Islamic Berhad)
- **Reader's Digest Trusted Brands Award**
 - Bank – Gold Award
 - Credit Card Issuing Bank – Gold Award
 - Islamic Financial services – Gold Award (Maybank Islamic Berhad)
- **RAM Lead Managers Islamic Award (Maybank Investment Bank)**
 - Issue Value (2008) – 1st position
 - Number of Deals (2008) – 3rd position
- **RAM Lead Managers Islamic Award (Maybank Investment Bank)**
 - Number of Deals (2008) – 3rd position
 - Issue Value (2008) – 2nd position

- **Lafferty Cards Award**
 - Best New Product for Maybankard Visa Debit
 - Best Debit Card for Maybankard Visa Debit
- **Best Visa Program Innovation - Maybank Mobile NFC**
- **Carre (Center for Customer Satisfaction & Loyalty) Call Center Award**
 - Service Excellence for Credit Card Customers (BII)
- **Marketing Magazine and Carre - Center for Customer Satisfaction and Loyalty Service Quality Award**
 - Gold Award (BII)
- **Indonesian Institute for Corporate Directorship, Centre for International Private Enterprise Washington, DC and Business Review Magazine. Good Corporate Governance Award (BII)**
 - The Best Individual Indicators Responsibility of the Board
- **SWA Magazine and Stern Stewart & Co. (100 Public Companies Rank in the SWA 100 2009). Indonesia Best Wealth Creators Award (BII)**
 - One of the Best Public Companies Based On WAI™ (Wealth Added Index) Method
- **Infobank and MRI Awards (BII)**
 - Best Banking Service Excellence Monitor Award – 2nd Placing
 - Best ATM – 3rd Placing
 - Best Phone Handling, Phone Banking Machine – 2nd Placing
 - The Best Phone Banking Officer
- **Infobank Magazine Golden Trophy 2009 (BII)**
 - “Very Good” Financial Performance 2004-2008
- **Finance Asia Country Awards for Achievement**
 - Best Cash Management Bank
 - Best Trade Finance Bank
 - Best Foreign Exchange Bank
- **Trade Finance Magazine**
 - Best Local Trade Bank in Malaysia
- **The Asset Triple A Transactional Banking Awards**
 - Best Cash Management Bank for Malaysia
 - Best Trade Finance Bank for Malaysia
- **Asian Banker Excellence in Retail Financial Services Award**
 - Excellence in Automobile Lending in the Asia Pacific, Gulf Region and Central Asia Asiamoney
- **Asiamoney**
 - Best Domestic Provider for Structured Currency Products, Malaysia
 - Best Local Currency Cash Management Services, Malaysian Ringgit
 - Best Local Cash Management Bank, Malaysia as voted by small and medium corporates
- **Reader's Digest Trusted Brands**
 - Bank – Gold Award
 - Credit Card Issuing Bank – Gold Award

2008

- **Alpha Southeast Asia**
 - Best Merger & Acquisition (M&A) Deal in South-East Asia
 - Best Trade Finance in Malaysia
 - Best Cash Management in Malaysia
 - Best Financial Supply Chain Bank in Malaysia
- **Global Finance**
 - Best Bank in Malaysia
 - Best Trade Finance Bank in Malaysia
 - Best Foreign Exchange Bank in Malaysia
 - Best Sub-Custodian Bank in Malaysia
- **2008 Asiamoney Polls**
 - Best Local Currency Cash Management Services

- **CGC Top SMI Supporter Award**
 - **Asia Pacific Brands Foundation The BrandLaureate Awards**
 - Best Brands in Premium Payment Cards (American Express)
 - Best Brands in Services. Insurance and Takaful (Etiqa)
 - **Lafferty Asia Bank Corporate Reporting Awards**
 - Best Annual Report – Malaysia
 - **Association of Accredited Advertising Agents Malaysia / Interbrand**
 - Malaysia's Most Valuable Brands 2008 (Top placing)
 - **Asia Pacific Brands Foundation The BrandLaureate Awards (Maybank2u.com)**
 - Best Brands – Banking Online
 - **Contact Centre Association Malaysia. National Gold Award (Maybank2u.com)**
 - Best In-House Contact Centre (Over 50 seats)
 - Best Mystery Call Shopper Excellence Award
 - **Euromoney Islamic Bank Award (Maybank Investment Bank)**
 - Best Sukuk Deal
 - **KLIFF Islamic Finance Awards**
 - Most Outstanding Islamic Retail Banking (Maybank Islamic Berhad)
 - Most Outstanding Takaful Company (Etiqa Takaful)
 - **International Takaful Award 2008 (Etiqa Takaful)**
 - Best Takaful Marketing
 - **Islamic Finance News Awards 2008**
 - Most Innovative Deal of the Year – WCT Berhad RM300.0 million Islamic Serial Redeemable Sukuk with Detachable Warrants
- 2007**
- **Alpha Southeast Asia**
 - Best Trade Finance Bank in Malaysia
 - **Asia Pacific Brands Foundation**
 - Brand Laureate SMEs Best Supporters Award 2007
 - **Association of Accredited Advertising Agents Malaysia/ Interbrand**
 - Malaysia's Most Valuable Brands 2007 (Top placing)
 - **Prime Minister's CSR Awards 2007**
 - Outstanding Work in Best Workplace Practices (Honourable Mention)
 - **Asiamoney Cash Management Poll 2007**
 - Best Local Currency Cash Management Services (By Currency) – Malaysia: MYR
 - Best Local Cash Management Bank in Malaysia as voted by Small-Sized and Medium-Sized Corporates
 - **Malaysian Business**
 - Corporate Governance Award 2006 – CSR Award Winner
 - Corporate Governance Award – Merit Award
 - **The Asset Triple A Award**
 - Best Cash Management Bank in Malaysia
 - **Global Finance**
 - Best Trade Finance in Malaysia
 - **Global Custodian Magazine**
 - "Top Rated" Cross Border and "Commended" Domestic under the Emerging Markets Agent Bank Review
 - **CGC Top SMI Supporter Award**
 - **National Council for Occupational Safety and Health Award**
 - Finance, Real Estate & Insurance Sector Award
 - OSH Excellence Award
 - **Reader's Digest Trusted Brand Gold Award**
 - **Best @ Show Awards – Malaysian e-Banking Awards '07 (Maybank2u.com)**
 - Best e-Banking Leader & Best e-Payment Channel
 - **Malaysian Rating Corporation Berhad**
 - Islamic Bonds Issue Count – 1st Place
 - Islamic Bonds Issue Value – 3rd Place

- **RAM Lead Manager Awards – Islamic (Maybank Investment Bank)**
 - Number of Deals – 2nd Place
 - Issue Value – 3rd Place
 - **RAM Lead Manager Awards – Lead Manager (Aseambankers Malaysia Berhad)**
 - Number of Deals – 2nd Place
 - Issue Value – 3rd Place
 - **RAM Awards of Distinction (Aseambankers Malaysia Berhad)**
 - Industry Recognition Award
 - Blue Print Awards. New Structured Finance Benchmark Deal
 - **RAM Lead Manager Awards – Islamic (Aseambankers Malaysia Berhad)**
 - Number of Deals – 2nd Place
 - Issue Value – 3rd Place
 - **Islamic Finance News Awards: Deals of the Year (Aseambankers Malaysia Berhad)**
 - Best Country Deals Malaysia
 - **IRD Awards (Aseambankers Malaysia Berhad)**
 - Asian Deal of the Year Award
 - **IFR Asia Awards (Aseambankers Malaysia Berhad)**
 - Malaysia Capital Markets Deal of the Year Award
 - **The Asset Triple A (Aseambankers Malaysia Berhad)**
 - Best Domestic Securitisation Deal of the Year Award
- 2006**
- **Dewan Bahasa dan Pustaka's Anugerah Citra Laporan Tahunan 2006**
 - **Corporate Governance Asia Annual Recognition Award 2006**
 - **Global Finance Award**
 - Best Foreign Exchange Bank in Malaysia
 - **The Asset Asian Award**
 - Best Cash Management Bank
 - **Malaysian Institute of Human Resource Management & Kelly Services Malaysia**
 - Outstanding HR Achievement Award
 - **Sheikh Mohammed bin Rashid Al Maktoum Islamic Finance Award**
 - Global Continuing Contribution to Islamic Retail Development
 - **Reader's Digest Trusted Brand Gold Award**
 - **Malaysian Business Awards**
 - Best Corporate Social Responsibility Award
 - Best Corporate Governance Award (Second placing)
 - **CGC Top SMI Supporter Award**
 - **Euromoney Award for Excellence (Aseambankers Malaysia Berhad)**
 - Best M&A House in Malaysia
 - **Islamic Finance News Award. Deal of the Year (Aseambankers Malaysia Berhad)**
 - Mudharabah Deal of the Year
 - **Sheikh Mohammed bin Rashid Al Maktoum Islamic Finance Award (Aseambankers Malaysia Berhad)**
 - Regional Continuing Contribution to Islamic Finance R&D (Asia)
 - **RAM League Award (Aseambankers Malaysia Berhad)**
 - Islamic – 1st Place (Issue Value) – 3rd (Number of Deals)
 - 3rd Place (Number of Deals)
 - 3rd Place (Issue Value)
 - **IR Magazine (Maybank Singapore)**
 - Best IR in Singapore market by a Malaysian company

five-year group financial summary

| Year ended 30 June | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|---------|---------|---------|---------|----------------|
| OPERATING RESULT (RM'Million) ¹ | | | | | |
| Operating profit | 3,997 | 4,370 | 4,571 | 3,064 | 5,249 |
| Profit before taxation | 3,988 | 4,364 | 4,086 | 1,674 | 5,370 |
| Profit after taxation and minority interest | 2,772 | 3,178 | 2,928 | 692 | 3,818 |
| Profit after taxation and minority interest before impairment of goodwill/associate | 2,772 | 3,178 | 2,928 | 2,665 | 3,818 |
| KEY BALANCE SHEET DATA (RM'Million) ¹ | | | | | |
| Total assets | 224,284 | 256,667 | 269,101 | 310,739 | 336,700 |
| Loans, advances and financing | 131,454 | 140,865 | 164,614 | 185,783 | 205,555 |
| Total liabilities | 206,807 | 236,799 | 249,009 | 284,971 | 308,035 |
| Deposits from customers | 136,278 | 163,677 | 187,112 | 212,599 | 236,910 |
| Commitments and contingencies | 130,383 | 175,392 | 204,217 | 221,587 | 232,273 |
| Paid-up capital | 3,797 | 3,889 | 4,881 | 7,078 | 7,078 |
| Shareholders' equity | 16,869 | 19,198 | 19,302 | 24,899 | 27,877 |
| SHARE INFORMATION ¹ | | | | | |
| <u>Per share (sen)</u> | | | | | |
| Basic earnings ³ | 52.1 | 58.5 | 53.3 | 12.0 | 53.9 |
| Diluted earnings ³ | 51.9 | 58.3 | 53.3 | 12.0 | 53.9 |
| Gross dividend | 85.0 | 80.0 | 52.5 | 8.0 | 55.0 |
| Net assets (sen) | 444.3 | 493.6 | 395.5 | 351.8 | 393.9 |
| Share price as at 30 June (RM) | 10.7 | 12.0 | 7.1 | 5.9 | 7.6 |
| Market capitalisation (RM'Million) | 40,628 | 46,668 | 34,411 | 41,760 | 53,510 |
| FINANCIAL RATIOS (%) ¹ | | | | | |
| <u>Profitability Ratios/Market Share</u> | | | | | |
| Net interest margin on average interest-earning assets | 2.8 | 2.8 | 2.7 | 2.8 | 2.9 |
| Net interest on average risk-weighted assets | 3.8 | 3.7 | 3.5 | 3.4 | 3.5 |

| Year ended 30 June | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|------|------|------|------|--------------------|
| FINANCIAL RATIOS (%) ¹ (CONT'D.) | | | | | |
| Net return on average shareholders' funds | 16.7 | 17.6 | 15.2 | 3.1 | 14.5 |
| Net return on average assets | 1.3 | 1.3 | 1.1 | 0.2 | 1.2 |
| Net return on average risk-weighted assets | 2.0 | 2.0 | 1.6 | 0.3 | 1.6 |
| Cost to income ratio | 39.7 | 42.8 | 44.4 | 52.8 | 49.8 |
| Gross loan to deposit ratio | 96.5 | 86.1 | 88.0 | 87.4 | 86.8 |
| Net non-performing loans ratio (3-month classification) | 3.8 | 3.0 | 1.9 | 1.6 | 1.2 |
| Domestic market share in: | | | | | |
| Loans, advances and financing | 20.3 | 19.6 | 18.1 | 17.8 | 17.6 |
| Deposits from customers – Savings Account | 28.9 | 30.6 | 28.0 | 26.6 | 27.7 |
| Deposits from customers – Current Account | 21.1 | 21.4 | 21.5 | 21.3 | 20.5 |
| CAPITAL ADEQUACY RATIOS (%) | | | | | |
| (after deducting proposed final dividend) ² | | | | | |
| Core capital ratio ⁵ | 9.7 | 9.0 | 10.1 | 10.8 | 10.1 – 11.0 |
| Risk-weighted capital ratio ⁵ | 13.3 | 13.7 | 12.7 | 14.8 | 13.7 – 14.6 |
| VALUATIONS ON SHARE ¹ | | | | | |
| Gross dividend yield (%) | 7.9 | 6.7 | 7.4 | 1.4 | 7.3 |
| Dividend payout ratio (%) | 83.9 | 71.5 | 60.4 | 61.4 | 76.5 |
| Price to earnings multiple (times) ⁴ | 20.5 | 20.5 | 13.2 | 49.2 | 14.0 |

¹ Comparative figures were reclassified to conform with current year presentation.

² The Bank Negara Malaysia Guidelines on Market Risk Capital Adequacy Framework are effective from 1 April 2005.

³ Adjusted for rights issue completed on 30 April 2009 and bonus issue of 1:4 completed on 20 February 2008.

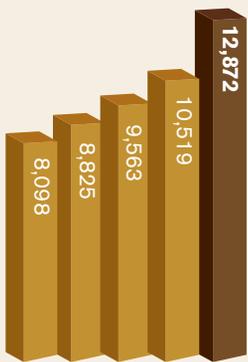
⁴ Price to earnings multiple (times); (2009) 12.8 times (before impairment of goodwill/associate).

⁵ The capital adequacy ratios for 2010 present the two range of extreme possibilities, i.e.

(i) where the full electable portion is not reinvested; and

(ii) where the full electable portion is reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan.

five-year group growth summary



2006 2007 2008 2009 2010

Net Income
RM' Million



2006 2007 2008 2009 2010

Operating Profit
RM' Million



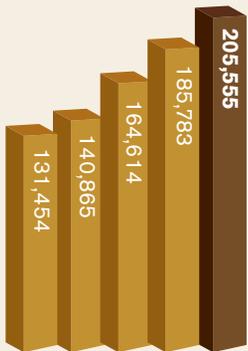
2006 2007 2008 2009 2010

Profit Before Taxation
RM' Million



2006 2007 2008 2009 2010

Total Assets
RM' Million



2006 2007 2008 2009 2010

**Loans, Advances
and Financing**
RM' Million



2006 2007 2008 2009 2010

**Deposits from
Customers**
RM' Million



2006 2007 2008 2009 2010

Shareholders' Equity
RM' Million



2006 2007 2008 2009 2010

Paid-up Capital
RM' Million

key interest bearing assets and liabilities

| | 2009 | | | 2010 | | |
|---|--------------------------------|------------------------------------|------------------------|--------------------------------|------------------------------------|------------------------|
| | As at 30 June RM'million | Effective Interest Rate % | Interest RM'million | As at 30 June RM'million | Effective Interest Rate % | Interest RM'million |
| Interest earning assets | | | | | | |
| Loans, advances and financing | 185,783 | 5.54 | 10,181 | 205,555 | 6.22 | 10,228 |
| Cash and short-term fund & deposits and placements with financial institutions | 29,907 | 1.32 | 935 | 37,623 | 1.43 | 486 |
| Securities held-for-trading | 1,489 | 3.09 | 31 | 2,651 | 3.39 | 62 |
| Securities available-for-sale | 47,877 | 4.06 | 1,880 | 42,576 | 4.18 | 1,688 |
| Securities held-to-maturity | 8,361 | 3.96 | 166 | 8,943 | 4.97 | 425 |
| Interest bearing liabilities | | | | | | |
| Deposits from customers | 212,599 | 1.25 | 4,275 | 236,910 | 1.63 | 3,524 |
| Deposits and placements of banks and other financial institutions | 28,782 | 1.21 | 1,128 | 23,258 | 1.24 | 405 |
| Borrowings | 2,502 | 3.44 | 163 | 2,825 | 3.19 | 165 |
| Subordinated obligations | 8,672 | 4.44 | 328 | 8,069 | 3.87 | 358 |
| Capital securities | 6,048 | 6.56 | 372 | 5,979 | 6.56 | 398 |

financial highlights

| | Group | | Bank | |
|--|---------|----------------|---------|----------------|
| | 2009 | 2010 | 2009 | 2010 |
| PROFITABILITY (RM'Million) ¹ | | | | |
| Operating revenue | 17,586 | 18,560 | 13,065 | 13,280 |
| Operating profit | 3,064 | 5,249 | 2,687 | 4,787 |
| Profit before taxation | 1,674 | 5,370 | 383 | 4,787 |
| Profit/(loss) after taxation and minority interest | 692 | 3,818 | (331) | 3,553 |
| Profit after taxation and minority interest before impairment of goodwill/subsidiaries/associate | 2,665 | 3,818 | 2,457 | 3,553 |
| KEY BALANCE SHEET DATA (RM'Million) ¹ | | | | |
| Total assets | 310,739 | 336,700 | 238,277 | 248,392 |
| Securities portfolio | 57,727 | 54,170 | 47,020 | 47,544 |
| Loans, advances and financing | 185,783 | 205,555 | 144,432 | 151,470 |
| Total liabilities | 284,971 | 308,035 | 215,767 | 223,135 |
| Deposit from customers | 212,599 | 236,910 | 163,453 | 175,380 |
| Commitments and contingencies | 221,587 | 232,273 | 201,854 | 213,216 |
| Paid-up capital | 7,078 | 7,078 | 7,078 | 7,078 |
| Shareholders' equity | 24,899 | 27,877 | 22,510 | 25,257 |
| SHARE INFORMATION ¹ | | | | |
| <u>Per share (sen)</u> | | | | |
| Basic earnings (sen) ³ | 12.0 | 53.9 | (5.7) | 50.2 |
| Diluted earnings (sen) ³ | 12.0 | 53.9 | (5.7) | 50.2 |
| Gross dividend (sen) | 8.0 | 55.0 | 8.0 | 55.0 |
| Net assets (sen) | 351.8 | 393.9 | 318.0 | 356.8 |
| FINANCIAL RATIOS (%) ¹ | | | | |
| <u>Profitability Ratios</u> | | | | |
| Net interest margin on average interest-earning assets | 2.8 | 2.9 | 2.4 | 2.4 |
| Net interest on average risk-weighted assets | 3.4 | 3.5 | 2.7 | 2.9 |
| Net return on average shareholders' funds | 3.1 | 14.5 | (1.7) | 14.9 |
| Net return on average assets | 0.2 | 1.2 | (0.1) | 1.5 |

| | Group | | Bank | |
|--|-------|------------------|-------|------------------|
| | 2009 | 2010 | 2009 | 2010 |
| FINANCIAL RATIOS (%) ¹ (CONT'D.) | | | | |
| Net return on average risk-weighted assets | 0.3 | 1.6 | (0.2) | 1.9 |
| Cost to income ratio | 52.8 | 49.8 | 48.5 | 43.9 |
| CAPITAL ADEQUACY RATIOS (%) (after deducting proposed final dividend) ² | | | | |
| Core capital ratio ⁵ | 10.8 | 10.1-11.0 | 14.1 | 13.8-14.9 |
| Risk-weighted capital ratio ⁵ | 14.8 | 13.7-14.6 | 14.1 | 13.8-14.9 |
| ASSET QUALITY RATIOS ¹ | | | | |
| Net non-performing loans ratio (3 month classification) (%) | 1.6 | 1.2 | 1.7 | 1.3 |
| Loan loss coverage (%) | 112.9 | 124.5 | 114.9 | 120.9 |
| Gross loan to deposit ratio (%) | 87.4 | 86.8 | 88.4 | 86.4 |
| Deposits to shareholders' fund (times) | 8.5 | 8.5 | 7.3 | 6.9 |
| VALUATIONS ON SHARE ¹ | | | | |
| Gross dividend yield (%) | 1.4 | 7.3 | – | – |
| Dividend payout ratio (%) | 61.4 | 76.5 | – | – |
| Price to earnings multiple (times) ⁴ | 49.2 | 14.0 | – | – |
| Price to book multiple (times) | 1.7 | 1.9 | – | – |

¹ Comparative figures were reclassified to conform with current year presentation.

² The Bank Negara Malaysia Guidelines on Market Risk Capital Adequacy Framework are effective from 1 April 2005.

³ Adjusted for rights issue completed on 30 April 2009 and bonus issue of 1:4 completed on 20 February 2008.

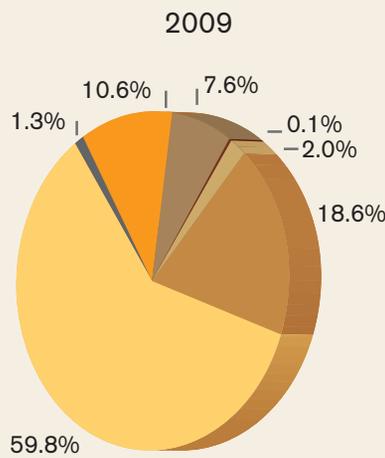
⁴ Price to earnings multiple (times); (2009) 12.8 times (before impairment of goodwill/subsidiaries/associate).

⁵ The capital adequacy ratios for 2010 present the two range of extreme possibilities, i.e.

(i) where the full electable portion is not reinvested; and

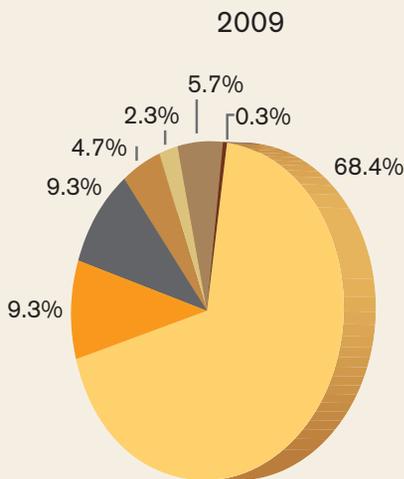
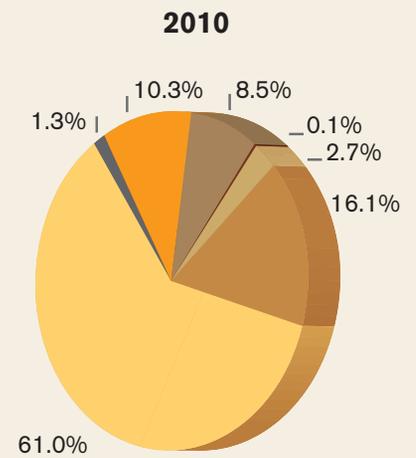
(ii) where the full electable portion is reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan.

simplified group **balancesheet**



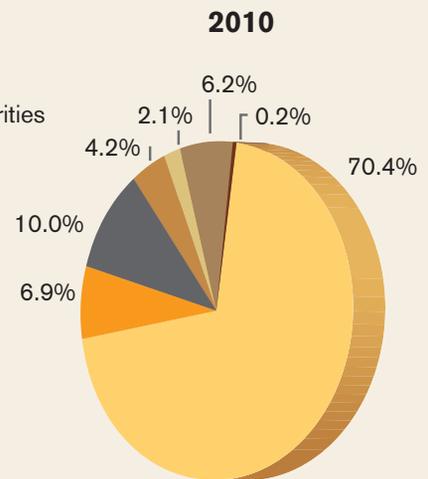
ASSETS

- Cash and short-term funds
- Securities purchased under resale agreements
- Deposits and placements with financial institutions
- Securities portfolio
- Loans, advances and financing
- Statutory deposits with Central Banks
- Others assets (including intangible assets)



LIABILITIES & EQUITY

- Deposits for customers
- Deposits and placements of banks and other financial institutions
- Obligations on securities sold under repurchase agreements, bills and acceptances payable and other liabilities
- Subordinated obligations and Capital Securities
- Share capital
- Reserves
- Minority interests



group quarterly performance

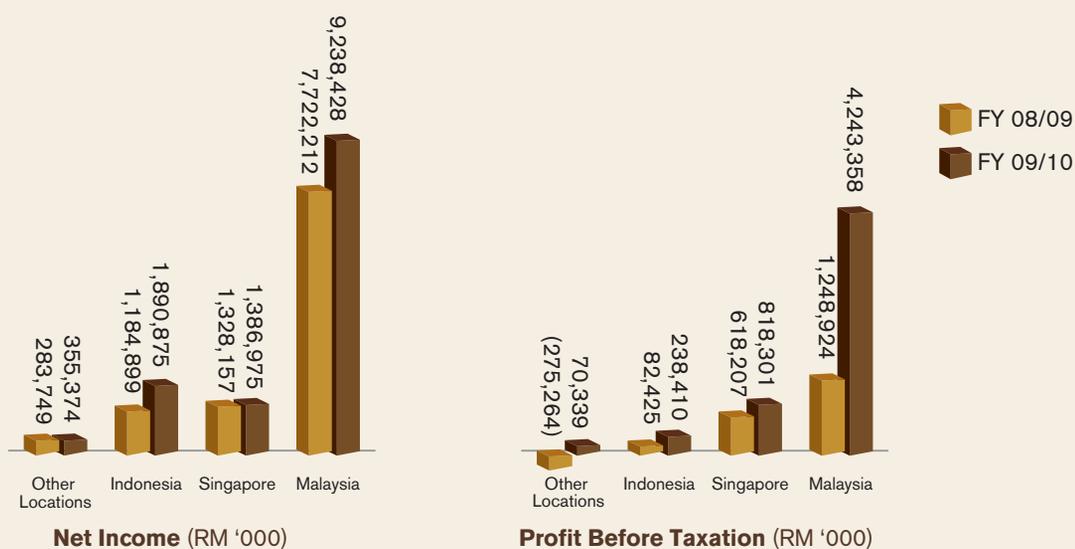
| FINANCIAL PERFORMANCE | 2009 | | | | |
|---|------------------|------------------|------------------|------------------|--------------------|
| | Q1 RM'million | Q2 RM'million | Q3 RM'million | Q4 RM'million | YEAR RM'million |
| Operating revenue | 3,752.8 | 4,709.5 | 4,265.1 | 4,858.9 | 17,586.3 |
| Net interest income (including income from Islamic banking business) | 1,547.0 | 1,849.1 | 1,867.0 | 1,880.7 | 7,143.8 |
| Operating profit | 617.1 | 938.0 | 625.4 | 883.0 | 3,063.5 |
| Profit before taxation and zakat | 881.8 | 960.3 | 653.9 | (821.7) | 1,674.3 |
| Net profit attributable to equity holders of the Bank | 572.1 | 734.6 | 503.3 | (1,118.1) | 691.9 |
| Earnings per share (sen) * | 7.1 | 13.3 | 9.2 | (17.6) | 12.0 |
| Dividend per share (sen) | – | – | – | 8.0 | 8.0 |

| FINANCIAL PERFORMANCE | 2010 | | | | |
|---|------------------|------------------|------------------|------------------|--------------------|
| | Q1 RM'million | Q2 RM'million | Q3 RM'million | Q4 RM'million | YEAR RM'million |
| Operating revenue | 4,565.1 | 4,671.3 | 4,586.5 | 4,737.3 | 18,560.2 |
| Net interest income (including income from Islamic banking business) | 2,009.2 | 2,039.0 | 2,009.5 | 2,147.9 | 8,205.6 |
| Operating profit | 1,130.4 | 1,365.0 | 1,429.1 | 1,324.1 | 5,248.6 |
| Profit before taxation and zakat | 1,156.2 | 1,400.0 | 1,455.1 | 1,359.1 | 5,370.4 |
| Net profit attributable to equity holders of the Bank | 881.8 | 993.5 | 1,030.4 | 912.5 | 3,818.2 |
| Earnings per share (sen) | 12.5 | 14.0 | 14.5 | 12.9 | 53.9 |
| Dividend per share (sen) | – | 11.0 | – | 44.0 | 55.0 |

* Adjusted for rights issue completed on 30 April 2009.

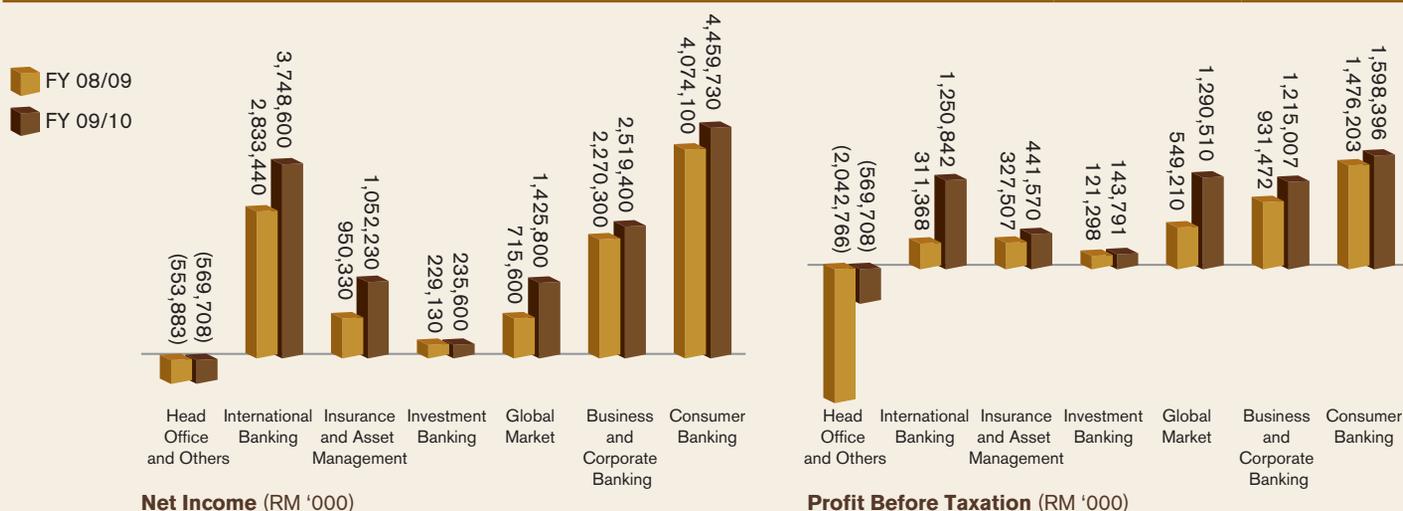
segment **information****ANALYSIS BY GEOGRAPHICAL LOCATION**

| | 2009 RM'000 | 2010 RM'000 |
|-------------------------------|----------------|-------------------|
| NET INCOME | | |
| Malaysia | 7,722,212 | 9,238,428 |
| Singapore | 1,328,157 | 1,386,975 |
| Indonesia | 1,184,899 | 1,890,875 |
| Other Locations | 283,749 | 355,374 |
| | 10,519,017 | 12,871,652 |
| PROFIT BEFORE TAXATION | | |
| Malaysia | 1,248,924 | 4,243,358 |
| Singapore | 618,207 | 818,301 |
| Indonesia | 82,425 | 238,410 |
| Other Locations | (275,264) | 70,339 |
| | 1,674,292 | 5,370,408 |



ANALYSIS BY ACTIVITY

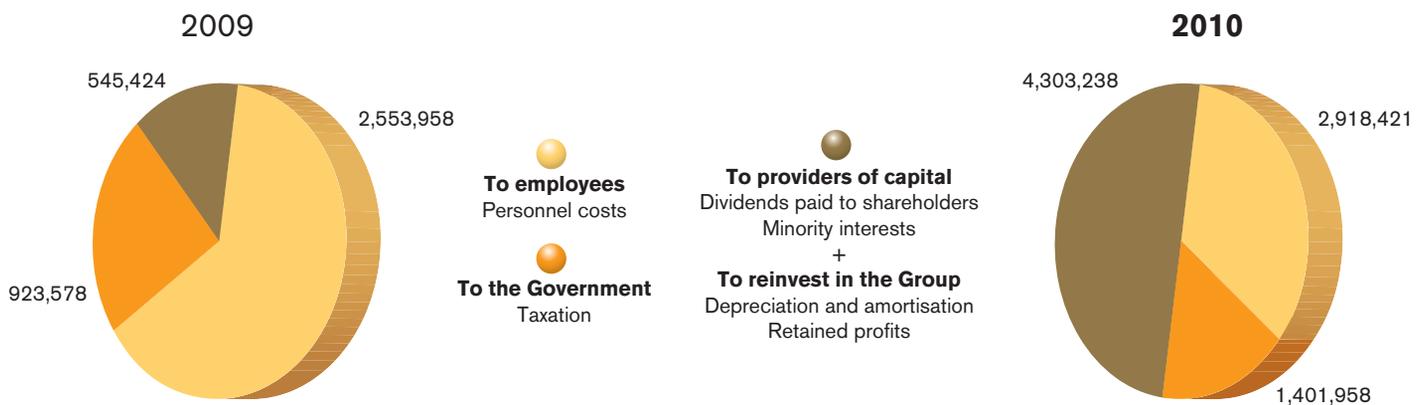
| | 2009 | 2010 |
|--|-------------|-------------------|
| NET INCOME (RM'000) | | |
| Consumer Banking | 4,074,100 | 4,459,730 |
| Business and Corporate Banking | 2,270,300 | 2,519,400 |
| Global Market | 715,600 | 1,425,800 |
| Investment Banking | 229,130 | 235,600 |
| Insurance and Asset Management | 950,330 | 1,052,230 |
| International Banking | 2,833,440 | 3,748,600 |
| Head Office and Others | (553,883) | (569,708) |
| | 10,519,017 | 12,871,652 |
| PROFIT BEFORE TAXATION (RM'000) | | |
| Consumer Banking | 1,476,203 | 1,598,396 |
| Business and Corporate Banking | 931,472 | 1,215,007 |
| Global Market | 549,210 | 1,290,510 |
| Investment Banking | 121,298 | 143,791 |
| Insurance and Asset Management | 327,507 | 441,570 |
| International Banking | 311,368 | 1,250,842 |
| Head Office and Others | (2,042,766) | (569,708) |
| | 1,674,292 | 5,370,408 |



statement of value added

VALUE ADDED

| | 2009 RM'000 | 2010 RM'000 |
|---|------------------|--------------------|
| Net interest income | 5,919,506 | 6,770,873 |
| Net income from Islamic Banking business | 1,224,321 | 1,434,744 |
| Other operating income | 3,375,190 | 4,666,035 |
| Operating expenses excluding staff costs, depreciation and amortisation | (2,726,673) | (3,158,863) |
| Allowance for losses on loans, advances and financing | (1,698,814) | (1,187,977) |
| Impairment losses | (2,170,074) | (23,030) |
| Share of results of associated companies | 99,504 | 121,835 |
| Value added available for distribution | 4,022,960 | 8,623,617 |
| DISTRIBUTION OF VALUE ADDED | | |
| To employees: | | |
| Personnel costs | 2,553,958 | 2,918,421 |
| To the Government: | | |
| Taxation | 923,578 | 1,401,958 |
| To providers of capital: | | |
| Dividends paid to shareholders | 722,410 | 1,008,613 |
| Minority interests | 58,839 | 150,283 |
| To reinvest to the Group: | | |
| Depreciation and amortisation | 278,534 | 334,788 |
| Retained profits | (514,359) | 2,809,554 |
| Value added available for distribution | 4,022,960 | 8,623,617 |



management's discussion & analysis of financial performance

ANALYSIS OF SIGNIFICANT BALANCE SHEET MOVEMENTS

Total Assets

For the financial year ended 30 June 2010, outstanding assets of the Group expanded by 8.4% or RM26.0 billion while at the Bank level, it increased 4.2% or RM10.1 billion. For the previous year, the corresponding growth rates were 15.5% at Group level and 8.7% at Bank level. The bulk of the Group's growth in assets was derived from the expansion of net loans and advances which grew by RM19.8 billion or 10.6% and RM7.0 billion or 4.9% for the Group and the Bank respectively.

As at end June 2010, net loans and advances represented 61.0% of total Group assets, higher than the 59.8% as at end June 2009.

Securities Purchased under Resale Agreements

As at end June 2010, the Group held RM371.2 million of securities purchased under resale agreements.

Deposits and Placements with Financial Institutions

The Group's deposits and placements with financial institutions grew by RM2.6 billion to RM8.9 billion or 41.5% as Customer deposits growth outpaced the growth in loans and advances.

Securities

The investment securities portfolio of the Group decreased by RM3.6 billion or 6.2% mainly due to a reduction of shorter tenor Available-for-Sale holding (RM5.2 billion) as interest rates were expected to rise in the first half of 2010. Securities Held-for-Trading increased by RM1.2 billion which was partially offset by the reduction in Available-for-Sale portfolio. Around 79% of the securities portfolio comprised securities Available-for-Sale and a further 16.5% securities Held-to-Maturity while 4.9% of the securities portfolio is Held-for-Trading.

Life, General Takaful and Family Takaful Fund Assets

After a growth of 7% or RM1.1 billion in the previous year, this balance sheet item grew by a similar 7% to RM18.0 billion.

Loans, Advances and Financing

The Group's net loans and financing for FY2010 expanded by 10.6% or RM19.8 billion compared to 12.9% or RM21.2 billion the previous financial year. The Group's gross loans grew 10.3% compared to 13.0% the previous year with domestic and overseas loans growth of 11.0% and 8.8% respectively.

The domestic operations growth of 11.0% was better than the 6.5% recorded in the previous year as consumer loans expanded by 15.0% on the back of the RM3.3 billion or 28.6% growth in securities loans, mainly for the purchase of relatively low-risk Amanah Saham Bumiputera units, and the RM2.6 billion or 13.2% increase in vehicle loans. The Group's overall domestic loans market share stood at 17.6% compared to 17.8% the previous year.

Mortgage loans grew by RM3.1 billion or 9.8% compared to 3.3% in the previous year with market share at 13.4% compared to 13.9% the previous year.

Credit card receivables for the financial year rose RM0.6 billion or 16.0%, outperforming the industry's 11.3% growth leading to market share rising to 12.8% from 12.7% the previous year.

Automobile financing for domestic operations recorded a growth of 12.2% compared to 11.0% in the previous financial year and outperformed the industry's growth of 8.5%. With growth exceeding the industry, the market share for financing of motor vehicles rose to 17.4% from 16.8% in June 2009.

As at June 2010, the overseas operations loan book accounted for 32.3% of the Group's loan base from 32.8% in the previous year.

The gross loans book for Singapore recorded a growth of 3.4% or RM1.3 billion after registering a growth of 6.2% in 2009. While for Indonesia, mainly due to Bank Internasional Indonesia, gross loans grew 37.7% or RM4.7 billion to RM17.1 billion. In the other overseas locations, total gross loans declined 3.7% or RM0.4 billion mainly due to the reduction in loan exposure in the US and United Kingdom following the financial crisis.

The Group's Islamic gross financing and advances grew by 31.2% or RM8.2 billion during the year. Islamic banking constitutes a growing portion of the Group's banking business, accounting for 16.3% of gross loans and financing from 13.7% the previous year. Islamic gross financing accounted for 24.0% of domestic gross loans, rising from 20.3% recorded in the previous year.

Sustained efforts implemented to continuously improve asset quality have been effective. The Group's gross NPL ratio declined to 2.9% from 3.5% the previous year. The Group's net NPL ratio declined to 1.2% from 1.6% the previous year. The Group's net NPLs declined by RM0.5 billion to RM2.3 billion as at June 2010. The Group's NPL reserve cover (net of IIS) rose to a healthy 124.5% compared to 112.9% the previous year.

Total Liabilities

Outstanding liabilities of the Group grew by 8.1% or RM23.1 billion to RM308.0 billion, as the Bank grew by 3.4% or RM7.4 billion to RM223.1 billion. For the Group, the bulk of the overall increase was attributed to a growth in deposits from customers.

Deposits from Customers

The Group's customer deposits expanded by 11.4% or RM24.3 billion to RM236.9 billion while at the Bank level it grew by RM7.3% or RM11.9 billion to RM175.4 billion.

The Group's strong franchise contributed to a growth of 9.1% for demand deposits and 9.9% for savings deposits. The Bank's domestic operations remained the leader in both demand and savings deposits with market shares of 20.7% and 27.4% compared to 21.3% and 26.6% respectively in the previous year. Fixed deposits grew by 10.0% compared to 12.3% in the previous year.

The Group's overall deposit funding mix improved slightly as the Group's 'higher cost' fixed deposits declined to 55.1% of total customer deposits from 55.8% in June 2009.

Deposits and Placements of Financial Institutions

This item fell by 19.2% or RM5.5 billion due to increase in deposits from customers (RM24 billion) which resulted in less sourcing of funds from interbank market.

Recourse Obligations on Loans sold to Cagamas

For the Group, this item rose RM0.1 billion after a decline of RM0.8 billion or 59.5% the previous year and was part of the Group's routine funding strategy.

Shareholders' Equity

The Group's shareholders' equity rose by 12.0% or RM3.0 billion to RM27.9 billion. The increase was mainly due to increase in retained profits for the year.

ANALYSIS OF INCOME STATEMENT

Net Interest Income

Net interest income of the Group increased by RM851.4 million or 14.4%. The average net interest margin was 2.82% from 2.72% the previous year due to lower interest expenses in the Malaysian operations, especially interest expenses from fixed deposits, and lower interest expenses in the Singapore operations as well as full year contribution from Bank Internasional Indonesia (BII) for FY2010.

Islamic Banking

Net income from the Group's Islamic Banking operations increased by RM210.4 million or 17.2% to RM1.4 billion. The increase was mainly due to growth of assets in Islamic business, specifically hire purchase and residential mortgages.

Non-Interest Income

Non-interest income for the year grew by RM1.29 billion or 38.2% compared to the previous corresponding financial year. In the year under review the higher non-interest income was contributed by an increase in fee based income from BII, brokerage, and investment banking business, commission and fee income from expansion of credit card business, foreign exchange profit from strengthening of the Ringgit against major currencies and gain from the sale of securities as well as an unrealised gain on the revaluation of derivatives amounting to RM306.2 million against a loss of RM248.2 million in the previous year.

Overhead Expenses

The Group's overheads expenses rose by RM852.9 million or 15.3% over that of the corresponding year as a result of an increase in personnel cost, full-year contribution from BII and expansion of BII, higher establishment costs, and credit card related expenses due to higher transaction volume. The Group's cost to income ratio declined to 49.8% from 52.8% previously as net income growth outpaced the growth in expenses. Personnel costs increased by RM364 million or 14.3% due to an increase in salary, EPF, bonus and training. Establishment costs increased by RM66.2 million as a result of higher cost from depreciation and rental. On a comparable basis, the Group's adjusted cost to income ratio (without insurance claims and unrealised loss) would be 47.8% against 49.1% for the previous financial year.

Loan and Financing Loss and Provisions

Loan loss and provisions of the Group amounted to RM1.2 billion, which is RM510.8 million or 30.1% lower than that of the previous year. This decrease was primarily due to high general provisions made in the final quarter of FY2009 resulting from the weak global economic situation.

Taxation

The effective tax rate of the Group is 26.1% which is higher than the statutory rate of 25% mainly due to non-deductible expenses.

board of directors



from left to right

- Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor
- Dato' Mohd Salleh Hj Harun
- Dato' Sri Abdul Wahid Omar
- Tan Sri Datuk Dr. Hadenan A. Jalil
- Dato' Seri Ismail Shahudin



from left to right

- Dato' Dr. Tan Tat Wai
- Zainal Abidin Jamal
- Alister Maitland
- Cheah Teik Seng
- Dato' Johan Ariffin
- Sreesanthan Eliathamby
- Mohd Nazlan Mohd Ghazali (General Counsel & Company Secretary)

profile of directors



Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor
(61 years of age – Malaysian)

*B.Sc (Hons) in Mining Engineering, Imperial College of Science & Technology, University of London;
Associate of the Royal School of Mines, UK*

Non-Independent Non-Executive Director (Chairman)

Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor was appointed as a Director and Chairman of Maybank on 1 October 2009. He was an Independent Non-Executive Director of Maybank from July 2004 to February 2009.

He built an outstanding career in the oil and gas industry for 31 years with the Royal Dutch Shell Group of Companies and was the Regional Business Chief Executive Officer and Managing Director, Shell Exploration and Production B.V. prior to his retirement in early 2004. He was also the Chairman of Maxis Communications Berhad from January 2004 to November 2007, Etiqa Insurance & Takaful from January 2006 until February 2009, Malaysian Rubber Board from February 2009 to May 2010 and Director of Capital Market Development Fund from January 2008 to January 2010.

His current directorships in companies within the Maybank Group include being Chairman of Maybank Investment Bank Berhad and President Commissioner of PT Bank Internasional Indonesia Tbk. He is also a Director of Woodside Petroleum Ltd, a company listed on the Australian Securities Exchange, and a Director of the International Centre for Leadership in Finance.

He attended all 16 Board Meetings held in the financial year ended 30 June 2010 since his appointment.

Tan Sri Dato' Megat Zaharuddin has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.



Dato' Mohd Salleh Hj Harun
(66 years of age – Malaysian)

Member of the Malaysian Institute of Certified Public Accountants; Fellow of the Institute of Bankers Malaysia
Independent Non-Executive Director
(Vice Chairman)

Dato' Salleh was appointed as a Director and Vice Chairman of Maybank on 18 November 2009. He serves as Chairman of the Credit Review Committee of the Board.

He started his career as a Senior Accountant with the Treasury between 1971 and 1974 prior to joining the Maybank Group in 1974 as Investment Manager in Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad), before moving to Bank Rakyat for a short stint in 1978. Thereafter, Dato' Salleh returned to the Maybank Group where he served in various senior capacities culminating as Executive Director of Maybank from 1994 to 2000. Upon his retirement from the Maybank Group in 2000, he was then appointed as a Deputy Governor of Bank Negara Malaysia, a post he held up to 2004. Since then, he held directorships in the RHB Group including as Chairman of RHB Insurance Berhad until November 2009.

His current directorships in companies within the Maybank Group include being Chairman of Mayban Fortis Holdings Berhad, Etiqa Insurance Berhad, Etiqa Takaful Berhad, Mayban Investment Management Sdn Bhd and Maybank Philippines Inc. He is also a Director of Titan Chemicals Corporation Berhad and Scicom (MSC) Berhad.

He attended all 14 Board Meetings held in the financial year ended 30 June 2010 since his appointment.

Dato' Salleh has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

Dato' Sri Abdul Wahid Omar
(46 years of age – Malaysian)

Fellow of the Association of Chartered Certified Accountants (UK); Member of the Malaysian Institute of Accountants

Non-Independent Executive Director

Dato' Sri Abdul Wahid Omar was appointed as the President & CEO and Executive Director of Maybank on 1 May 2008. He serves as Chairman of the Group Executive Committee and Group Management Credit Committee and as a member of the Credit Review Committee of the Board.

Prior to joining Maybank, he was the Group CEO of Telekom Malaysia Berhad from 1 July 2004 to May 2008. He was also formerly the Managing Director/Chief Executive Officer of the UEM Group Berhad and UEM World Berhad as well as the Executive Vice Chairman of PLUS Expressways Berhad. This was preceded by serving at Telekom Malaysia Berhad as the Chief Financial Officer in 2001. He was previously a Director of Group Corporate Services cum Divisional Director, Capital Market & Securities of Amanah Capital Partners Berhad, Chairman of Amanah Short Deposits Berhad as well as a Director of Amanah Merchant Bank Berhad and several other financial services companies.

His current directorships in companies within the Maybank Group include as Director of Mayban Fortis Holdings Berhad, Maybank Investment Bank Berhad and PT Bank Internasional Indonesia Tbk. His directorships in other companies include as Chairman of Malaysia Electronic Payment System Sdn Bhd and as Director of Bursa Malaysia Berhad, Perbadanan Usahawan Nasional Berhad, Cagamas Holdings Berhad and ASEAN Finance Corporation Limited.

Dato' Sri Abdul Wahid Omar is also currently the Chairman of the Association of Banks in Malaysia, Vice Chairman of the Institute of Banks Malaysia, and a panel member of Lembaga Tabung Haji and Kumpulan Wang Persaraan (KWAP).

He attended all 21 Board Meetings held during the financial year ended 30 June 2010.

Dato' Sri Abdul Wahid Omar has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.





Tan Sri Datuk Dr Hadenan A. Jalil
(64 years of age – Malaysian)

*PhD, Henley Management College, UK;
Master of Business Management, Asian Institute
of Management, Philippines; Bachelor of
Economics, University of Malaya*

Independent Non-Executive Director

Tan Sri Datuk Dr Hadenan A. Jalil was appointed as a Director of Maybank on 15 July 2009. He serves as Chairman of the Audit Committee and as a member of the Credit Review, Nomination and Remuneration, and Employee Share Option Scheme Committees of the Board.

Tan Sri Datuk Dr Hadenan A. Jalil was Auditor General from 2000 to 2006. He served with the Government for 36 years in various capacities in the Treasury, the Ministry of International Trade and Industry and the Ministry of Works prior to his appointment as Auditor General.

His current directorships in companies within the Maybank Group include as Director of Maybank Islamic Berhad. He is also Chairman of ICB Islamic Bank Ltd (Bangladesh), Protasco Berhad and PNB Commercial Sdn Bhd, and Director of Unilever (Malaysia) Holdings Sdn Bhd and University Tun Abdul Razak Sdn Bhd as well as a member of the Audit Committee, Johor Corporation.

He attended 18 of the 21 Board Meetings held in the financial year ended 30 June 2010 since his appointment.

Tan Sri Datuk Dr Hadenan A. Jalil has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.



Dato' Seri Ismail Shahudin
(59 years of age – Malaysian)

Bachelor of Economics, University of Malaya

Independent Non-Executive Director

Dato' Seri Ismail Shahudin was appointed as a Director of Maybank on 15 July 2009. He serves as Chairman of the Nomination and Remuneration Committee and as a member of the Credit Review, Risk Management, and Employee Share Option Scheme Committees of the Board.

He was Chairman of Bank Muamalat Malaysia Berhad from 2004 until his retirement in July 2008. He has held senior positions in Citibank, serving both in Malaysia and New York, United Asian Bank and Maybank where he was appointed Executive Director in 1997. He left Maybank in 2002 to assume the position of Group Chief Executive Officer of MMC Corporation Berhad prior to his appointment to the Board of Bank Muamalat Malaysia Berhad.

His current directorships in companies within the Maybank Group include as Chairman of Maybank Islamic Bank. He is also a director of several public listed companies which include PLUS Expressways Berhad, Mutiara Goodyear Development Berhad, SMPC Corporation Berhad, EP Manufacturing Berhad, and Aseana Properties Limited, a company listed on the London Stock Exchange.

He attended 20 of the 21 Board Meetings held in the financial year ended 30 June 2010 since his appointment.

Dato' Seri Ismail Shahudin has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

Dato' Dr Tan Tat Wai
(63 years of age – Malaysian)

PhD in Economics, Harvard University, USA; Master of Economics, University of Wisconsin (Madison), USA; Bachelor of Science in Electrical Engineering & Economics, Massachusetts Institute of Technology, USA

Independent Non-Executive Director

Dato' Dr Tan Tat Wai was appointed as a Director of Maybank on 15 July 2009. He serves as Chairman of the Risk Management Committee and as a member of the Nomination and Remuneration, and Employee Share Option Scheme Committees of the Board.

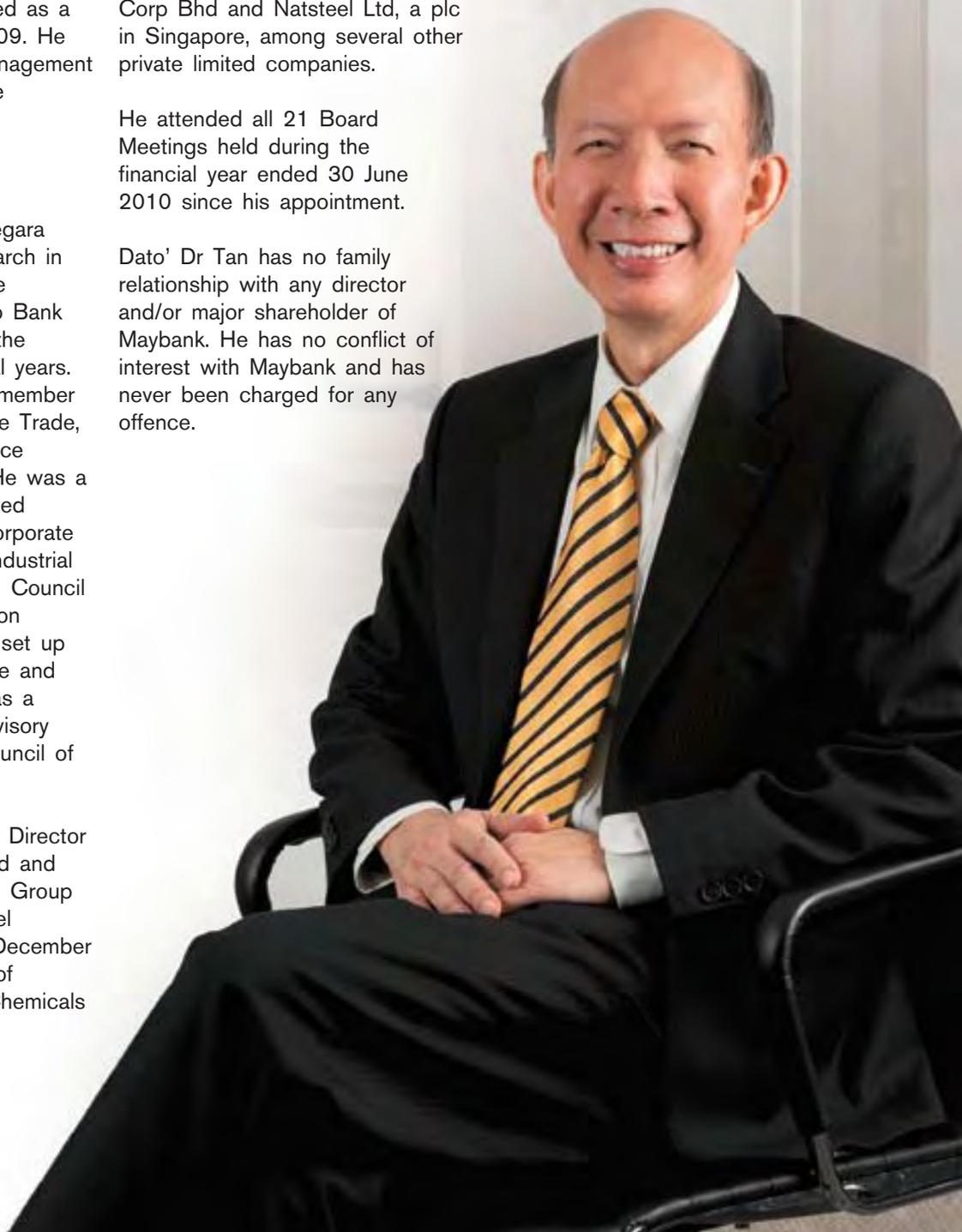
He started his career with Bank Negara Malaysia in 1978, undertaking research in economic policies. Subsequently, he assumed the role of a consultant to Bank Negara Malaysia, World Bank and the United Nations University for several years. He served as the Secretary and a member on the Council of Malaysian Invisible Trade, set up to formulate policies to reduce Malaysia's deficit in service trade. He was a member of the Government appointed Malaysian Business Council; the Corporate Malaysia Roundtable; the Penang Industrial Council; the Industrial Co-ordination Council (ICC) and the National Committee on Business Competitiveness (NCBC) set up by the Ministry of International Trade and Industry. He represented Malaysia as a member of the APEC Business Advisory Council (ABAC) and sat on the Council of Wawasan Open University.

Within the Maybank Group, he is a Director of Maybank Investment Bank Berhad and Mayban Trustees Berhad. He is the Group Managing Director of Southern Steel Berhad, a post he has held since December 1993. He also sits on the Boards of Shangri-La Hotels (M) Bhd, Titan Chemicals

Corp Bhd and Natsteel Ltd, a plc in Singapore, among several other private limited companies.

He attended all 21 Board Meetings held during the financial year ended 30 June 2010 since his appointment.

Dato' Dr Tan has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.





Zainal Abidin Jamal
(56 years of age – Malaysian)
LL.B (Honours), University of Singapore
Non-Independent Non-Executive Director

Zainal Abidin Jamal was appointed as a Director of Maybank on 22 July 2009. He serves as a member of the Audit, Credit Review, Nomination and Remuneration, and Employee Share Option Scheme Committees of the Board.

He is a practicing corporate and commercial lawyer and established his firm, Zainal Abidin & Co, in 1987, where he is the Founder and Senior Partner. He was enrolled as an Advocate & Solicitor of the High Court of Malaya in 1986. Between 1983 and 1986, he served as the Company Secretary of Harrisons Malaysian Plantations Berhad. Prior to that, he had practised in Singapore where he was enrolled in 1980 as an Advocate and Solicitor of the Supreme Court of Singapore and had also served as a First Class Magistrate in Brunei Darussalam.

His current directorships in companies within the Maybank Group include as Chairman of Mayban Trustees Berhad and Director of Etiqa Insurance Berhad, Etiqa Takaful Berhad, Maybank Islamic Berhad, Maybank International (L) Limited, and Mayban International Trust (L) Ltd. He also serves on the Boards of Konsortium Transnasional Berhad, Park May Berhad, Lam Soon (M) Berhad and Kesas Holdings Berhad, PNB Asset Management (Japan) Co Ltd, PNB International Limited, PNB-SBI ASEAN Gateway Investment Management Limited and several other private limited companies.

He attended 20 of the 21 Board Meetings held in the financial year ended 30 June 2010 since his appointment.

Zainal Abidin Jamal has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

Alister Maitland
(69 years of age – Australian)

*Degree in commerce from Victoria University, NZ;
AMP Graduate, Harvard Business School, USA*

Independent Non-Executive Director

Alister Maitland was appointed as a Director of Maybank on 26 August 2009. He serves as a member of the Nomination and Remuneration, and Employee Share Option Scheme Committees of the Board.

In his career spanning 35 years in Australia, New Zealand and the UK, he has held many key roles within the ANZ Banking Group Ltd including that of Chief Economist and Managing Director of ANZ New Zealand. In his last six years with the ANZ Group, he served on the main board of ANZ Bank as Executive Director International, directly responsible for ANZ Group's operations in 42 countries.

His current directorship in companies within the Maybank Group includes as Chairman of Maybank (PNG) Ltd. He is also Chairman of Folkestone Ltd and a Director of Lihir Gold Ltd.

He attended all 18 Board Meetings held in the financial year ended 30 June 2010 since his appointment.

Alister Maitland has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.



Cheah Teik Seng
(56 years of age – Malaysian)

*Bachelor of Science, University of Manchester, UK;
Fellow of the Institute of Chartered Accountants in England
and Wales*

Independent Non-Executive Director

Cheah Teik Seng was appointed as a Director of Maybank on 26 August 2009. He serves as a member of the Audit and Risk Management Committees of the Board.

As a federal government Public Services Department scholarship holder, he served in the civil service in the early '80s. Since leaving government service, he took on various roles in the banking and financial services industry both locally as well as in London, Hong Kong and Singapore. He held positions in Public Bank, Chase Manhattan Bank, Merrill Lynch, Goldman Sachs, UBS and BNP Paribas holding the position of Managing Director for a tenure of nine years. He was appointed as CEO-designate of ECM Libra Avenue Group in 2006. He is currently a Director and partner of Aktis Capital Singapore Pte Ltd.

His current directorships in companies within the Maybank Group include as Chairman of Mayban Ventures Sdn Bhd, Mayban Ventures Capital Company Sdn Bhd, Mayban Agro Fund Sdn Bhd, as well as Director of Maybank Investment Bank Berhad.

He sits on the boards of the Investment Panel of Kumpulan Wang Persaraan (KWAP) and in various private equity companies in Hong Kong, China and Malaysia. He is also an Independent Non-Executive Director of two hedge funds.

He attended all 18 Board Meetings held in the financial year ended 30 June 2010 since his appointment.

Cheah Teik Seng has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.





Dato' Johan Ariffin
(51 years of age – Malaysian)

*B.A. Economics, Indiana University, USA;
MBA, University of Miami, USA*

Independent Non-Executive Director

Dato' Johan Ariffin was appointed as Director of Maybank on 26 August 2009. He serves as a member of the Audit and Credit Review Committees of the Board.

He started his career in the real estate division of Citibank. Thereafter, he held various senior positions in several subsidiaries of public listed companies while venturing into his own successful marketing and advertising consultancy and property development business. He then headed Danaharta's Property Division as Senior General Manager before moving on to head TTDI Development Sdn Bhd up to January 2009.

His current directorships in companies within the Maybank Group include as Chairman of Maybank International (L) Limited and Mayban International Trust (L) Ltd as well as Director of Mayban Fortis Holdings Berhad, Etiqa Insurance Berhad and Etiqa Takaful Berhad.

He is currently also Chairman of Mitraland Properties Sdn Bhd and a National Council member of the Real Estate Housing Developers' Association Malaysia (REHDA), besides serving on the boards of several other subsidiaries of Lembaga Tabung Haji.

He attended all 18 Board Meetings held in the financial year ended 30 June 2010 since his appointment.

Dato' Johan Ariffin has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

Sreesanthan Eliathamby**(49 years of age – Malaysian)***LLB (Hons), University of Malaya;
BCL (Postgrad degree in Law),
University of Oxford, UK***Non-Independent Non-Executive Director**

Sreesanthan Eliathamby was appointed as a Director of Maybank on 26 August 2009. He serves as a member of the Risk Management Committee of the Board.

He is an Advocate & Solicitor and a Partner with the legal firm of Messrs Kadir, Andri & Partners. He was formerly a Legal Assistant and later a Partner with the legal firm of Messrs Zain & Co.

Within the Maybank Group, he sits on the boards of Maybank (PNG) Ltd, Mayban Ventures Sdn Bhd, Mayban Ventures Capital Company Sdn Bhd and Mayban Agro Fund Sdn Bhd and as well as a member of the Supervisory Committee of An Binh Bank in Vietnam, an associate company of Maybank.

He is also a member of the Investment Committee of Amanah Saham Wawasan 2020 Fund, Bursa Malaysia Listing Committee and the Investigating Tribunal Panel of the Advocates and Solicitors' Disciplinary Board. He currently sits on the Boards of the Chemical Company of Malaysia Berhad, Scomi Group Berhad, Guinness Anchor Berhad and Sime Darby Berhad.

He attended all 18 Board Meetings held in the financial year ended 30 June 2010 since his appointment.



Sreesanthan Eliathamby has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.



Mohd Nazlan Mohd Ghazali

*General Counsel &
Company Secretary
Head of Corporate & Legal
Services, Maybank*

Mohd Nazlan is the General Counsel & Company Secretary of Maybank, and is also its Head of Corporate & Legal Services. He graduated with a Bachelor of Arts in Jurisprudence as well as Master of Arts, both from the University of Oxford. He is also a Barrister at Law (Lincoln's Inn) and an Advocate & Solicitor of the High Court of Malaya.

He was a Partner and Head of Equity Capital Markets at Zaid Ibrahim & Co, specialising mainly on corporate, financial services and securities law matters, particularly in respect of corporate transactions such as capital raisings and M&As before joining Maybank in 2005. Prior to that, he was with the Securities

Commission of Malaysia (SC) for about 7 years until 2000 and his last position was the General Manager of the Enforcement Division, with overall responsibility over the investigation, prosecution and complaints departments. He had also earlier served the Executive Chairman's Office and the Issues & Investment Division whilst at the SC. Mohd Nazlan started his working career in 1991 at Messrs Shook Lin & Bok, handling corporate, conveyancing and banking law matters.

group executive committee



Dato' Sri Abdul Wahid Omar
President & CEO

Dato' Sri Abdul Wahid Omar, aged 46, has helmed Maybank Group as its President & CEO since May 2008. He is a Fellow of the Association of Chartered Certified Accountants (UK) and a Member of the Malaysian Institute of Accountants.

Prior to joining Maybank, he was Group Chief Executive Officer of Telekom Malaysia Berhad from July 2004. He was formerly Managing Director/Chief Executive Officer of UEM Group Berhad as well as Executive Vice Chairman of PLUS Expressways Berhad. He also served at Telekom Malaysia Berhad as Chief Financial Officer in 2001.

His track record in corporate and financial management began with the banking

sector in 1988 when he joined the Corporate Banking Department of Bumiputra Merchant Bankers Berhad. He later served as Director of Group Corporate Services and Divisional Director, Capital Market & Securities, in Amanah Capital Partners.

Dato' Sri Abdul Wahid is a Board member of several Maybank Group companies including Maybank Fortis Holdings Berhad, Maybank Investment Bank Berhad and PT Bank Internasional Indonesia Tbk. He is also Chairman of the Association of Banks in Malaysia and Malaysian Electronic Payment System (1997) Sdn Bhd (MEPS), as well as a Director of Bursa Malaysia Berhad, Cagamas Holdings Berhad and Perbadanan Usahawan Nasional Berhad.



Khairussaleh Ramli
*Deputy President &
Group Chief Financial Officer*

Khairussaleh Ramli, aged 42, became Chief Financial Officer of Maybank Group in November 2008 and oversees the Bank's Finance & Treasury Operations, Management Reporting & Business Planning, Strategy & Corporate Finance, Central Funding Business Analysis & Information Management, Risk Management, Basel II Project, Corporate Remedial Management and Strategic Procurement.

Khairussaleh graduated from Washington University, USA, with a Bachelor of Science in Business Administration.

Prior to joining Maybank, Khairussaleh served Telekom Malaysia Bhd (TM) for about two years. His last position there was Group Chief Strategy Officer where he was responsible for the overall group strategy, business development and corporate finance, and the strategic management of a portfolio of subsidiaries. He sat on the Boards of VADS Berhad, a public-listed company and



Lim Hong Tat

*Deputy President & Head,
Community Financial Services*

Lim Hong Tat, aged 51, is Deputy President & Head of Community Financial Services.

As Head of Community Financial Services, he is responsible for the overall management and performance of the Bank's SME, emerging corporates and consumer segments as well as sales and distribution. This covers community banking, product innovation and industrialisation, customer segmentation, virtual banking, wealth management and payment services, sales and distribution and business strategy, planning and development.

He holds a Bachelor of Economics (Business Administration) (Hons) degree from the University of Malaya. Being a Maybank scholar, he joined the Bank upon graduation in 1981.

He has 29 years of experience covering all aspects of banking, having managed branches, regional banking, credit cards and international banking operations including holding senior management positions as Director/President and CEO of Maybank Philippines Inc, Head of International Banking, and Head of Consumer Banking in Maybank Group. He is a member of the Board of Mayban Offshore Corporate Services (Labuan) Sdn Bhd. In addition, he is the Chairman of FPX Gateway Sdn Bhd, a subsidiary of MEPS.

subsidiary of TM and Measat Global Berhad. He was also the Project Director for the demerger exercise of the TM Group.

Khairussaleh spent eight years with Bursa Malaysia Berhad from 1998 to 2006, holding various positions before rising to the position of Chief Financial Officer in 2004. He was a key team member in the consolidation of exchanges and clearing houses, the Joint Project Director for the exchange demutualisation exercise and led the IPO and listing of Bursa Malaysia on the exchange.

Khairussaleh served the Public Bank Group for seven years from 1990 to 1997, gaining experience in corporate banking, stock broking and research and futures broking. His last position in the group was Executive Director of PB Futures Sdn Bhd.

Khairussaleh was voted Malaysia's CFO of the Year in a poll conducted by Finance Asia in 2010.



Abdul Farid Alias

*Deputy President & Head,
Global Wholesale Banking*

Abdul Farid Alias, aged 42, was appointed as Deputy President & Head, Global Wholesale Banking of Maybank Group on 1 July 2010. His areas of responsibility cover the corporate banking, investment banking, transaction banking,

client coverage, global markets and international business.

Abdul Farid has a Master of Business Administration, Finance from Denver University, USA. He graduated from Pennsylvania State University, University Park, USA, with a Bachelor of Science in Accounting. He joined Maybank as Head of International on 1 January 2009.

He is a member of the Board of Directors of Maybank Philippines and Maybank (PNG) Limited, a subsidiary of Maybank and sits on the Boards of MCB Bank Limited and An Binh Bank, associate companies of Maybank in Pakistan and Vietnam respectively. He is the Chairperson for the Permanent Committee on ASEAN Inter-Regional Relations, ASEAN Banking Council (ABC) and is a member of the ABA Policy Advocacy Committee of the Asian Bankers Association. Recently, he was appointed as a member of the Malaysia-Pakistan Business Council.

Over the course of his career, he has been attached to Aseambankers Malaysia Berhad, Malaysia International Merchant Bankers Berhad (MIMB), Schrodgers Ltd and Jardine Fleming, which was subsequently acquired by Chase Manhattan Bank and later merged with JP Morgan in 2000. He was in the Investment Banking division of JP Morgan from 1997 until 2005, serving in Kuala Lumpur and Singapore.

He joined Khazanah Nasional Bhd in March 2005 and was responsible for monitoring Khazanah's investments in Indonesia. He was a member of the Board of Commissioners of PT Bank Lippo Tbk and PT Excelcomindo Pratama Tbk, both of which are listed on the Indonesian Stock Exchange. He was also a member of the Board of Directors of UEM World Berhad, PLUS Expressways Berhad and UEM Builders Berhad.



Dato' Aminuddin Md Desa

*Deputy President & Chief
Executive Officer, Etiqa
Insurance and Takaful,
Head, Insurance and Takaful*

Dato' Aminuddin, aged 48, was appointed as Chief Executive Officer of Etiqa Insurance and Takaful and Head of Insurance and Takaful of Maybank Group in October 2008. He is an Associate of the Chartered Institute of Insurance (UK) as well as an Associate of the Malaysian Insurance Institute. He graduated with an Advanced Diploma in Business Studies in 1985.

He joined Maybank Group in 2005 upon the acquisition of Malaysia National Insurance Berhad by Mayban Fortis Holdings Berhad. Prior to joining Maybank, he was CEO of Takaful Nasional Sdn Berhad (now Etiqa Takaful Berhad) from December 2001.

Dato' Aminuddin was instrumental in merging Maybank's insurance and takaful arm with Malaysia National Insurance and Takaful Nasional and in its rebranding as Etiqa.

At Maybank, Dato' Aminuddin is a Board member of Mayban Fortis Holdings Berhad.

Geoff Stecyk, aged 40, is Head of Enterprise Transformation Services (ETS). He strategises, directs and drives the enterprise operations of the new House of Maybank having created a platform comprising Information Technology, Operations and Service Quality that supports the Group's Transformation and long-term strategic objectives. He joined Maybank in November 2008 as Chief Transformation Officer leading the LEAP30 Performance Improvement Programme.



Geoff Stecyk
*Head, Enterprise
Transformation Services*

Geoff holds a Bachelor of Commerce, (Marketing/Finance) from the University of Alberta, Canada.

Prior to joining Maybank, he was National Head of Bancassurance with American International Assurance (AIA) China from 2006 to 2008. Prior to that, he was Executive Vice President, Business Integration with Southern Bank Berhad from 2001 to 2004. He was involved in the transformation of the bank which covered all major areas of the retail and SME banking with an emphasis on driving immediate earnings growth to fund the structural transformation over the medium term.



Ibrahim Hassan
*Chief Executive Officer,
Maybank Islamic Berhad
Head, Group Islamic Banking*

Ibrahim Hassan, aged 54, is the Chief Executive Officer of Maybank Islamic Berhad, a position he has held since January 2008. He has been with the Group for more than 30 years, having joined Maybank in 1978.

Ibrahim holds a Bachelor's degree in Economics (Hons) from University of Malaya.

As Head of Group Islamic Banking, he is responsible for managing and overseeing the overall Islamic banking franchise of Maybank which operates

on a parallel platform, leveraging on its infrastructure and delivery channels. This includes business strategy, product development, product delivery and marketing support as well as Shariah compliance management.

At present, Ibrahim is the Deputy Chairman of the Association of Islamic Banks in Malaysia.

Prior to his appointment as Head, Group Islamic Banking, he held various positions in the Group.

Between 1996 and 2006, he was Chief Executive Officer of Maybank Discount, Head of International Banking, and Head of Treasury and Market Risk. This was after spending more than 10 years managing treasury and dealing business operations at Maybank's overseas branches in Hong Kong, London and New York. Ibrahim was also instrumental in the formation of Maybank Islamic Berhad, the Islamic banking arm of the Group, in 2008.

Nora Abd Manaf, aged 45, has been the Head of Group Human Capital of Maybank Group since October 2008. Her responsibilities encompass direction setting for Group Human Capital and guiding Maybank's People Transformation initiatives.

She is a Chartered Accountant registered with the Malaysian Institute of Accountants (MIA) and holds a postgraduate degree in Human Resource Development from Cornell University, USA. Nora is a certified Trainer Gallup Strengths Level II Coach.

Nora is also actively involved in the country's financial and business employers' circles as Chairman of the Malayan Commercial Banks' Association (MCBA), Chairman of the Human Resource Management and Development Group (HRMDG) under the sponsorship



Nora Abd Manaf
Head, Group Human Capital

of the Institute of Bankers Malaysia (IBBM) and Bank Negara Malaysia (BNM), as well as Council Member of the Malaysian Employers Federation (MEF).

Nora was honoured at the Asia HRD Congress 2009 for her outstanding contributions in Human Resource Development.

Prior to joining Maybank, she was with the Standard Chartered Group for over nine years, where her last held position was Head of Human Resources, Scope International (a wholly-owned subsidiary of Standard Chartered UK Plc). Prior to that, she was seconded to Permata Bank as Executive Vice President, Strategic Initiatives. Other roles in Standard Chartered Group included a leadership development head role in London as well as in Hong Kong on integration work post Standard Chartered Bank's acquisition of Chase Retail bank. Prior to Standard Chartered, Nora worked in diverse industries and disciplines from telecommunications and education to consulting, finance and semiconductors.



Tengku Dato' Zafrul Tengku Abdul Aziz
*Chief Executive Officer,
Maybank Investment Bank
Berhad*

Tengku Dato' Zafrul Tengku Abdul Aziz, aged 37, was appointed Chief Executive Officer of Maybank Investment Bank effective 16 June 2010. He holds a BSc (Hons) in Economics and Accounting from Bristol University, UK, and a Master of Finance & Economics from Exeter University, UK. He has wide investment banking and corporate experience having served in leadership positions in key institutions over the last 14 years.

Prior to joining Maybank Investment Bank, Tengku Zafrul was the Group Director of K & N Kenanga Holdings Berhad, as well as a board member of Kenanga Investment Bank Berhad, Kenanga Capital Sdn Bhd and Capital Investment Bank (Labuan) Limited. He was appointed a Director of Credit Agricole in the early years of his career. He has also previously served as CEO of Tune Money Sdn Bhd, Head of Investment Banking in Citigroup Malaysia, Group Managing Director of ECM Avenue Berhad and CEO of Avenue Securities.

Tengku Zafrul is regarded as one of Malaysia's enterprising young leaders. He serves as Chairman of Leaders for Tomorrow (L4T) and Deputy President of the Kuala Lumpur Business Club (KLBC). He was awarded the Malaysian Business Leadership Award 2009 for Investment Banking, the APEA 2008 Most Promising Entrepreneurship Award by Enterprise Asia and the Technology Business Review Asean CEO Award 2008.



Pollie Sim Sio Hoong
Chief Executive Officer,
Maybank Singapore

Pollie Sim, aged 49, took the helm of Maybank Singapore in July 2006. She holds a Master of Business Administration from Brunel University of West London and a Diploma in Management Studies from the Singapore Institute of Management.

She held senior positions within Maybank Group in Consumer Banking & Business Banking, Corporate Planning, Human Resources, Accounts & Finance and IT. She was instrumental in leading and developing Maybank's retail banking business in Singapore, which today accounts for about 50% of Maybank Singapore's earnings. Prior to Maybank Singapore, Pollie was Chief Executive Officer of Mayban Finance (S) Ltd.

Her current key appointments include Director of Mayban Nominees (S) Pte Ltd, a subsidiary of Maybank, Singapore Unit Trusts Ltd, Bosbury Pte Ltd, Sorak Financial Holdings Pte Ltd and Heartware Network. She is also a Council Member of the Association of Banks in Singapore and a member of the Singapore Unit Trust Investment Committee.



Ridha Wirakusumah
President Director,
PT Bank Internasional
Indonesia Tbk

Ridha Wirakusumah, aged 47, has served as President & Director of PT Bank Internasional Indonesia Tbk (BII) since March 2009.

He holds an Electrical Engineering degree and an MBA from Ohio University and is a candidate for a Doctor in Business Administration (DBA) from City University of Hong Kong.

Before joining BII, Ridha was President and CEO of AIG Consumer Finance for Asia Pacific based in Hong Kong. Under his leadership, AIG Consumer Finance acquired four finance companies in India, the Philippines and Thailand and initiated two credit guarantee companies in China. He also served as Chairman of the Board of AIG-owned banks in Hong Kong, the Philippines and Thailand.

Prior to AIG, Ridha held various positions with increasing responsibility at General Electric Company. He joined the Company with GE Capital in Atlanta in 1995. His last position was Head of Banking for GE Money in Asia and President and CEO of GE Consumer Finance Asia (Ex Japan and China). Under his leadership, GE Money Asia assets grew six-fold with a return on equity (ROE) of 29%. He also led GE in acquiring numerous finance companies and banks across Asia.

Before joining GE, Ridha was Head of Corporate Finance at Bankers Trust Indonesia. Ridha started his career in Citibank in 1987 and left as Vice President in charge of Financial Institutions and Public Sector.



**We're there with you
in over 1,750 offices
across Southeast Asia
and the world's financial capitals.**

Thank you for sharing your lives, hopes and dreams with us. Celebrating 50 years, close to you.





chairman's statement

dear shareholders,

We have grown over the last five decades from being not just one of the local pioneers in the industry but to become the financial services leader in Malaysia and deservedly recognised as a Malaysian icon.

We continued our focus on financial performance and sustaining a strong capital position and this has allowed the Group to capitalise on several opportunities that arose during the year and as part of our regional expansion strategies.

Performance

In our financial year 2010, the world economies only grew 3% amidst signs of recovery from the earlier unprecedented global financial crisis and liquidity crunch, which led to a recession in the major economies of the world. In the same period, the Malaysian economy achieved a growth of 2.1% aided by the RM67 billion stimulus package by the Government. GDP growth in the other countries where the Group has significant business operations ranged from -2% to 8%.

In this environment, the Group recorded a revenue of RM12.87 billion, an increase of 22.4% compared to last year. Significant growth in revenue for the year was achieved through strong growth in loans (10.3%) especially from our Consumer Banking sector (15%), and strong performance from our Singapore (8.6%) and Indonesia (33.3%) operations. Our three acquisitions in Indonesia, Pakistan and Vietnam contributed 6.3% of the profits.

Corresponding to the increase in revenue, net profit after tax and minority interest has risen to RM3.82 billion, a new record. The Group has also been able to deliver growth in profitability with further improvement in asset quality.

Regional Expansion

Our contributions from overseas operations have been healthy, reaching some 30% of revenues and 23% of profits for the year, or increase of 32% and 302% respectively from the previous year. By 2015, we expect Malaysia to only contribute 60% of profits, as our regional operations grow faster in line with greater opportunities.

Our regional aspirations would not detract from our re-focus to strengthen our leading position in Malaysia. Hence, to help enable these, as at 1 July 2010, we have reorganised ourselves under the umbrella of the "House of Maybank" to drive the three key businesses regionally, namely Community Financial Services, Global Wholesale Banking and Insurance & Takaful.

Customers and the Community

Maybank has maintained the momentum established in recent years by focusing on its customers with service excellence and contributing to the community.

We strive to achieve the highest level of customer satisfaction in Malaysia, through the "Serve from your HEART" campaign, which started in April 2010, to enhance service standards and our corporate image. This initiative is to re-establish our brand identity and strengthen our presence in the heart of our customers.

To commemorate the Year of the Tiger in the Chinese calendar and our 50th year in the market, Maybank which bears the face of the Malayan tiger as our iconic emblem, is taking action by entering into a partnership with the Malaysian Conservation Alliance for Tigers (MYCAT) in an effort to bring the plight of the Malayan Tiger to the forefront. This is one of the steps we are taking in ensuring the diversity of our natural environment.

Shareholder

Our focus on creating value for you is gaining traction through the efforts undertaken. This has resulted in an encouraging total shareholder return (TSR) increase of 31.7%.

During the year we received shareholder support for an optional Dividend Reinvestment Plan, an effort to conserve capital ahead of the regulation under Basel III, which is expected to come into effect by the end of 2012. Implementation of the plan will be carried out in stages in the coming year or so. We will also be proposing to pay a final dividend of 44 sen per share which translates to a payout ratio for the year of 76.5%.

Looking Forward/Outlook

The Group will continue to face keen competition amid further industry liberalisation/consolidation, regulatory changes and the backdrop of increasing interest rates. We will seek to increase market share in selected business segments across the Group to grow revenue while maintaining margins.

The economies in Malaysia and the major countries where the Group operates are expected to grow strongly in financial year 2011, with GDP growth ranging from 4% to 10%. Our core commercial banking operations are expected to continue the good performance recorded this year. The investment banking and insurance divisions are expected to advance further on the back of better capital market activities and improved internal capability and capacity. And we will continue the aggressive expansion of our Islamic asset base from the current level of 13.2% of total Group assets.

We have been proud of our heritage, for which I would like to thank all our stakeholders. I believe we have a good foundation to build that truly regional franchise.



Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor
Chairman



president and ceo's statement

dear shareholders,

After a challenging FY2009, I have great pleasure in being able to report that Maybank is not only back on its feet but has made a great leap forward over the year under review. As we celebrate our 50th anniversary in 2010, we are, to borrow from the symbol associated with such anniversaries, as good as gold!

Maybank has proven our worth as a bank built on an unshakeable foundation capable of withstanding crises, and always delivering on our promises. In our 50-year existence, we have established ourselves firmly in Malaysia where we are the leading bank in terms of total assets (RM336.7 billion), deposits and net loans. We are also among the largest corporations listed on Bursa Malaysia.

We also have the most extensive international network of over 1,750 branches and offices in 14 countries serving more than 18 million customers.

The icing on our anniversary cake, however, has to be our profit for the year under review, the highest we have ever achieved. Group profit before tax (PBT) grew from RM1.67 billion in 2009 to RM5.37 billion. Net profit after tax and minority interest (PATAMI) surged to RM3.82 billion from RM691.9 million. In terms of normalised profits,

our PBT this year of RM5.01 billion is a 31.7% increase from RM3.81 billion previously. In the last financial year, our results were impacted by the RM1.97 billion impairment charge on our investments in Bank Internasional Indonesia (BII) and MCB Bank in Pakistan.

All key business segments recorded higher revenues, leading to a 22.4% increase in total Group revenue to RM12.87 billion. This was supported by a 10.3% growth in loans, led by domestic Consumer Banking (15%), Indonesia operations (33.3%) and Singapore (8.6%). Net interest income grew 14.4% to RM6.77 billion, mainly due to a full year's contribution from BII (which posted a PBT of RM217.3 million, up from RM49.3 million), and lower interest expense in the Malaysian and Singapore banking operations.

Both the Malaysia and Singapore operations improved significantly. In Malaysia, PBT increased to RM4.24 billion from RM1.25 billion, while in Singapore PBT increased to SGD338.0 million from SGD247.7 million. Maybank also benefitted from the funds raised through the rights issue completed at the end of April 2009, which has contributed to a strong Capital Adequacy Ratio of 14.7%.

Income from Islamic Banking also increased by 17.2% to RM1.43 billion, as a result of growth in assets which now total RM44.16 billion, comprising 13.1% of Group total assets. The Group also gained from a higher contribution from Insurance, Takaful & Asset Management of RM442 million compared to RM328 million last year; and improved performance of Investment Banking with PBT of RM144 million compared to RM121 million last year.

Non-interest income increased by a significant 38.2% to RM4.67 billion led by a surge in investment & trading income, commissions, service charges & fees, foreign exchange and net premium written as well as unrealised gain on cross-currency swaps.

Although our overhead expenses increased 15.3% to RM6.41 billion, this was to be expected following our regional expansion. The rate of increase is, however, reasonable compared to the growth in net income of 22.4%.

The Transformation Journey

Results such as we have achieved do not materialise from business as usual. As I had reported last year, Maybank in 2008 embarked on a Transformation journey focusing on 30 initiatives to improve our people, processes and systems. We have three ultimate 'destinations' – to be the undisputed leader in financial services in Malaysia, to

strengthen our regional presence, and to become a talent and execution-focused company.

We are definitely making headway in reaching our goals. By the end of December 2009, we had accrued up to RM40 million from higher sales and increased product penetration while saving more than RM140 million by reducing newly classified non-performing loans, improving our procurement procedures and generally effecting greater efficiency through IT governance.

Upon completion of the first wave of this Transformation in May 2010, we brought together all leaders and senior management from across the Group to take stock of what had been accomplished and the best way to proceed. While agreeing that much had been achieved, we noted that we would enhance the Transformation if it were carried out in a more integrated manner. Rather than have individual sectors working independently, we opted to create a more holistic approach in which the entire organisation would move forward as one.

Thus, the new House of Maybank was created which re-aligns the Group's operations into three business pillars – Global Wholesale Banking, serving the corporate, commercial and non-retail banking segments; Community Financial Services, focusing on retail financial services to the SME and Consumer portfolios; and Insurance & Takaful. This new structure encourages greater cross-border cooperation and strategising which will necessarily result in more innovative cross-selling and bundling of products and services. There has also been a transfer of ownership of initiatives to the different business units from the Transformation Office, which now adopts a more supervisory role.

Interestingly, the new House of Maybank takes us forward – in terms of greater efficiency, savings and sales; whilst reaffirming the vision of our pioneers to contribute to the economic prosperity of the nation and its people. It is easy in today's age of ICT to lose the human touch. But Maybank believes to lose this is to lose our edge. Hence, we have made a conscious decision to emphasise the human element at all our touch points, everywhere we operate – to serve our customers from the heart and to provide them with unparalleled service.

Humanising our Services

Our new positioning calls for us to get closer to communities, enrich their lives and help them realise their dreams. We already have the most extensive reach in the country – with over 380 branches and 2,800 ATMs serving some 9 million customers. In 18 locations, we are the only bank serving the communities. But we plan to further expand our network so that every Malaysian has access to Maybank. No community is too small for Maybank, and no customer too insignificant. In the past financial year, we launched more banking services for the under-served segments of the country, and introduced five disabled-friendly branches nationwide.

Even with our corporate clients, we want to be their trusted partner which really understands their business. In Community Financial Services, we have segmented our customers according to their profiles – high net-worth, affluent, mass, SME and Emerging Corporates – and are channelling more sophisticated but relevant, segment-appropriate products to them.

In Insurance & Takaful, we adopt “The Etiqa Way” of helping our customers to protect their assets and build a better future by serving with professionalism, empathy and integrity. In our quest to become the national insurance

champion by end 2010, we will reactivate certain structured products and develop new plans. To support growth of this sector, we will diversify Etiqa's portfolio of assets beyond Malaysia and into selected regional markets.

Of course, the best plans and strategies require the best people to implement them. In order for Maybank to get closer to our communities – namely all our stakeholders – and in order to be effective, we ensure our personnel are competent, professional and deliver a consistently high level of service. Human capital development is top priority at Maybank. Over the years, we have adopted a performance-based rewards culture in our human capital talent management efforts.

When we embarked on our Transformation, however, the emphasis on people development and empowerment became more pronounced. We ran Group Human Capital Workshops, engaging our employees in HOT (honest, open and trusting) dialogue regarding their views and aspirations. Many of our employees' suggestions have been taken on board and implemented. The results have been encouraging; by the end of first quarter 2010, we were obtaining positive feedback from customers, and certain sales at branches were even doubling.

Islamic Banking

One of our aspirations is to further grow our Islamic business. Although Maybank Islamic is already the largest Islamic financial services provider in the country, we are targeting Islamic to make up no less than a third of Maybank's domestic financing by year 2015. To achieve this, our Islamic assets have to increase at double the rate of conventional assets. While ambitious, this goal is certainly within our reach.

Beginning with the coming financial year, we are implementing an Islamic First strategy across Malaysia that will see our front-liners introduce Islamic products before conventional ones as a matter of course. We are also converging all Islamic products across the Group under the Maybank Islamic banner and promoting it aggressively to create a stronger brand that consumers can immediately identify with. Our objective is to grow from being No. 1 in Malaysia to being the largest Islamic bank in ASEAN by 2015.

Our acquisition of BII in Indonesia and MCB Bank in Pakistan will support our expansion in these large Islamic markets. At the same time, we will capitalise on opportunities that exist to promote Islamic banking in the relevant international operations. Ultimately, Maybank supports the government's vision of establishing Malaysia as a global Islamic financial centre.

Regional Expansion

Maybank already has a strong base in the region. We are considered the 'fourth local bank' by our customers in Singapore; with BII, we have an extensive presence in Indonesia; and have achieved a foothold in the Philippines, Cambodia, Vietnam and Brunei. We are, however, further expanding in all these countries and plan to cover the entire ASEAN market, as well as the Middle East, China and India, at the right time and at the right opportunity. Our vision is to be a regional financial services leader by 2015.

Towards this end, we are launching a regional Centre of Excellence aimed at enhancing global markets trading activities, particularly in structured products. We will also be ramping up the universal wholesale banking model in Singapore and Indonesia with innovative investment

banking products. Supporting these will be a fully integrated end-to-end regional trade finance and cash management platform.

We will be supported in our expansion plans by effective IT infrastructure and risk management systems. I had mentioned in the last annual report that Maybank was migrating to the Internal-Ratings Based (IRB) approach for credit risk and Standardised approach for operational risk under Basel II. I am pleased to say that as of July 2010, Maybank and Maybank Islamic have fully migrated to the Basel II IRB approach for credit risk. This major achievement for the Group reflects our commitment to adopt international practices. Maybank now joins a select group of international banks in early adoption of the IRB approach in Southeast Asia.

Achievements

The Group's excellent performance over the year has not gone unnoticed. We received the Gold Award in the Finance Category of the Putra Brand Awards from the Association of Accredited Advertising Agents Malaysia (4As), organised in association with the Malaysia's Most Valuable Brands. In addition, we have received numerous other awards, both local and international which attest to our service excellence. These include Asiamoney's Best Domestic Private Banking in Malaysia and Euromoney's Best Private Banking Services Overall for Malaysia as well as the Most Outstanding Retail Islamic Bank Award to Maybank Islamic in the KLIFF Islamic Finance Awards.

Prospects

As the pick-up in the Malaysian and regional economies become firmer, prospects are looking bright for the

financial year 2011. The Malaysian Institute of Economic Research (MIER) has revised upwards its GDP growth forecast for 2010 from 5.2% to 6.5%. Our own research team is even more bullish for Malaysia with GDP growth forecast of 7.5% for 2010 and 6.1% for 2011. This will obviously provide a boost to Maybank's core commercial banking operations. At the same time, strengthened capital markets are expected to support the investment banking and insurance business.

Competition will no doubt intensify with liberalisation of the industry, and the entry of more foreign banks as well as consolidation of domestic banks. However, we are confident of having hit upon the right formula of investing in our fundamentals to reap the returns in the long term. Our vision of becoming a regional Islamic bank also acts as a strategic differentiator. We are in the midst of converting our subsidiary PT Bank Maybank Indocorp in Indonesia into a Shariah bank.

Net interest margin, under pressure due to competition but cushioned by the recent interest rate hikes, is expected to remain relatively stable, while our steadfast focus on loans and its management should enhance asset quality. The Group will continue to manage our capital efficiently, following the adoption of Basel II and as we prepare for Basel III.

In Community Financial Services, we will grow our franchise for all our consumer businesses and stimulate the SME segment. In Global Wholesale Banking, we will support the growing needs of our corporate clients arising from the higher private and public investment as envisaged in the 10th Malaysia Plan. Regionally, we will continue to spread our franchise, leveraging on the strong foundations we have established in our three home markets of Malaysia, Singapore and Indonesia. In Indonesia, especially, there is great potential for further growth as BII continues to grow its loans by more than 20% per annum.

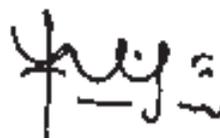
In summary, barring unforeseen circumstances, we expect to perform even better in the financial year ending June 2011 than we did this year.

Acknowledgements

Maybank is about people – anyone and everyone touched by us in one way or another. Our success over the past year, and in our 50-year history, is due to the diligence, commitment and support of all our stakeholders. And I would like to take this opportunity of our Golden Jubilee to thank everyone who has contributed to what Maybank has become today – Malaysia's regional financial services leader.

Special thanks, however, is due to our Chairman, Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor, whose integrity and experience add to the depth and wisdom of our leadership. Heartfelt gratitude also goes to our other board members and management, who have been incredibly committed to our transformation; and our 40,000 employees, who have put in the hours and put up with the inevitable challenges in our exciting journey towards a stronger, more energised Maybank. Mention must also be made of the continued support of Bank Negara Malaysia, the Securities Commission, other regulatory authorities, our partners and clients for their confidence in our ability to deliver.

On behalf of the Group, I thank all of you the way we would like to serve you – from our heart.



Dato' Sri Abdul Wahid Omar
President & CEO

review of operations
consumer banking



Consumer Banking forms the cornerstone of Maybank. It is through Consumer Banking that we are in touch with the community and provide the financial solutions they need. This sector, which contributes 30% of the Group's total profit before tax, offers a diverse range of products and services which continue to evolve. However, key drivers remain the mortgages, automobile loans, unit trust and cards financing portfolios as well as current and saving account (CASA) deposits.



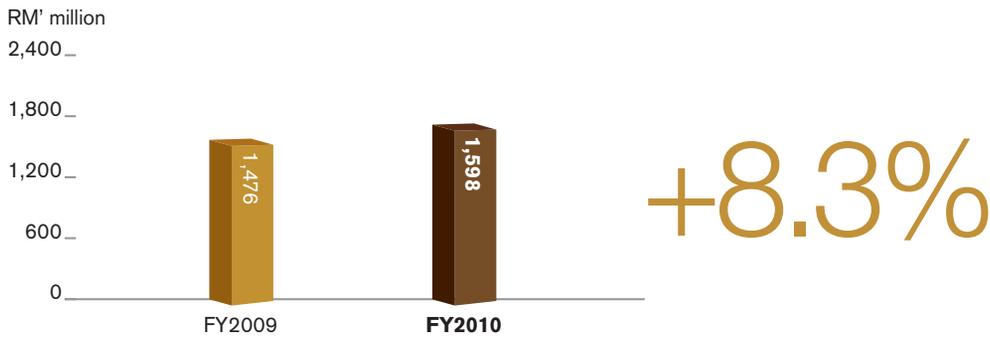


Financial Performance

| Retail Operations | FY2010 | FY2009 | Growth Inc / Dec |
|---|-------------|-------------|------------------|
| Pre-Tax Profit (RM'mil) | 1,598 | 1,476 | 8.3% |
| Gross Loans, Advances & Financing (RM'bil) | 77.1 | 67.1 | 14.9% |
| Core Product | | | |
| ○ Mortgage | 34.6 | 31.5 | 9.8% |
| ○ Auto Loans | 22.7 | 20.3 | 12.2% |
| ○ Retail Lending | 15.6 | 11.7 | 33.3% |
| ○ Cards | 4.1 | 3.6 | 14.7% |
| Retail Deposits (RM'bil) | 75.0 | 71.1 | 5.4% |
| Core Product | | | |
| ○ CASA | 35.5 | 33.3 | 6.8% |
| ○ Fixed Deposits | 39.4 | 37.9 | 4.1% |
| Gross NPL Ratio (%) | 2.8% | 4.2% | -1.4% |
| Core Product | | | |
| ○ Mortgage | 5.4% | 7.6% | -2.2% |
| ○ Auto Loans | 0.7% | 1.1% | -0.4% |
| ○ Retail Lending | 0.5% | 0.9% | -0.4% |
| ○ Cards | 1.3% | 1.8% | -0.5% |

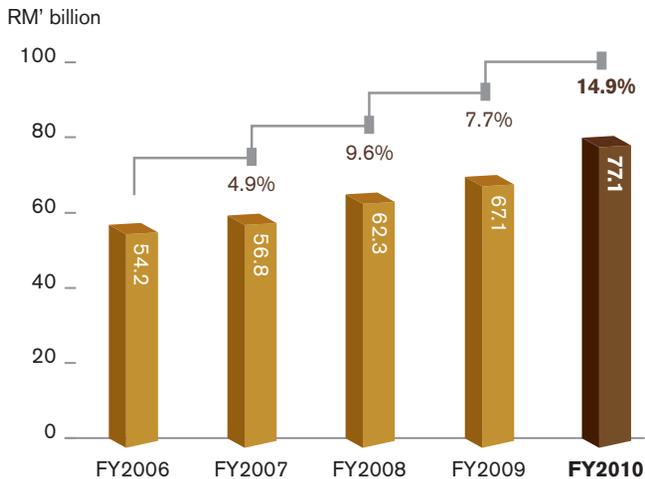
During the year under review, Consumer Banking reported a profit before tax of RM1.60 billion, 8.3% higher than the RM1.48 billion a year ago, on the back of commendable growth in the Bank's consumer loan segment and retail deposits business.

Consumer Banking – Profit before tax

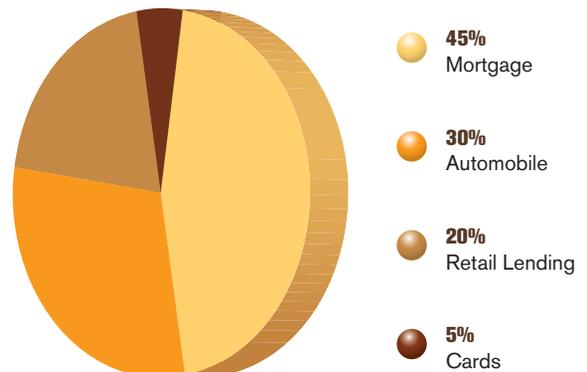


Consumer loans grew 15% within a competitive business environment, outstripping the industry growth of 13.8% thanks to effective strategic initiatives. Each of the key portfolios – namely unit trust, mortgage and automobile loans – registered double digit growth surpassing the RM2 billion mark. Mortgages, automobile loans, unit trust and cards financing remained the main drivers of the consumer loans segment, making up 98% of the total portfolio.

Consumer Banking Loans



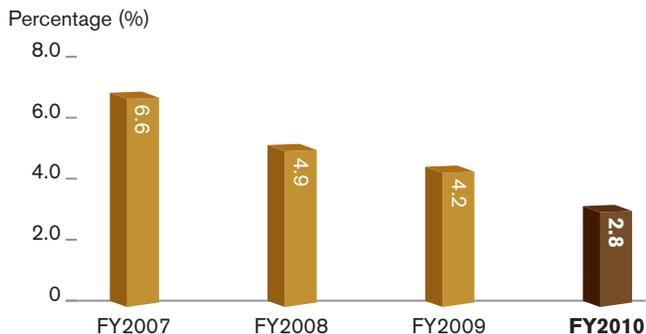
Loans Composition



Deposits for current accounts and savings accounts (CASA) as well as fixed deposits increased by 6.8% and 4.1% respectively, contributing to an overall increase in retail deposits of 5.4% and surpassing the total industry retail deposit growth of 2.8%.

Gross non-performing loans (NPLs), meanwhile, continued to decrease steadily. From a high of 6.6% in 2007 it has more than halved to 2.8% as a result of pro-active loan management, aggressive rescheduling and restructuring, and focus on the acquisition of quality loans.

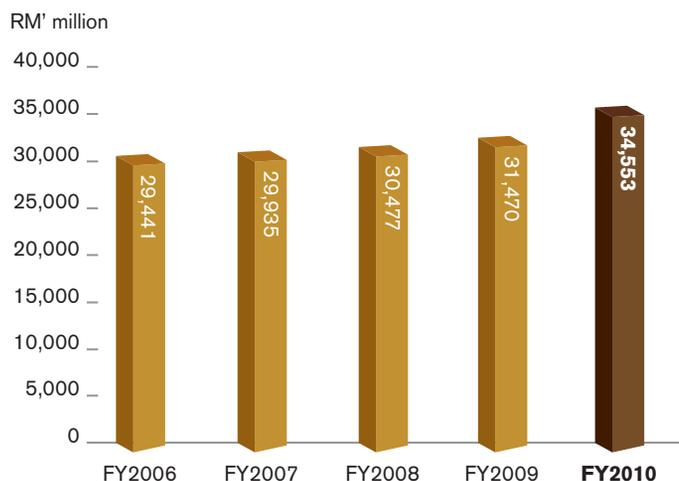
Consumer Banking NPL Ratio



Mortgage Financing

Mortgage financing forms the core of Maybank's Consumer Banking sector, accounting for 45% of the total consumer loan portfolio of RM77 billion in 2010. As at 30 June 2010, loans outstanding in the mortgage portfolio amounted to RM34.6 billion, representing an increase of 9.8% from RM31.5 billion the previous year.

Mortgage: Loans Outstanding



The adoption of a new customer acquisition strategy allowed the Bank to pursue greater market share more aggressively. There was a significant improvement in terms of loans approval, acceptance and disbursement over the last financial year, with an increase of 21%, 48% and 43% respectively.

Focusing on prime property, Maybank leveraged on the strength of our Mortgage MaxiHome brand and our extensive network to reach out to high net-worth individuals while ensuring asset quality and profitability. As a result of our strategy to re-balance the mortgage portfolio and improve asset quality, the NPL ratio improved from 7.64% to 5.43% while that for loans disbursed after July 2006 stands at 1.0%. Residential properties valued at RM250,000 and above represented 43% of total residential loans compared to 37% a year ago.

We continued to strengthen our strategic alliances with key developers for exclusivity and to leverage on corporate ties and commonalities. Among the Bank's partners are top-tier developers Sime Darby Property Berhad, Sunrise Berhad, the Sunway Group, IJM Land Berhad, SP Setia Berhad, Mah Sing Group, Bukit Kiara Properties and UEM Land, all of which have proven track records in delivering quality homes. These strategic alliances position Maybank's MaxiHome and MaxiShop – with its attractive financing packages, and innovative and flexible features – as the preferred financial solutions provider for individuals looking to acquire quality property.

To further entrench ourselves in the premier market, Maybank continued to act as the main sponsor for prestigious industry events such as the FIABCI Malaysia Property Awards, Edge Malaysia Top Property Developers Awards, Mapex Exhibition and i-Property Home & Interior Expo.

In conjunction with our 50th anniversary, Maybank on 1 January 2010 launched an attractive fixed rate loan scheme which guarantees sustainable cash flow in the initial years of property purchase or new business startup, and protects customers against increases in the Base Lending Rate (BLR). This is especially pertinent given the anticipated upswing in the interest rate regime. The key product, Maybank MaxiHome and MaxiShop FlexiOD, offers competitive interest rates, a high margin of financing and the flexibility for customers to self-manage their loans and cash flow, as their savings and current accounts and home loan are merged into one account. What is more, customers can make extra payments at any time with no limit or penalty while interest can be earned for credit balances. The product also comes with free personal accident insurance and medical coverage.

Given the intense competition and low interest rate regime, Maybank set up a Retention Team to keep track of and refine anti-attrition initiatives. We have dedicated teams to plan, develop and drive retention strategies while

monitoring their effectiveness. These strategies will empower staff to achieve faster turnaround times, and foster greater consistency in practice. There will also be a greater sense of accountability at all levels.

As part of our corporate responsibility, we support Bank Negara's priority sector housing loan, and financed a total of 3,142 units or 124% of the 2,525 units committed during the financial year. Maybank is also participating in the Ministry of Finance's Syarikat Jaminan Kredit Perumahan (SJKP) guaranteed housing loan scheme and is currently working with Kuala Lumpur City Hall to enable current tenants of its housing projects purchase their units under the SJKP scheme.

Automobile Financing

During the year under review, aggressive marketing campaigns with dealers and distributors, strategic focus on our core customer segments and creating awareness of preferred models and products in the market contributed to the continued success of the automobile financing business.

The automobile financing segment registered a gross balance outstanding of RM22.7 billion, an increase of RM2.5 billion or 12% from RM20.3 billion the previous year. Within the automotive financing sector which grew 8%, Maybank was one of the fastest-growing brands. Our market share for the purchase of transport vehicles improved from 16.8% to 17.4%, while we dominated the floor stocking and block discounting markets at 80% and 78% share respectively.

Retail hire purchase remained the primary contributor to automobile financing, accounting for 98% of the segment's total revenue. Other core areas included commercial hire purchase, blanket hire purchase, corporate auto scheme, floor stocking and block discounting.

The Hire Purchase System (HPS), a loan origination system for Retail Hire Purchase, contributed significantly to Maybank's positive performance. In addition to that, the introduction of HPS mobile connectivity allows the system to be accessed from anywhere, thus shortening the turnaround time for approvals and making the Maybank brand more compelling and competitive.

Maybank also expanded its network by opening 11 new Auto Finance windows during the year, bringing the total footprint for automobile financing to 80 throughout Malaysia.

To manage the loan portfolio, the Bank re-launched its reschedulement package and closely monitored newly disbursed accounts. These initiatives, along with other proactive prevention and recovery activities, led to a drop in the Auto NPL to 0.7% from 1.1% a year ago, against an industry rate of 1.2%.

Among the major events organised were the Car of the Year Award (COTY), Travel Around the World Contest (with Cycle & Carriage Bintang) and the Honda Nationwide Roadshow.

Cards Financing

FY2010 was remarkably good for Maybankard. The credit and debit card businesses grew by double digits in all areas, firmly entrenching Maybank's leadership.

Maybankard continued to outperform the industry and significantly widened its lead at the top notwithstanding the highly competitive market and the introduction of the Services Tax. The Bank's market share in cards increased to 17%, billings to 22%, receivables 14% while merchant sales further strengthened to 29%.

The financial year witnessed a 20% growth in cardmembers' billings, driven primarily by differentiated products such as the Visa Petronas Card, Ikhwan Card, American Express Gold Credit Card and Visa Debit as well as effective marketing activities. For example, a 15% cash rebate was offered for American Express cards at 12 key malls over a period of four months.

Merchant sales recorded a healthy growth of 23% year-on-year with new key merchants on board from the insurance, healthcare, education and electrical segments, supported by existing departmental stores and expansion in hypermarkets.

In keeping with tradition, Maybankard created waves with new and innovative products such as the Maybankard MasterCard Platinum Debit Card, Wireless Cards Payment with Pizza Hut and American Express Gold Credit Card. Each was a market first, offering great and unparalleled value to customers by leveraging on cutting-edge technology. According to the Malaysian Book of Records, Pizza Hut Malaysia is the first restaurant chain in the country to offer delivery service with wireless card payment facility.

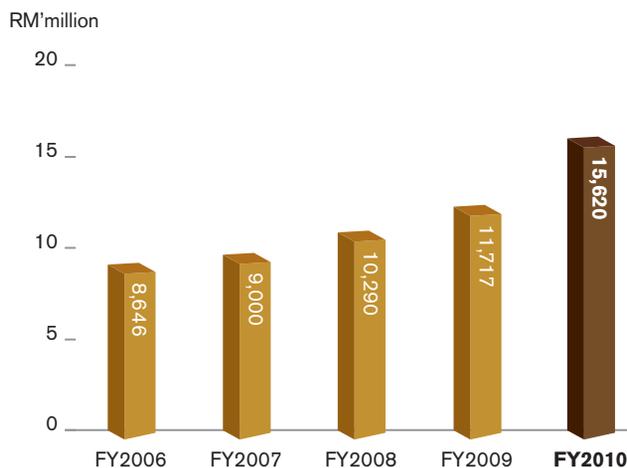
Other milestones included the issuance of over 2.5 million Visa Debit cards in a period of just over two years; and the launch on 9 October 2009 of the exclusive Maybankard MasterCard Platinum Debit to premier conventional and Islamic savings or current account holders. The card raises the daily spending limit to a new high of RM10,000.

Credit asset quality for Maybank improved due to sophisticated decision engines and structured collection approach which lowered our NPL ratio to 1.3%, far below the industry level of 1.9%.

Retail Financing

The Retail Financing segment comprises four sub-segments of unit trust, salary financing, retail business and share financing. As of June 2010, loans outstanding amounted to RM15.6 billion, representing an increase of 33.3% from the previous year's RM11.7 billion, and continuing with the upward trend observed over the last five financial years.

Retail Financing: Loans Outstanding



Growth was driven mainly by the unit trust portfolio, which forms 87.5% of total Retail Financing. Among the other portfolios, salary financing (salary loans to government employees), which started in FY2009, also recorded significant growth of RM209 million.

Various marketing initiatives were carried out to reach targeted segments, including roadshows – some in collaboration with government agencies such as SMIDEC – and participating in exhibitions or campaigns with regional offices and with strategic partners. These proved to be lucrative. At the Minggu Saham Amanah Malaysia (MSAM) 2009, organised by PNB, the Bank generated

RM108 million in new loans. New telemarketing and direct mail strategies were also employed to reinforce the brand's presence.

Regular communication with our regional offices, meanwhile, ensured these branches maintained a high level of performance. Maybank also embarked on a Group Retail Broking unification initiative to consolidate share trading activities across the board and to offer customised products to targeted customers to better suit their needs.

Further lending initiatives include education/study loan and tailor-made financing/loan schemes to targeted segments of customers.

Among the campaigns for the year were the Labur & Menang, M2u Online Stocks Cash Accounts and a low interest rate campaign for Share Margin Financing.

Wealth Management

The operating environment during the financial year was conducive for the wealth management business of Maybank. As conditions for global and domestic financial services stabilises, with more transparent regulatory guidelines, investors' sentiment improved.

Maybank Wealth Management solutions are being offered via our extensive Private Banking Centre network across the nation. We provide a wide range of products and services catering to the entire spectrum of needs of our high net-worth customers, encompassing cross-border transactions and seamless offerings within the Maybank Group. At the end of the financial year, we had a total of 24 Private Banking Centres and five Private Banking lounges nationwide.

We grew our high net-worth customer base by 11.7% over the year, while the total financial assets for this segment of customers grew by 13.1%. These achievements are due to Maybank's extensive reach,

a sound financial foundation and an increasing sales and service workforce dedicated to the wealth management segment. We adopt an open architecture framework, which sources best of breed products and services internally and externally to enhance value for this niche sector.

Bancassurance

Maybank Bancassurance is the first Malaysian bancassurance provider and the best to date. It is ranked No. 1 in the bancassurance business, with a gross new business premium of RM692.8 million or 23.7% of market share. It has maintained an impressive performance year after year as a result of excellent, professional and personalised service to the community.

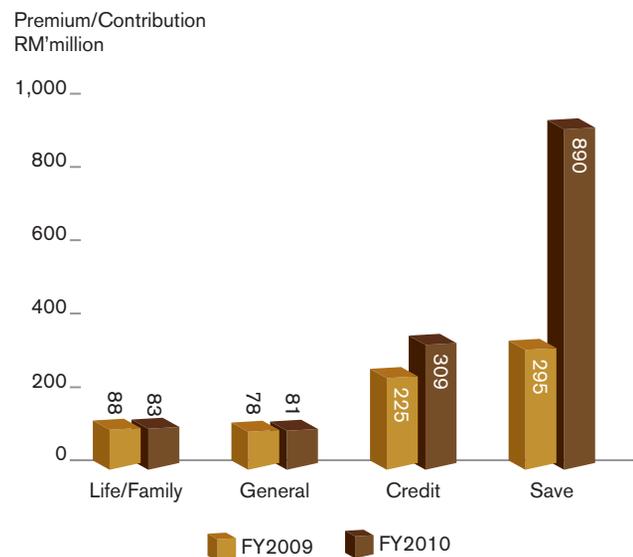
The production performance of Bancassurance in FY2010 improved in all the domains. However, Single Premium Investment Linked under the Save & Invest domain, topped the rest with total sales of RM890 million, compared to RM295 million in the previous year. Sales of Life Credit also improved significantly, from RM225 million in FY2009 to RM309 million, as a result of various campaigns held throughout the year.

Nine products were launched in the financial year under the Bancassurance product portfolio. These were Earn Gold, PCI Secure Saver, PCI Secure Saver VIP, Takaful Wallet Aid, Hero 15, Takaful Hero 15, Dana Najiyah, Financial Institution Income Fund and Dana Aqeel.

The top sales product for the year were the PCI Series which recorded more than RM709 million in sales.



Bancassurance Production Performance by Domain





Hero 15 and Takaful Hero 15 are innovative general insurance plans offering personal accident coverage and support in times of untoward incidents. Both have received good response with sales of RM7.6 million.

To further boost sales and offering greater value added services to our customers, we are expanding our product accessibility via various channels. These include and capitalising on our branch network, M2U, ATM and Maybank Group Contact Centre in reaching out to our customers and offering different banking channel options for different customer preferences.

Funding & Deposits

The Bank continued to lead in the retail deposit market with a 18.6% market share and 24% of the lower cost CASA market. This has been achieved largely by focusing on three key areas: innovative solutions, unparalleled convenience (Maybank has 436 customer touch points, 4,640 self service terminals and 24/7 Maybank2u.com and contact centres), and aggressive campaigns to attract new customers and up-sell to existing ones.

During the year, the Bank introduced the Islamic Fixed Deposit, offering fixed profit rates with the option of reinvesting the profits earned into the principal.

To better serve our customers, we introduced service with a HEART (Humility, Efficiency, Appreciation, Respect and Trust). At the same time, we simplified our paperless,

hence environment-friendly, account opening process which reduced the average waiting time from over 30 minutes to under 10 minutes. In addition, we reduced the need for customers to physically visit our branches to open accounts, by doing so online at Maybank2u.com.

In order to better manage our deposit portfolio and to drive our low cost deposits, we introduced 405 Deposit Champions across our branches nationwide. These Deposit Champions focus on supporting deposit initiatives at their branches and localising national campaigns.

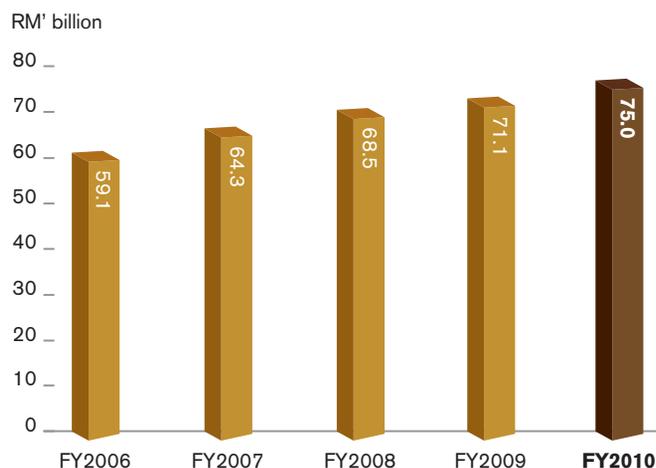
Two thematic campaigns were introduced that covered all deposit products – the Extra Rewards and Deposit Delight Campaigns. These accounted for more than 80% of our deposit growth. Meanwhile, four fixed deposit (FD) campaigns – FD Bonus 1, 2, 3 and Special FD – raked in over RM2 billion in FDs. Together, these campaigns resulted in over 1.4 million new accounts and RM4 billion in net retail deposit growth, which is about 5.4% higher than in the previous year.

These accomplishments resulted in recognition by Asian Banker of Maybank being “the Best Improved Retail Bank in Asia”.

Although the deposit market continued to be challenged by investment related products from financial institutions and even Permodalan Nasional Berhad and Bank Negara Malaysia, which offer higher returns, we remained ahead in deposit growth. Going forward, the Bank is confident of

maintaining our edge in retail deposits. For FY2011, we are targeting growth of over 10% through various strategies covering products, processes, people and promotions.

Consumer Banking Retail Deposit Trend



Payment Systems

The Payment business, comprising Payment Services, Remittances, ATM Services and Forex Business, continued to perform well with total fee-based revenue of RM434 million, a growth of 4% year-on-year notwithstanding the challenging economic condition and reduction in revenue following the abolition of the Inland Exchange Commission.

During the financial year under review, numerous initiatives and marketing campaigns were undertaken focusing on product innovation and tactical promotions to enhance and support the business.

○ Payment Services

Maybank continues to expand the scope of the Payment Services business through the introduction of the Autodebit Clientele module to capture and assist SMEs that have limited IT capabilities in Autodebit accounting system. Autodebit fee-based revenue grew by 18% from the previous year. In addition, promotion campaigns and bulk-selling seminars saw an increase of 11,491 new payee corporations in Maybank's Autocredit service.

○ Remittances

Demand for international money transfer services and the emergence of new Remittance Service Providers paved the way for the creation of Maybank Money Express (MME), which provides fast, cheap and reliable remittance service. Maybank is the first local bank to provide a home grown web-based remittance service for instant international money transfer. Within 60 days of operations, MME had created touch points in Indonesia, Vietnam and Cambodia. We will soon be entering the Philippines, Singapore, Brunei and Pakistan corridors. To provide better service to migrant workers, our foreign business partners have seconded native speaking ambassadors at our branches. This is very much in line with Maybank's aspiration to humanise our financial services from the heart of ASEAN.

○ ATM Services

Maybank continued to strengthen our Self Service Terminal (SST) offering by enhancing cross border linkages to allow for cash withdrawal from Diners Cards and additional prepaid reload functions for payee corporations such as U-mobile, Tune Talk and MOL. On top of transactional withdrawal charges, an additional option of bankcard annual fee was introduced to allow customers to better manage their bankcard fees. Overall, we saw a 4.5% increase in revenue from ATM services.



Forex Business

To further enhance the Foreign Currency Notes (FCN) business, a more competitive and affordable pricing model was introduced at selected pilot Forex Booths. The FCN business grew 2.4% from the previous year.

Internet Banking

Proactive initiatives and continuous investments in Internet banking have acquired for Maybank more than half the Malaysian online market. Maybank2u.com (M2U) remains the leader in Internet banking, with 55.16% market share as at June 2010. M2U has an active user base of 1.43 million as at June 2010 with a year-on-year growth of 21%. Customers find M2U attractive because of the ability to pay for purchases online, conduct transactions, obtain electronic bills and statements, pay their income tax and make investments (e.g. in ASB) online. All this has been made easier with a new, more lifestyle-based M2U website design.

In the year under review, M2U focused on cost savings and revenue generation. It achieved revenue of RM30 million in fee-based income from commissions and service charges from M2U payee corporations (41% of total income), eGIRO service charges (35%), online prepaid

commissions (12%) and online foreign telegraphic transfer (FTT) service charges, including gains in forex conversions (6%).

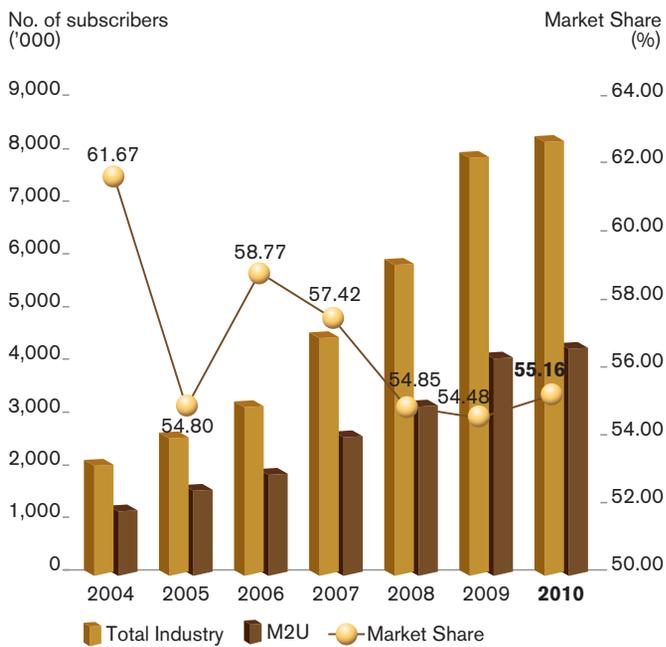
At the same time, M2U achieved RM6.8 million in cumulative/non-audited cost savings as at June 2010 from its migration to eStatements, which eliminated the need to print customers' account statements and mail them. More than 600,000 customers are receiving their statements online.

M2U continued to expand its online facilities, offering customers the ability to purchase insurance products eMotor Takaful and Personal Accident policies, switch their telecommunication lines (DiGi & Celcom) and to make use of the new web-based M2U Mobile Banking platform.

With the Electronic Bill Payment & Presentment, we provide a single consolidated platform for storing, archiving and retrieving statements and bills issued by various business units within the Maybank Group and certain M2U merchants, including TNB, Telekom and DiGi. For added customer convenience, we introduced the facility for customers to reset their forgotten M2U password.

The M2U merchant programme expanded with the addition of 38 new payment services.

Internet Banking: M2U versus Industry

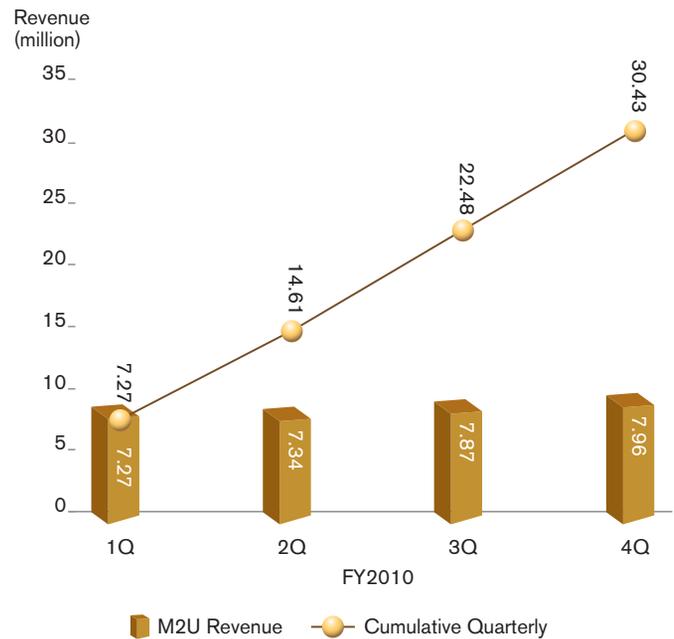


Source: Payment Statistics BNM.

Our services have also been extended to Singaporeans. We currently have 37 Malaysian payees in our M2U Singapore website to allow Singaporeans to pay their insurance, Astro, Johor Bahru property assessment, telecommunications and utilities bills. There are another 38 payees in the pipeline including clubs and travel agencies.

A significant new product was mobile banking on Internet. Launched on 19 January 2010, this service does not require separate registration and installation. All existing M2U users who have mobile phones with web browsing capability will be able to access this service unlike the old midlet/java-based M2U Mobile Banking. This simplified mobile banking service is proving to be popular; capturing a user base of more than 20,000 customers in less than 6 months.

M2U Revenue



M2U Customer Segmentation

| Segment | % |
|--------------------------------|-------|
| Ultra High Network | 0.02 |
| Private Banking / High Network | 1.56 |
| Priority Banking | 10.10 |
| Aspiring Affluent | 26.54 |
| Basic | 61.41 |

We work closely with CyberSecurity Malaysia to ensure the safety of transactions conducted online. Our practice of TAC requirement as dual factor authentication and providing immediate security alerts via SMS for the transfer of funds was much welcomed by our online bank users and helped build client confidence. To further inspire customer confidence, we recently embarked on Real Time Authentication, which allows customers to ascertain that the M2U website is genuine before proceeding to enter sensitive information.

Maybank Group Customer Care

The Maybank Group Customer Care (MGCC) serves as the face of the Bank while acting as the voice of the customer. The high level of professionalism of our front-liners and the excellent service delivered to customers have built an unparalleled image and created strong customer loyalty. Maybank is the only local financial institution that funnels all of its Contact Centre-related business under one roof, catering to the various needs of customers for all the facilities offered, namely credit cards, charge cards, insurance, unit trust, CASA and ATM.

Total monthly calls to MGCC rose from an average of 600,000 in the last financial year to an average of 800,000 in the five months leading up to June 2010.

We receive an average 18,000 calls per day. From 2006 to date, the number of calls rose by 40%, growing in tandem with Maybank's business and, more specifically, the growth in the credit card base, the number of accounts and marketing activities.

Channel Management

Maybank's Consumer Banking is anchored by our strong franchise, which encompasses the most extensive branch and ATM network coverage in Malaysia, accounting for 19% and 29% of the respective markets. As at the end of FY2010, our consumer banking reach comprised 436 touch points and 4,640 self service terminals nationwide.

In FY2010, the Bank opened one Service Centre, one Forex Booth and one Private Banking Centre while installing 45 Off-Bank ATMs throughout Malaysia.

At the same time, we launched a new alternative banking channel, in the form of a Credit Shop at AEON Melaka on 5 February 2010. The Credit Shop provides sales and advisory functions and self service terminals for easy access, convenience and value-add services to enrich our customers' experience.

A key initiative effective 1 July 2010 was the launch of the Community Bank nationwide which provides a single touch point to meet the community's financial needs. The branch manager serves as a local community leader who participates actively in local events. The branch provides a wider range of products and services inclusive of SME business and Auto Financing. The branch also offers Private Banking and Priority Banking services, while the Share Investment Kiosk will be introduced at selected branches for customers to obtain stock market updates and trade online.

The Bank has also embarked on a five-year Branch Transformation Project involving a new retail design for more than 2,000 existing Maybank touch points. The aim is to have an effective merchandising and marketing communication programme for services offered at Maybank branches as well as to position Islamic banking at all the touch points. The transformation will also position Maybank branches as key community destinations for preferred financial services. Implementation of a pilot Branch Transformation Project is targeted by January 2011.

Customer Relationship Management

Customer relationship management (CRM) is crucial in the financial services industry where competition is intense. At Maybank, CRM is treated as a core function, reflecting our customer-centric business approach. We have invested in an Analytical Customer Relationship Management (aCRM) system to transform the business fully and drive business by leveraging on the strategic use of information about our customers.

By understanding our customers' behaviour better, we will improve the customer experience, hence increase customer loyalty, retention and profitability. Our aCRM enables us not only to meet current expectations, but also future expectations in a proactive manner. From the analytical tool employed, we hope to obtain a complete picture of a customer's lifecycle, which will enable us to grow our value chains.



Customer Experience

In today's competitive marketplace there is little difference between products and services. The key differentiator between one company and another is – quite simply – the relationship with the customer!

Customers form the centre of an organisation's universe; they define quality. They expect performance, reliability, competitive prices, on-time delivery, service, clear and correct transaction processing and more. In every customer interaction, the 'customer experience' is decided by the customer's perception. Maybank's objective is to manage expectations and delight our customers by fulfilling their needs thus improving their perception and loyalty towards the organisation. This is one of the objectives of the new House of Maybank.

Customer Service Initiatives

Customer experience depends a lot on service quality. To improve our service quality, in April 2009 Maybank launched the *GUEST & Telephone Etiquette Programme*, followed by the *We S.E.R.V.E Programme* in December 2009. Both programmes focus on the basic values of hospitality, friendliness and skills in handling customer complaints.

Our overall service improvement initiatives have been formulated within the following framework:

- Creating a service improvement team or committee
- Developing service standards
- Communicating the details of the service initiative to the organisation
- Developing and implementing training programmes for all employees
- Developing and implementing a service recognition programme

All service initiatives implemented will be constantly monitored to ensure success and to reinforce a service culture in Maybank. Gaps identified from the measurements will be used as a guide for improved service level.

Prospects

The steadily improving economic outlook since 2009 augurs well for Consumer Banking in general. In particular, the improved economy is expected to be accompanied by a buoyant property market. Take-up rates have gradually risen since the first quarter of 2009. Indeed, by the second quarter, the take-up rate of newly launched property reached a three-year high of 31.7%.



Developers are accordingly confident of rolling out more projects in the coming year, and have even set higher sales targets, bringing forward launches and replenishing their land banks. They are assured not only by positive consumer sentiment but also the current affordable mortgage rates which are likely to sustain demand for residential property going forward. A further catalyst for the property sector is the government's announcement that EPF contributors can use their current and future savings in Account 2 for property purchases.

Within this positive climate, we anticipate minimal impact of the revised 5% Real Property Gains Tax on the sale of property within the first five years of purchase. While the mortgage financing business naturally stands to benefit from these changes, we intend to further enhance the sector by regrouping our products to suit the needs of different customer segments. We are also committed to improving our turnaround time and services, and reinforcing our presence among business partners through strategic advertising, promotions and alliances.

In the online business, meanwhile, the environment is becoming increasingly challenging with the presence of non-banking competitors such as telcos, Tune Money, myBayar and FPX payment gateway providing services for online ticketing, online travel and bill payments. However, we are confident that Maybank2u.com, as a market leader, will be able to maintain our leadership position with heightened efficiency and further expansion of our online facilities.

Maybank continues to see huge potential in wealth management in Malaysia from increasing affluence. The government's aim to reach high-income economy status by year 2020 serves only to further accelerate capital growth in the country. We are strengthening our customer touch points by opening more Private Banking Centres in

strategic locations nationwide and increasing the competencies of sales and service workforce. Hence, we are well placed to gain a better understanding of the high net-worth and affluent customer segment to enable us to effectively cater even to their most discerning needs.

We also plan to strengthen our Bancassurance business by expanding our pool of financial executives and introducing new, exciting products. Under our product mapping initiatives, we have already identified certain products for the Life business. To match our service with our product offering, we will be motivating our sales staff with attractive rewards for high performance. Under the House of Maybank, Bancassurance is targeting greater penetration of the SME market.



review of operations
business banking



Business Banking caters to two main customer segments – SME and Commercial. These customers are provided with the full range of financial services from Trade Finance and Cash Management to Factoring.

Business Banking is supported by a network of 39 Business Centres and 17 Trade Finance Centres throughout the country.

During the financial year, we focused on improving total returns from the two main segments and increasing the quality of assets. We maintained a lead in Trade Finance, where we have captured 21.2% of the market, while loans grew by 6% or RM1.5 billion, a marked improvement from the previous financial year when we experienced a contraction in the business as a result of the economic slowdown.

Performance Review

Business Banking recorded a total income in the year under review of RM1.79 billion, lower than the RM1.91 billion in the previous financial year which included the Corporate accounts. Operating profit crossed the RM1 billion mark to reach RM1.12 billion. Profit before tax (PBT) stood at RM857.5 million.

Gross non-performing loans (NPL) also improved, from 11.3% to 10.2%.

Business Banking Loans

This sector recorded loans growth of 7.4% led by a 17.8% rise in term loans. Loans grew by RM1.5 billion, to close the financial year at RM28.0 billion in loan assets. As at June 2010, Maybank overall SME loans stood at RM13.8 billion. Business Banking's Customer Satisfaction Index (CSI) improved by 7% from 29% (FY2009) to 36% (FY2010).

The portfolio of loans remained well diversified with 27% going to the finance, insurance & real estate sector, 23% to manufacturing, 15% to construction, 12% to wholesale & retail trade, 8% to transport & communication and 4% to primary agriculture.

Cash Management and Trade Finance Businesses

Cash management has become increasingly demanding where companies have to efficiently manage liquidity across their businesses. Maybank's flagship and award winning B2B cash management system, Maybank2e.net, continues with its leadership in managing these complex customer requirements, financial supply chain and working capital activities, under a well integrated platform. The capabilities of Maybank2e.net include six different modules: Information Management, Payables Management, Receivables Management, Liquidity Management, Financial Supply Chain and Corporate Services.

Our cash management solutions customer base grew 39% to over 16,000 during the year.

Apart from our cash management offering, Maybank over the years has been most active in the global trade financing scene. At the end of our financial year, Maybank's total domestic trade finance portfolio stood at RM24.9 billion. Overall, our trade finance segment leads the industry with a 21.2% market share, domestically.

In August 2010, we launched TradeConnex, a solution which enables the integration of cash and trade on Maybank2e.net. Maybank is the first local bank in Malaysia to offer a comprehensive suite of conventional trade finance products through this launch. This service provides customers with trade financing solutions for international and local trade on par with global banks all over the world. It also enables customers to submit their trade

finance applications for processing of Import & Export Letters of Credit, Collections and Financing including other products of Banker's Guarantees and Counter Guarantees online.

In addition to the traditional, paper-based processing mode of trade finance services, this new service will provide Maybank customers with the alternative of an online banking environment leveraging on cutting edge technology. It also offers customers a new level of convenience as it allows for easy and secured connectivity from anywhere across the globe. This service comes with many in-built features such as validation, security controls and paperless processing which help to minimise errors, save time and provide customers with greater control over their trade financing activities. As part of the Maybank2e.net platform, it will also enhance our Bank-customer relationship by enabling online interactive engagement.

Maybank intends to expand this service to its regional offices so that customers can enjoy seamless trade finance solutions throughout the Group's network. Maybank will continue to introduce other trade finance products, step up customer promotions and expand our overseas trade finance capabilities to support the anticipated growth in trade between Malaysia and its trading partners particularly in the ASEAN region. This electronic trade finance service is one of these initiatives, which we expect will help grow our trade finance market share in this financial year.





Maybank has received numerous awards for its Maybank2e.net and trade finance services. These include the Finance Asia Country Awards for “Best Cash Management Bank and Best Trade Finance Bank”; Global Finance award for “Best Trade Finance Provider in Malaysia” and Trade Finance Magazine Awards for Excellence for “Best Local Trade Bank in Malaysia” and “Best Islamic Trade Bank in Asia (Maybank Islamic Berhad).”

Prospects

FY2011 will see continued competition from banks operating in the SME and Commercial segments. In order to counter price-cutting measures, Maybank will focus on building a strong relationship with all our customers and fulfill their needs in the most innovative and cost-effective way.

review of operations
corporate banking

Corporate Banking was made as a separate sector in 2008 to create greater added value for our corporate clients – namely government linked companies (GLCs), public-listed Malaysian companies and multinational corporations – through synergistic partnerships within the Maybank Group. The aim is to provide one-stop financial solutions that are tailor-made to the specific requirements of individual corporate clients from the three business groups.



Corporate Banking's strength lies in the relationships Maybank has built and nurtured with clients over the years. Our team of dedicated and skilled officers possess vast experience in loan origination, trade finance, project finance and capital market instruments. Having developed a deep understanding of our clients' business operations and the competitive markets they operate in, our team is able to advise and deliver innovative financial solutions to meet their needs.

Financial Performance

Corporate Banking loans grew 8.2% from the previous year, while its fee-based income increased 42.3%. Corporate Banking's asset quality also improved, mainly as a result of robust and proactive management of watch-list and special mention accounts. The sector ended the year with an NPL ratio of 1.3% compared to 1.9% in the previous year. The philosophy to 'be risk aware, not risk averse' has been deeply ingrained in our Relationship Managers, and was a key factor in strengthening the quality of our assets.

Strategy & Initiatives

From the beginning, the new sector embraced a holistic coverage model to deliver comprehensive yet customised financial solutions to corporate clients. Leveraging on Maybank's vast internal network and delivery channels, Corporate Banking has the advantage of cross-sector co-ordination and collaboration to deliver superior product offerings.

During the year, Corporate Banking increased its long-term productivity by optimising current and new tools and targets. Strategies included attracting a larger and more diverse customer base, and ensuring they stay with the Bank through the implementation of an effective Relationship Monitoring Model. At the same time, emphasis was placed on increasing fee-based income by assuming a greater advisory role in its relationship with customers and establishing itself in the capacity of partner. There was also specific focus on achieving capital-efficient business growth and loan pricing to reflect economic risks.

Prospects

The corporate world continues to evolve in a highly competitive and rapidly globalising environment. In order to succeed in this complex environment, corporations require and are demanding improved service coupled with more sophisticated products and integrated solutions. Corporate Banking has every intention of fulfilling these requirements. We will continue to be innovative and to offer our clients revolutionary products and services that not only meet their expectations, but exceed them.

Operating under the Global Wholesale Banking (GWB) pillar of the new House of Maybank effective 1 July 2010, Corporate Banking is committed to 'humanising' our relationship with our corporate customers. We recognise that this entails delivering a superior value proposition to our customers, and have made it our mission to do so, thus able to realise their dreams.

review of operations
globalmarkets

In May 2009, the Group revamped its treasury and renamed it Global Markets, underlining Maybank's firm commitment to becoming a leading regional financial services provider. Global Markets offers holistic and integrated trading strategies across the Bank's wide geographical locations. It supports regional expansion by providing a cohesive force to unite the branches and operating units outside of Malaysia.



Performance Review

Global Markets' operations are made up of eight trading centres led by Malaysia, spreading throughout Singapore, Indonesia, the Philippines, Hong Kong, Labuan, London and New York. For FY2010, Global Markets achieved a profit before tax of RM1.29 billion, marking an increase of 135% from the previous year, and contributing 24% of the Group's profit before tax.

The sterling performance of this sector was due to intensive sales efforts in gaining greater market share, complemented by a favourable trading environment.



ASEAN Mission

In line with the new Global Wholesale Banking operating model, and supported by optimal systems and infrastructure, Global Markets' mission is to be the emerging markets' bank in ASEAN. Towards this end, the strategy is to strengthen Global Markets' product offerings and replicate these across the region in order to attain leadership as a top regional trading house. This will further provide Global Markets the capability to launch a regional Centre of Excellence.

Global Markets has initiated efforts to build a foundation to launch an integrated sales model across the Asia-Pacific region. Reinforcement of cross-border initiatives in promoting foreign exchange and interest rate exotic capabilities is creating an avenue to grow non-interest income.

Global Markets continues to play a pivotal role in supporting both Consumer and Corporate Banking strategies from the asset as well as the liability perspectives.

The investment of a seamless Straight Through Processing (STP) Global Markets Risk Management System across the trading centres will provide efficiency in the global management of risk and credit exposures.

review of operations
islamic banking

Maybank Islamic Berhad (MIB) operates as a wholly-owned and full-fledged licensed Islamic bank helping the Maybank Group stay strong, profitable and recognised as the leading Islamic financial services provider domestically and among the top Islamic financial institutions internationally.



Only in its third year of operations, and within the competitive economic environment of FY2010, Maybank Islamic achieved commendable financial results. The Bank now serves almost 4 million customers in retail and commercial banking, with its market share in Shariah-compliant assets, financing and customer deposits growing by 16%, 24% and 24% respectively as at May 2010.

Strategy and Objectives

Maybank Islamic has 12 stand-alone branches in Malaysia in addition to the access it has to all the Group's domestic branches and sales personnel. The connection with an established bank network means the Bank enjoys ready-made infrastructure and resources such as time-tested risk-management systems and treasury operations. Its competitive edge is further boosted by the economies of scale offered by the parent Maybank.

From its vantage point, Maybank Islamic undertook a number of initiatives during the year aimed at achieving its long-term vision of becoming a world leader in Islamic banking.

Following Bursa Malaysia's launch in August 2009 of *Bursa Suq Al-Sila'* – the world's first *Shariah*-compliant commodity trading platform – MIB introduced a new commodity-based *Murabahah* financing contract (typically involving crude palm oil via the *Bursa Suq Al-Sila'*). It also embarked on an aggressive drive to strengthen its fundamentals. We conducted deposit campaigns to improve the financing to deposit ratio, sourced medium-term funds to ensure liquidity, reduced fixed-rate exposure via hedging and enhanced asset quality and risk management. MIB also adopted the Group's stringent capital management guidelines to support robust business expansion.

A notable achievement during the year was the continued expansion of financing and deposit segments. Customers nationwide – Muslims and non-Muslims, including new-to-bank customers – showed greater interest in Islamic banking, proving Maybank Islamic as their preferred financial services provider.

Financial Performance

In FY2010, MIB's gross attributable income increased to RM1.85 billion from RM1.54 billion in the previous year. Its profit before tax and zakat also grew healthily by 12% to RM533 million. The Bank's total *Shariah*-compliant assets stood at RM45 billion with total net financing amounting to RM34 billion. Total gross financing expanded by 34% to register a sizeable portfolio of RM36 billion, consisting of 67% consumer and 33% business financing.

The automobile sector continued to be the major contributor to financing, growing 17% for the year. Other key financing portfolios were ASB-i and term financing.

Customer deposits, on the other hand, increased 42% to reach RM35 billion, spearheaded by a huge growth of 54% in business deposits. This resulted from aggressive funding strategies which included joint campaigns with Maybank Group, and incentives and promotions targeted at SMEs. The consumer to business ratio of MIB's deposit portfolio was 39:61.

Focusing on liquidity, MIB generated some medium-term funds by selling its housing financing to Cagamas to match its fixed-rate exposure. To further minimise market risk from the fixed rate portfolio, it hedged its investments using the Islamic Profit Rate Swap (IPRS). Such activities improved the financing to deposit ratio (FDR) from 105% in the last financial year to 97%.

The bank's asset quality is healthy, with gross and net non-performing financing (NPF) ratios easing to 2.69% and 0.88% respectively as at end June 2010, from 2.83% and 1.03% as at end June 2009. Over the past year, the newly set up Islamic wealth management sector of Maybank Islamic accrued a total asset base of RM650 million.

As a separate entity, MIB is adequately capitalised with a core capital ratio of 9.14% and risk-weighted capital ratio of 10.66%.

New Products

During the year under review, MIB launched a number of products and services, including the following:

Islamic Fixed Deposit-i (IFD-i)

This hybrid deposit product combines the features of a General Investment Account (GIA-i) and a Profit Now Account-i (PNA-i) based on the *Shariah* concept of *Murabahah* (cost-plus sale). It uses a specific *Shariah*-compliant commodity as the underlying asset for the sale and purchase transaction between customers and the bank.

Commodity Murabahah Term Financing-i (CMTF-i) and Murabahah Term Financing-i (MTF-i)

These *Shariah*-compliant term financing products provide alternatives to customers to acquire completed or under-construction assets such as landed property (residential and commercial), plant and machinery, vessels and commercial vehicles. CMTF-i can be applied for working capital and refinancing purposes.

Waqf

This presents an opportunity for institutional and retail customers to participate in structured community-giving programmes as part of their wealth distribution strategy. *Waqf* allows them to earn upside potential on their surplus funds without risking their capital as well as to create a self-funding stream for corporate social responsibility and corporate contribution programmes. *Waqf* from Maybank Islamic provides a wealth of opportunities for both Muslims and non-Muslims to contribute to society and reap the benefits.

Marketing & Promotions

MIB participated in several initiatives to increase awareness of the brand in general and its products more specifically. MIB made its presence felt at the Malaysia International Halal Showcase (MIHAS) held at MATRADE, and was a premium sponsor of Minggu Saham Amanah Malaysia (MSAM), an annual event organised by Permodalan Nasional Berhad (PNB).

Together with Maybank, MIB launched intense deposit campaigns such as the Save Big & Win Big based on Islamic and conventional banking, which aimed at increasing deposit contributions from retail and individual customers. MIB also took part in special Maybank 50th anniversary campaigns such as Extra Reward Deposit, Deposit Delight and Fixed Deposit Special.

In retail financing, the focus was on Islamic Mortgage Campaign and the launching of ASB Labur & Menang, offering Bumiputra customers the opportunity to accumulate long-term wealth through a unique financing arrangement. In addition, MIB ran a staff campaign and a Ramadhan campaign to promote the Ikhwan Card.

Prospects

For FY2011, MIB is embarking on an Islamic First Strategy to offer customers Islamic banking products as the first choice in order to encourage greater take-up rates. The goal is to expand the Islamic financing base to a third of domestic total financing portfolio by 2015 from 24% currently. Islamic assets and deposits are also expected to contribute to a third of the Group's assets and deposits respectively.

MIB supports the government's aspiration to establish Malaysia as the global Islamic financial centre and capitalise on incentives under the Malaysia International Islamic Financial Centre (MIFC) to establish a firmer foothold in the region. An Islamic banking business strategic blueprint will be developed to map the way for MIB's regional expansion.

With the support it receives from the Group, Maybank Islamic expects to achieve an annual financing growth of about 25% in FY2011 and become the largest Islamic bank in ASEAN by 2015.



review of operations
investment banking

Maybank Investment Bank (Maybank IB) keeps the wheels of the corporate sector well oiled by aiding companies to obtain funds for expansion, and providing corporate finance advisory for transactions such as initial public offerings (IPOs), mergers and acquisitions, business turnaround and transformation. Maybank IB organises and conceptualises equity, debt and traditional loan products, including the whole suite of Shariah solutions.

Maybank IB's activities are supported by a strong research team that analyses the different sectors and keeps a pulse on emerging trends that impact the local and global economy. Its client portfolio spans the entire range from high net-worth individuals to institutional investors, fund managers and large corporations.

The aim of Maybank IB is to be the undisputed leader in investment banking by offering innovative and optimal solutions which meet clients' needs, and to tap into the growing regional financial services market.

Performance Review

Investment Banking's performance improved substantially, led by a dedicated management team that provides clear direction to spur growth within the sphere of 'pure-play' investment banking, delivering value-add services to meet clients' needs in a challenging capital market.

Maybank Investment's equities' ranking in the Bursa Trading Value League Table moved up from 9th position in FY2009 to 4th in FY2010 with a market share of 6.94%. Maybank IB performed well in IPOs, fund raising and placements, and was involved in several major Malaysian corporate deals with a total transactional value of RM16.16 billion in FY2010.

A milestone transaction was the relisting of Maxis in November 2009, for which Maybank IB was a joint lead manager and joint managing underwriter. The exercise raised RM11.2 billion (USD3.3 billion), making it the largest IPO in Malaysian history and the single largest IPO ever in Southeast Asia. Undertaken in record time, it increased the market capitalisation of Bursa Securities by approximately RM40 billion. It was also the first Malaysian IPO to introduce the participation of cornerstone investors



as part of the institutional offering. In fact, Maybank IB secured the single largest cornerstone investor, whose participation amounted to 20% of the entire offering.

Maybank IB was also involved in two landmark placements for Khazanah Nasional Berhad. In December 2009, it acted as the sole placement agent for Khazanah's divestment of 2% stake in Tenaga Nasional Berhad, successfully placing 86.75 million TNB shares and raising RM702.67 million in what was the largest Malaysian share placement in 2009. Despite the short time to market, the placement attracted very strong interest with final allocation being made to more than 30 institutions.

Maybank IB continued to build on its strong position as a leading debt house, issuing a total of 13 debt deals valued at RM13.62 billion. It was the sole principal adviser, lead arranger and manager for UMW's maiden sukuk issuance valued at RM800 million, marking the company's debut in the Islamic capital market. It also arranged and managed a RM4.5 billion ICP/IMTN Programme for Sime Darby Bhd; a RM4 billion IMTN Programme for Syarikat Prasarana Negara Bhd; and a RM3 billion MTN and Sukuk Programme for the National Bank of Abu Dhabi, which has the highest international credit rating among banks in the Middle East.

Maybank IB was also involved in structured finance and loan syndications worth RM3.05 billion during the financial year. In addition, it provided its services to a number of mergers and acquisitions (M&As) with a total transactional value of RM5 billion. Among the more major deals, Maybank IB was the principal adviser to Malaysian Airline System Berhad for the acquisition, sale and leasing of aircraft and engines for a transaction value of RM3.19 billion.

Overall, the investment banking sector recorded an improvement in PBT by 18.8% from RM121 million in FY2009 to RM144 million in FY2010.

Operations

Due to the bearish environment in 2009, the business focus was on building Maybank IB's capabilities, especially in the provision of advisory services. Maybank IB embarked on an extensive recruitment drive, bringing in a number of highly experienced talent, some with international experience.

Islamic financing remained a prominent growth area, and in June we launched our Islamic Stockbroking Window Services, H.O.T Broking. H.O.T. represents *honest* views on Shariah-compliant stocks; *open* channels via our Maybank2u online platform, Share Investment Centres and selected Maybank branches; and *transparent* information from purchasing of stocks to trade settlement removing the elements of uncertainty. H.O.T broking provides prudent investment in the stock market as opposed to trading. It is about ensuring consistent returns by finding value and grounding investment decisions on high dividend returns, growth stories and sustainability.

Maybank IB is increasingly being recognised as a key market player as evidenced by its recent award, together with Japan's Nomura Holdings, to partner Bursa Malaysia in the highly coveted Invest Malaysia 2010, held on 30 & 31 March. The objective of this annual event is to broaden investors' horizons with key investment opportunities available in the Malaysian capital market, and to promote Malaysia as ASEAN's premier investment destination.

review of operations
insurance & takaful

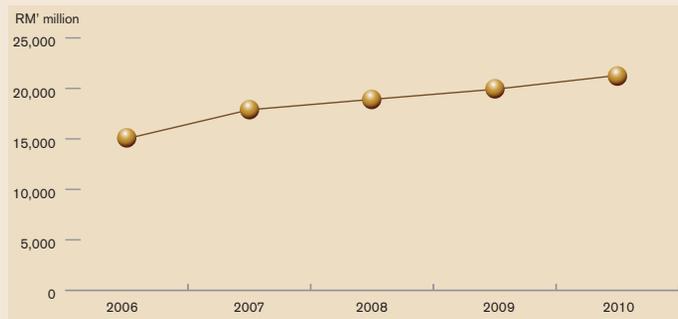
Maybank's Insurance & Takaful business under Etiqa offers all types and classes of Life and General conventional insurance as well as Family and General Takaful plans through multi-channel distribution. It has a strong agency force comprising over 28,000 agents with a total of 28 branches domestically, inclusive of one Government Business branch. In addition, Etiqa has a wide bancassurance & bancatakal distribution network, with more than 450 Maybank branches and other third-party banks.



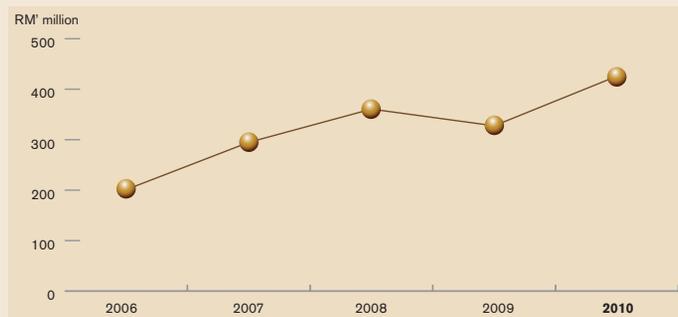
Etiqa also rides on mechanism marketing channels via cooperatives, brokers and online to reach all segments of the market with various payment entries be it over the counter, online or salary deduction through Biro Angkasa. Backed by Malaysia's largest bank, Etiqa stands in good stead to achieve its aspiration of becoming the No. 1 insurer in Malaysia by December 2010.

Financial Performance

Total Assets



Profit Before Tax (PBT)



During the year under review, Insurance and Takaful registered a combined gross premium/contribution of RM4.6 billion, up 27% from the previous year. As a result, Etiqa maintained its pole position in the market in both Life/Family New Business Premium and General Insurance/Takaful Gross Premium. It is also number one in the Takaful business.



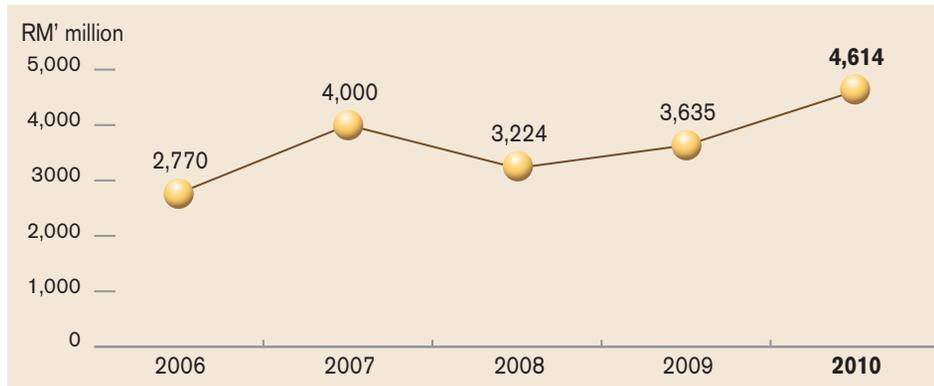
The Life/Family business grew in all product classes registering 33% growth overall. Credit business increased 63% over the previous year, mainly due to business from Maybank and a third party bank. Single Premium performance improved 54%, while Regular Premium grew by 8% and Group Life by 17%.

General business grew in all product classes with an overall growth of 16%, primarily attributed to a 23% growth in Marine, Aviation and Transit (MAT) insurance and 18% increase in Motor insurance. The General business portfolio continued its market leadership in claims, with its claim ratio improving to 55.3% from 59.6%, bettering the industry average of 60.4% (as at March 2010).

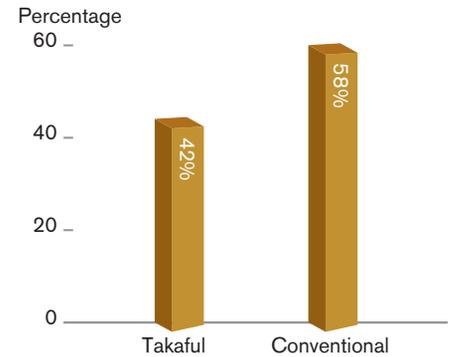
The Takaful business continued to increase, and grew 32% from the previous year, with a gross contribution almost touching the RM2 billion mark. This represents a significant contribution of 42% to the top line, from 41% last year. Family Takaful and General Takaful increased 30% and 40% respectively. Growth in Family was driven by the Credit business from the Bancassurance channel, which grew 79%, while growth in General Takaful was attributed to the Motor and MAT businesses.

Together, the Insurance and Takaful segments registered a 28% growth in profit before tax to RM422 million, with the Takaful segment contributing 26% or RM106.9 million to the PBT. Etiqa maintained first ranking in Life/Family New Business, General Insurance/Takaful and overall Takaful Business.

Gross Premium Contribution



Gross Premium Contribution Breakdown



Etiqa Insurance & Takaful

| April 2009 – March 2010 | Etiqa's Market Share |
|------------------------------------|----------------------|
| No. 1 in Life/Family New Business | 18.9 |
| No. 1 in General Insurance/Takaful | 10.1 |
| No. 1 in Takaful Business | 43.7 |

Strategies & Initiatives

The Etiqa Strategic Paper (ESP), produced in November 2008, focuses on 11 work-streams and 29 initiatives of which 15 initiatives have been completed and the other 14 are in progress. Of the three main revenue generating work-streams – Agency, Banca and Enterprise Corporate – Agency has achieved 81% of its target for the year while the other two work-streams have achieved 100% success.

The ultimate aim of Etiqa is to humanise Insurance and Takaful and become the national insurance champion. Towards this end, a programme was launched, focusing on three supporting pillars:

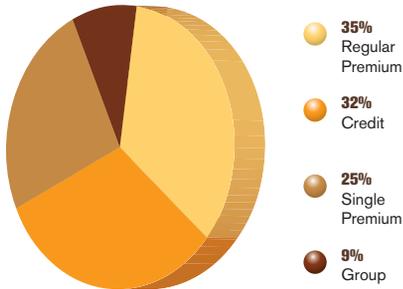
Culture & People – to institutionalise the Etiqa Way internally and deliver the brand promises externally.

Product, Services & Distribution – to develop and deliver products and services with brand attributes and personality that will generate revenue to become the national insurance champion.

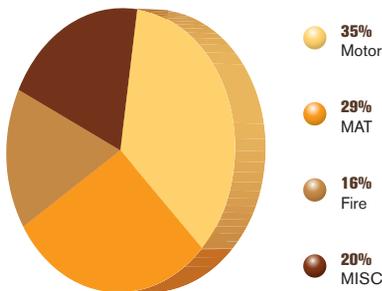
Capabilities – to build up infrastructure, staff competencies and financial strength to deliver on the brand promise and shareholders return.

Innovative business processes introduced by Insurance and Takaful have set new standards in the industry. In-built controls and decision-making parameters enable Straight-Through Processing (STP), such as automated underwriting that allows for the issuance of standard policies, rule-based escalation and rule-based exception handling. Financial processing has been integrated with core business transactions, allowing for cashless auto credit and debit. The entire processing organisation-wide is paperless thanks to imaging and workflow solutions. Etiqa's paperless Motor initiatives are said to be a first for the industry. The new web-enabled infrastructure also enables online applications and other transactions and accessibility from anywhere, anytime.

Premium Contribution: Life/ Family Business



Premium Contribution: General Business



International Presence

Supporting the Group's aspiration to be a regional player, efforts were channelled towards enhancing Etiqa's operations in Singapore, Brunei and also in its joint venture in Pakistan, Pak-Kuwait Takaful Company Limited (PKTCL).

The Singapore operations completed its rebranding in July 2009 and is now known as Etiqa Insurance Berhad. It provides the full range of general insurance products serving the retail and corporate segment. It recorded gross premiums of RM121 million, decreasing 10% from the previous year due to a realignment of components in the motor portfolio.

The main distribution channel comprised agencies, which contributed to 69% of the gross premium revenue. Bancassurance, in particular from Maybank, contributed to 8%. In terms of business mix, the portfolio was well represented, with Motor contributing to 47%, Miscellaneous Accident 31%, Fire 12%, Engineering 7% and Marine 3%.



The Brunei operations grew 11% with gross premiums of RM9.3 million. In order to better serve the market and increase its visibility, the branch was relocated to new premises.

Through its 32.5% stake in Pak Kuwait Takaful Company Limited (PKTCL), Etiqa was the first takaful company to operate in Pakistan in 2005. PKTCL offers a wide range of general takaful businesses for the corporate and retail sectors, especially in the motor, property and marine portfolios. The company has embarked on a five-year transformation plan to become more vibrant in the retail, small and medium-risk markets delivering service excellence.

Prospects

The industry's resilience and Etiqa's operational strengths derived from its multi-channel network and branding lend confidence to Maybank Insurance and Takaful in becoming the National Insurance Champion. The sector is targeting more than 20% growth in premium in FY2011, driven mainly by ordinary life and group at 38% and Life business at 74%; as well as growth of at least 25% in Fire, Motor and Miscellaneous.

Mayban Investment Management (MIM)

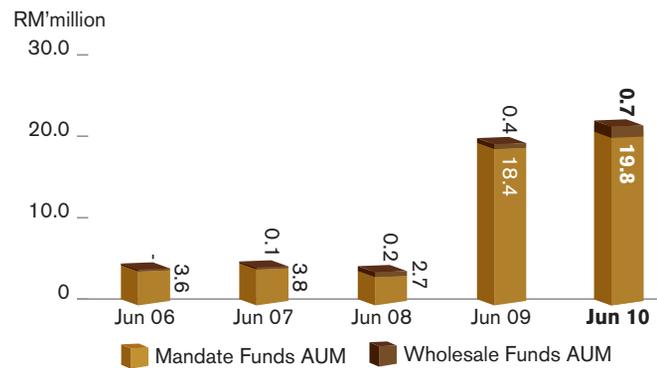
MIM is the fund management arm of the Maybank Group and a unit within the Insurance & Takaful division. With over 30 years' presence in the fund management industry, MIM provides fund management services across asset classes such as equities, fixed income and money market for corporate clients & institutions, insurance companies, high net-worth individuals, unit trust funds and wholesale funds.

MIM aspires to be among the Top 2 private asset management companies in Malaysia via a diversified base of assets, the largest investment products provider for Maybank's distribution channels, and the leading fund for life insurance assets. Its vision is to be a trendsetter in the Malaysian asset management industry by constantly introducing innovative products and developing a centre of excellence for investment performance with a Top 3 reward-to-risk ratio across all products offered.

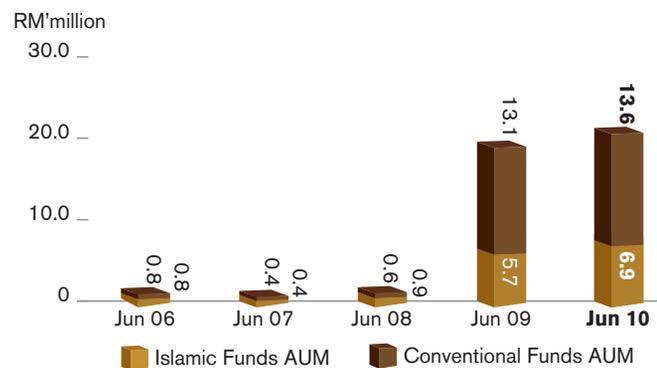
Performance Overview

In line with the improved economic backdrop and better fund performance, coupled with continuous marketing efforts and new product launches, MIM registered a 9% growth in asset under management (AUM) to RM20.5 billion as at 30 June 2010 from RM18.8 billion a year ago. In terms of product type, AUM of segregated funds or mandated funds grew 8% to RM19.8 billion from RM18.4 billion while pooled funds or wholesale funds grew 75% to RM0.7 billion from RM0.4 billion. In terms of category of funds, conventional funds grew 4% to RM13.6 billion from RM13.1 billion a year ago while Islamic funds grew 21% to RM6.9 billion from RM5.7 billion.

Asset Under Management by type of products



Asset Under Management by category of funds



During the period under review, MIM secured 144 new accounts from corporate clients and high net-worth individuals, generating a total initial injection of RM402 million or RM2.8 million per new account.

To diversify its product offerings and enhance long-term growth, MIM launched two new open-ended wholesale funds targeted at the corporate, institutional and high net-worth individual segments. With Dana Najiyah MIM and MIM Financial Institutions Income Fund, the total number of wholesale funds managed by MIM increased to seven including five money market funds. The new funds have contributed positively towards the growth of wholesale funds' AUM. MIM plans to further expand its wholesale funds offerings with more open-ended equity funds.

Prospects

Supported by improving economic growth, the equity markets should continue to do well. The higher volatilities and possibility of a market pullback are seen as opportunities. Meanwhile, the bond market will continue to benefit from the Ringgit appreciation and lack of new supply.

The asset management industry is expected to remain challenging albeit with opportunities in the equity and bond markets. MIM will focus on building from the momentum gained in FY2010 and leverage on Maybank's extensive network and renewed aspirations to capture new business for further growth.

| No. | Fund Name | Fund Category/ Type | Date of Launch | Approved Fund Size | |
|-----|--|-----------------------------|------------------|--------------------|----------|
| | | | | Units (Mil) | RM (Mil) |
| 1. | Dana Najiyah MIM | Islamic Fixed Income/Income | 9 November 2009 | 500 | 500 |
| 2. | MIM Financial Institutions Income Fund | Fixed Income/Income | 17 December 2009 | 500 | 500 |

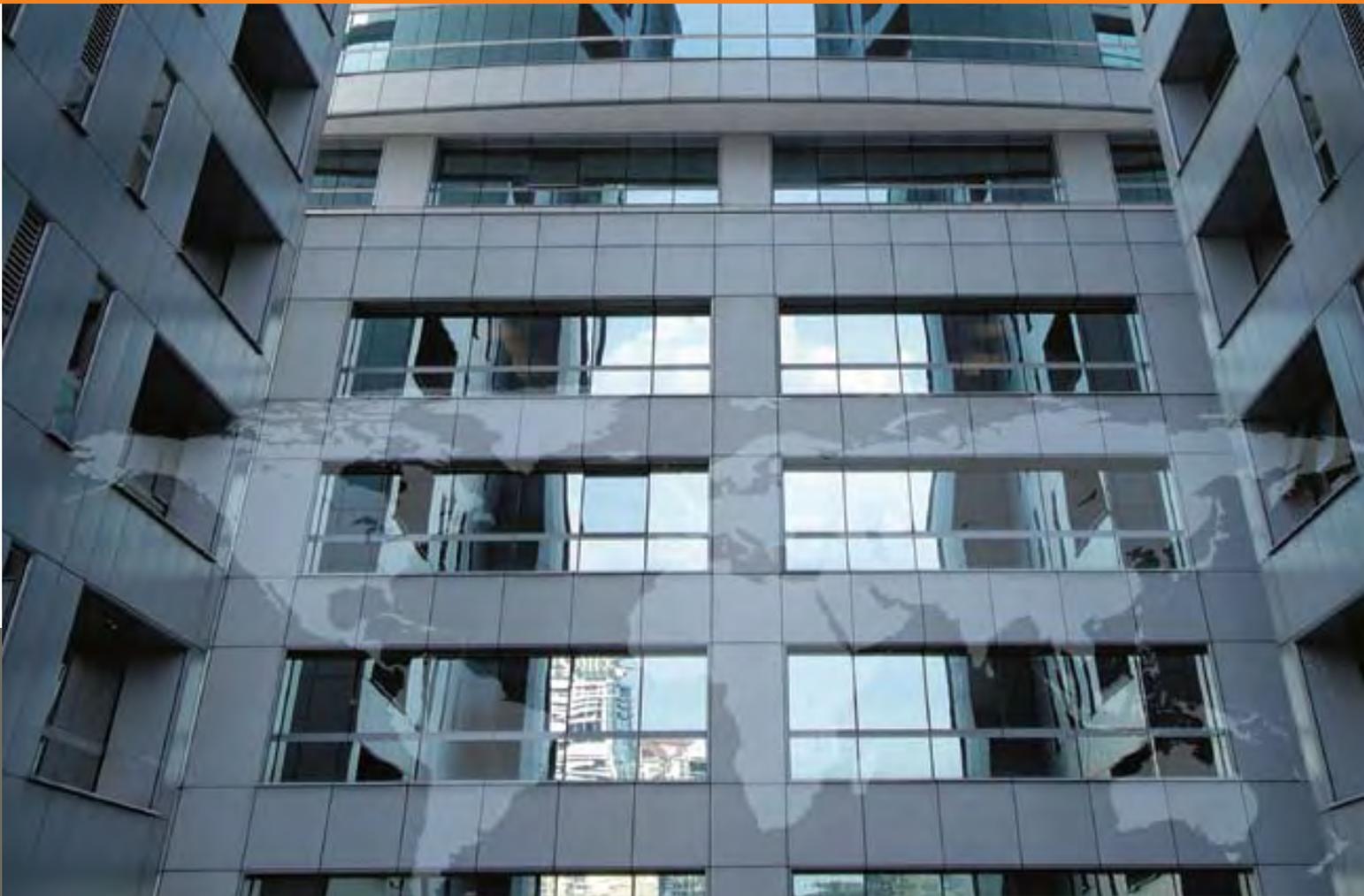
Financial Performance

For the financial year ended 30 June 2010, MIM registered 2% growth in operating revenue to RM32.5 million from RM31.9 million the previous financial year. Profit before tax was RM16.7 million, same as last year. Total assets and shareholders' funds grew by 12% and 14% to RM33.3 million and RM26.2 million respectively.

| | FY2010 RM' million | FY2009 RM' million | Increase % |
|------------------------|-----------------------|-----------------------|---------------|
| Operating revenue* | 32.5 | 31.9 | 1.9 |
| Profit before taxation | 16.7 | 16.7 | – |
| Total assets | 33.3 | 29.8 | 11.7 |
| Shareholders' funds | 26.2 | 22.9 | 14.4 |

* After offsetting direct sales commission and including interest income of RM0.3 million received and receivable from deposits with Maybank Group and staff loans (RM0.4 million in 2009)

review of operations
international banking



Maybank is located in 14 countries via our extensive network of branches, subsidiaries, associates and representative offices. We have a strong base in ASEAN, with a presence in seven out of the 10 countries and our home markets of Malaysia, Indonesia and Singapore. We also operate in China and the Middle East and are present in the financial hubs of London, New York and Hong Kong.

In addition, Maybank Group has correspondent banking relationships with over 700 foreign banks throughout the world.

We intend to become a regional financial services leader by 2015 and are working towards achieving this objective by expanding in our key markets of Indonesia and Singapore while growing our seedling bases in Vietnam, Cambodia, China and the Philippines.

Wherever we operate, we are committed to providing a consistent customer experience via a single customer-centric operating model. Our customers also stand to benefit from our cross border expertise and resources, which are increasingly relevant in a globalising world.

Financial Performance

International Banking remained largely unscathed by the European debt crisis which roiled financial markets globally. Instead, the steady increase in contribution from our overseas operations bears testimony to our policy of remaining prudent and selective in our overseas investments.

In the year under review, International Banking achieved profit before tax (PBT) of RM1.251 billion, which is a marked increase of 302% from RM311 million the previous year, as a result of higher contribution from our operating units and absence of substantial provision compared to the previous year. Singapore contributed 72% to International Profit Before Tax (PBT) while Indonesia was again the second largest contributor, making up 21% of International's total PBT.

At the same time, assets steadily increased from RM64 billion to RM70 billion, with Singapore again being the principal contributor, at 60% of the total, Indonesia 23%, and the other markets at 17%.

As a whole, International contributed to 23% of the Group's total PBT.

Maybank Singapore

Since commencing operations in December 1960, Maybank Singapore has established itself as a niche market player with an asset size of S\$28 billion and staff strength of approximately 1,300. It boasts one of the largest foreign bank networks with 22 full branches and five offsite ATMs. The bank is part of atm⁵ – Singapore's only shared ATM network – subscribed to by six Qualifying Full Banks (QFBs) with a combined reach of more than 150 ATMs.

In the year under review, profit before tax at the Singapore operations rose 36% to S\$338.0 million from S\$247.7 million last year, supported by strong loans growth of 8.6%. Among the key drivers for loans growth were general commerce which grew 19.6%, building & construction (14.7%), housing loans (10.0%) and automobile financing (1.4%). Asset quality remained excellent with the net NPL at only 0.09% in June 2010 compared to 0.16% in June 2009.

The Bank invested in expanding its payment network via a direct debit payment service on AXS stations. SME loans increased almost eight-fold, boosted by a government loan assistance scheme and attractive Islamic Term Financing. Maybank is the first bank in Singapore to offer Islamic Term Financing for SMEs, with fixed rates of up to 10 years making it the only bank in the island republic to offer fixed rates beyond the conventional three years. It launched a dedicated space for Islamic banking services at the newly refurbished Geylang Serai branch.



Meanwhile, a significant partnership was formed with Western Union to launch a worldwide remittance service targeting some 400,000 white collar expatriates. This will facilitate money transfers to more than 410,000 locations in over 200 countries and territories worldwide.

Prospects

In the coming year, Maybank Singapore will continue to build on its key products, namely automobile and housing loans, to achieve a diversified consumer/corporate portfolio. At the same time, its foray into Islamic financing can be expected to bear fruit. Market diversification, meanwhile, will be achieved by penetrating emerging industries such as precision engineering, green and plastic electronics. The Bank will also seek to increase its volume of low cost deposits to improve its CASA to deposits ratio.

The Bank's business growth will be supported by heightened efficiency and effectiveness as a result of investment in critical technology and infrastructure in key areas such as straight through processing initiatives, enterprise content management as well as branch operations re-engineering.

PT Bank Internasional Indonesia Tbk

PT Bank Internasional Indonesia Tbk (BII), listed on the Indonesia Stock Exchange (Stock code BNII), became a 97.5% owned subsidiary of Maybank Group in 2008. Including its subsidiaries PT Wahana Ottomitra Multiartha Tbk (WOM) and BII Finance Center Jakarta (BIIF), it has a network of over 400 branches and 10,000 staff. BII has 800 ATMs across Indonesia, and is connected to over 20,000 ATMs under ATM Prima, ATM Bersama, Alto, Cirrus, DBS/POSB Bank Singapore, Malaysia Electronic Payment Service (MEPS) and over 2,000 Maybank ATMs in Malaysia and Singapore. It is ranked ninth in terms of total assets among all banks in Indonesia.

In the year under review, the first phase of BII's transformation was largely completed, strengthening its fundamentals. BII showed strong improvement in performance with profit before tax for the year totalling Rp607 billion while net profit was Rp498 billion. In the previous year, the result of BII was only consolidated for the nine month period beginning October 2008 (following the completion of the acquisition of BII), in which pre-tax profit was Rp146 billion and net profit totalled Rp14 billion.

Interest income for the year was Rp6,065 billion while non interest income stood at Rp1,762 billion compared with Rp4,915 billion and Rp1,187 billion respectively for the previous nine months ended June 2009. Provisions meanwhile fell to Rp1,048 billion for the year compared to Rp1,082 billion in the nine months to June 2009.

The results were supported by robust increases in the consumer (+37%), SMEs (+36%) and corporate (+33%) segments. The Bank's loan portfolio maintains a low concentration of risk and is well diversified, focusing on various sectors of the economy without excessive exposure to any single industry segment.

Notably, productivity and loan quality have improved. Through prudent lending, rigorous credit restructuring programmes and stringent monitoring of existing loans, the Bank's gross NPL ratio in May 2010 was just 3.05%, which is lower than Bank Indonesia's 5% maximum requirement. Asset quality remains good with net NPL at 1.87%.

BII's right issue, which was completed on 21 April 2010, raised Rp1.4 trillion and boosted its capital strength by raising its capital adequacy ratio to 15.57% as at 30 June 2010.

Operationally, the Bank underwent a reorganisation and revitalisation that saw an upgrade and expansion of the ATM network and improvement in the quality of the IT service delivery. Existing branches were renovated while new ones were built. As at August 2010, 35 new branches were opened since January 2010 with another 70 planned by June 2011. Various programmes and innovative products were also launched, including the Woman One and Superkidz savings products for women and children. Loyalty programmes, such as the Bingkisan Beruntun Program, were also launched.

Meanwhile, efforts were made to increase loans to SMEs and Cooperatives and to build strategic partnerships with Lion Air and PT Pos Indonesia in order to create new channels of revenue generation. BII also implemented a Bloomberg Trade Order Management System (TOMS), enhancing its fixed income trading platform. Besides being a primary dealer for government bonds, BII was also appointed to act as a selling agent for both ORI and Sukuk retail bonds.

Performance at BII's subsidiary WOM Finance also continued to show strong improvement with net profit increasing to Rp118 billion from Rp14 billion in June 2009. Monthly sales have surged passed the 56,000 mark compared with 31,100 units in June 2009

Prospects

The Bank aspires to be among the top five in Indonesia in terms of assets and returns, and to attain leadership in selected business and retail markets. Although the Indonesian economy is improving, challenges will likely remain. As interest rates have been falling, the banking industry in general has been disbursing more credit facilities. However, BII will remain cautious in order to maintain credit quality. Having accomplished a significant turnaround in 2009, BII's contribution is expected to further accelerate Maybank's regional aspirations and market position.

Maybank Philippines Incorporated

Established in 1997 when Maybank joined forces with the Philippine National Bank, Maybank Philippines Incorporated (MPI) is now a fully-owned subsidiary of Maybank. With the opening of five new branches in FY2010, Maybank currently maintains a network of 50 branches, 24 in Metro Manila and 26 in key cities in Luzon, Visayas and Mindanao, the most extensive among foreign banks in the country. MPI has an asset size of approximately PhP26 billion with a staff size of 770.

MPI will continue to expand in selected target markets, such as the mid to upscale consumer market for deposit and wealth management products. Efforts will be made to cross-sell various products and services to increase the share of the customer's wallet, particularly corporate customers, while expanding both the traditional and non-traditional delivery channels.

Maybank Cambodia

Maybank established itself in Cambodia in December 1993 when it opened its first branch in Phnom Penh. Today, there are eight branches country-wide. With its wide range of products and services, Maybank Cambodia has become the preferred financier of many Malaysian and Singaporean-owned corporations investing in Cambodia's infrastructure development and service sectors. We have expanded our customer base to include local businesses in the commercial and corporate sectors.

In FY2010, the bank opened four new branches in Chbar Ampov, Olympic and Toul Kork (all near Phnom Penh) and Battambang; and added eight new ATMs. The new Toul Kork branch offers personalised priority banking facilities in addition to the standard services.

For FY2011, the bank has set its sights on opening even more branches throughout the country, and building up its consumer business by introducing more products and services, such as ATM and debit cards, and exploring direct remittance arrangements with certain countries.

Maybank Vietnam

Maybank Hanoi was established in October 1995, and a representative office was set up in Ho Chi Minh City in March 1996. The representative office was upgraded to a full service branch in October 2005. A new remittance product, Maybank Money Express Service (MME) between Maybank Malaysia and Vietnam was launched in April 2010. This is a web-based system with DongA Bank Money Transfer and An Binh Bank (ABBank) Ho Chi Minh City as sub-agents.

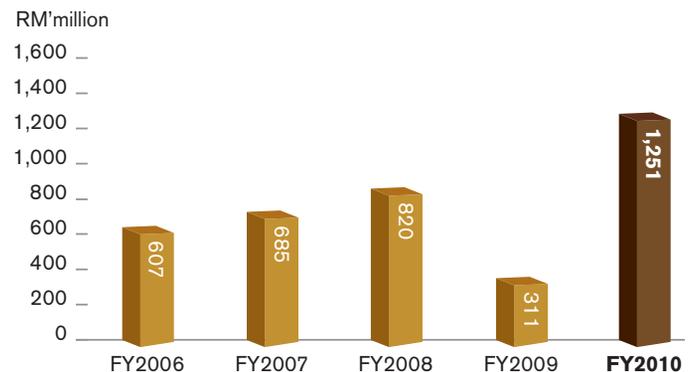
Other Overseas Units

Maybank has one branch in Shanghai and a representative office in Beijing; one each in Bahrain, Hong Kong, London and New York; two branches in Papua New Guinea; and three branches in Brunei. Since 2008, we have a 20% stake each in MCB Bank, Pakistan and ABBank Vietnam. MCB is Pakistan's largest bank by market capitalisation (US\$1.8 billion) and fourth largest in terms of asset size (US\$6.2 billion). ABBank, meanwhile, is one of the leading commercial joint-stock banks and among the top 10 largest commercial banks in terms of charter capital in Vietnam.

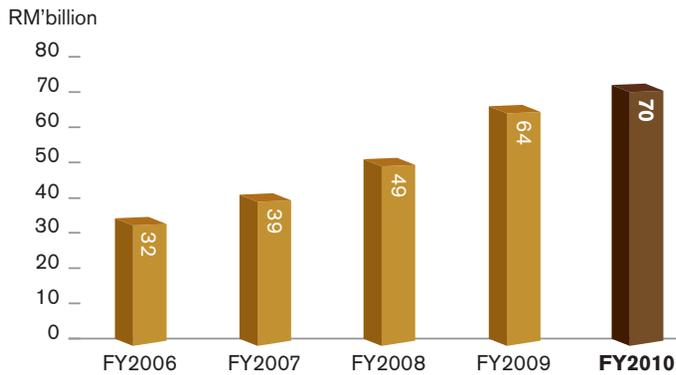
In December 2009, China Banking Regulatory Commission (CBRC) approved an extension of Maybank Shanghai's Renminbi licence to cover business with local enterprises, in addition to the approval in 2003 to do Renminbi business with foreign investment enterprises.

Financial Performance

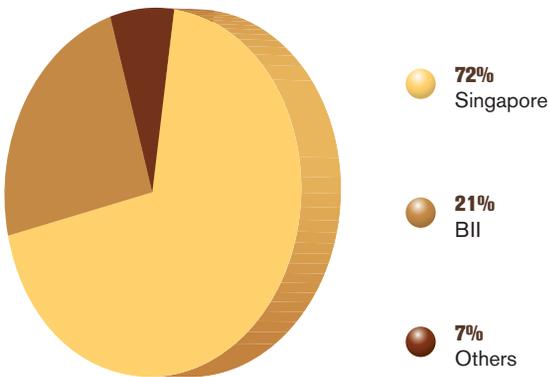
Profit Before Tax



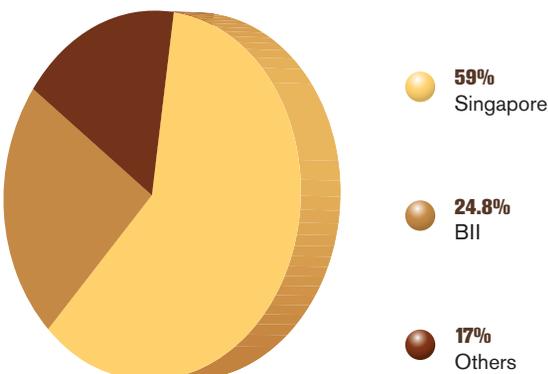
Loans & Advances



Profit Before Tax Contribution



Composition of International Loans



Aspiration

As we aspire for International operations to contribute 40% of Group's PBT and assets volume by 2015, the focus will be on our key markets of Indonesia and Singapore while considerable resources will be channelled towards the Philippines, China, Cambodia and Vietnam, where the potential for growth is immense.



review of operations
information and
communication
technology

Maybank invests significantly in information and communication technology (ICT) to maintain our competitive edge. ICT serves various functions, from providing an unrivalled platform for heightening the customer's experience, to supporting our regional expansion, and enabling services which increase our revenue stream. ICT is also crucial in migrating our risk management system to new international standards and to improve our operational efficiency.



Customer Focus

At Maybank, the customer has taken centre stage as we continue on our journey of transformation. In our quest to humanise our operations, the question that is topmost in our minds is how to serve the customer better – how to better understand the needs of our diverse customers and how to fulfill these in the most effective way. We realise that the overall experience of customers when they deal with the Bank at our multiple touch points, and the convenience we offer for them to conduct various transactions, are crucial. ICT has enabled us to fulfill the increasingly complex requirements of a growing sophisticated customer base.

Maybank has been a pioneer of a number of milestone ICT advances in Malaysian banking. In 2002, we were the first bank to launch mobile financial services via SMS. Then, in 2006, we introduced mobile banking to the nation. In FY2010, we enhanced our mobile banking service to make it more user-friendly. We have migrated from the device-dependent and limited application Java-based platform to the widely used web browser capable platform to further enhance our Multi Touch Point Services (now called new M2U Mobile).

Implemented in January 2010, the 'new' M2U Mobile enables customers to access the Bank's portal Maybank2u.com using any phone model or telecommunications (telco) operator for their banking, bill payment and e-commerce transactions. This service is poised to support a 40% increase in average monthly transactions within a year from

70,000 to 100,000 a month. The ICT enhancements make M2U Mobile extremely versatile, easy and convenient for customers; it literally places a whole suite of transactions in customers' hands, to be conducted anytime and from anywhere on their mobile phones.

To ensure uninterrupted service should any disaster occur, the M2U platform was strengthened during the year with a new technology that boosts its disaster recovery capacity while also reducing operating costs.

In addition, during the year under review, our Customer Relationship Management (CRM) improved as the analytical Customer Relationship Management (aCRM) system we had deployed in 2007 entered its second phase, and began to produce greater results. The aCRM analyses our customers and extrapolates useful knowledge about from our database. Using statistical tools and data mining, the system is set to further improve the Maybank customer experience, with the ultimate aim of increasing customer loyalty, retention and revenue expansion.

Unrelenting efforts to enhance our CRM has led Maybank to win several awards, the most recent being the Financial Insight Innovation Award for Best CRM Implementation in 2009, the Gartner and 1 to 1 Media CRM Excellence Award (2010) and The Asian Banker Technology Implementation Awards 2010 for the Best CRM Project.



Growing Regional

As part of Maybank's vision to be a regional financial services leader, we continued to expand regionally in FY2010. Our focus market for the year was Cambodia, where we opened five new branches. This rapid expansion was enabled by ICT. With the appropriate ICT infrastructure, we were able to integrate the operations of each of the new branches with the Group within three to four months per site. With the new sub-branches we now have a relatively strong presence in Cambodia, consisting of a main branch (opened in 1993), six sub-branches and eight ATMs. We believe there is potential for further growth in the country, and are planning to open three more provincial branches in FY2011.

Revenue Enhancement

In capitalising on the escalating demand for international remittance services in Malaysia, Maybank has developed an in-house international remittance product, Maybank Money Express (MME). The project, which forms part of our Community Financial Services (CFS) strategies, began in February 2010.

Once launched, MME will enable faster, cheaper and reliable remittance services that can be accessed anywhere globally, thus entrenching our position among international money transfer players, such as Western Union and MoneyGram. Touch points are being created in Indonesia, Vietnam and Cambodia. We are targeting more than 400 footprints in these countries by end 2010.

In the cards business, we focused on migrating the processing and support of our charge card systems to Maybank from American Express, to which it was previously outsourced. Due to the sheer magnitude and complexity of the project, it is to be implemented in two phases, the first phase for Amex acquiring and the second for Amex issuing.

The essential goal is to port over the American Express customer base to Maybank, and to manage the entire business internally using our own systems, thus eliminating the outsourcing charges.

The Amex charge card business contributed a higher return to Maybank compared to the other card brands, due to higher merchant discount rates and higher interchange rates. The brand name also provided Maybank access to a valuable customer base of high spenders, especially the platinum charge base of top high-end customers and corporate card customers from large MNCs.

Phase 1 of the rollout was completed in February 2009, followed by the successful completion of Phase 2 in April 2010, providing us the full suite of systems to support Amex charge cards. Meanwhile, to further increase customer convenience, we are working on our systems to provide 24/7 availability for both Amex and JCB cards.

We are also revamping our Share Trading system to increase our operational efficiency, hence improving customer service and experience, while supporting a wider range of products and services. The aim is to compete as a global retail player. Among the new offerings are SMS alerts on stock prices, indices, market summary and order matching. To further boost our Mobile Trading, we are offering customers an extension of overdraft facilities. Ultimately, these products and services are targeted to be implemented by end 2010 and will further increase our revenue growth and market share in the stock broking industry.

Risk Management

As we adopt the Basel II requirements for risk management, Maybank continued to further improve the relevant ICT functions related to managing and monitoring credit, market and operational risks. The internal credit scorecards and models we employ for credit processing, monitoring and reporting proved sufficient for the Group to attain compliance for Basel II requirements under the Internal Ratings Based (IRB) approach for credit risk management. The systems include the Integrated Retail Scoring Solution (IRSS), Behaviour Scoring Solution (BS), Credit Risk Rating System (CRRS), Group Collateral Management System (GCMS) and Risk Data Management Solution (RDMS).

Meanwhile, we have put in place the infrastructure for the integration of data from the various overseas units, based closely on Basel II standards and in support of the Group's Internal Model Approach (IMA) for market risk.

In terms of addressing risk controls for treasury, a new strategic global treasury business blueprint is being developed, which is capable of adopting a single system platform for Treasury Front Office, Market Risk and Treasury Back Office. This will support regional expansion with capabilities that allow for full integration of the overseas units.

Operational Efficiency

Maybank's ongoing organisational transformation calls for enterprise-wide ICT coverage catering for present and future purposes.

One requisite for greater operational consolidation lies in the transparency and integration of the general ledger (GL), fixed assets and accounts payables, leading to efficiency and cost optimisation. Towards this end, new technology and infrastructure were introduced. The new electronic GL system that is replacing the 24-year-old legacy system will be faster, more accurate and has granular information for decision-making, being implemented in two phases.

By October 2010, there will be a flexible enterprise solution that meets the current and future business needs of multi currency reporting, multi institution, multi time zone, and multi ledgers reporting. An open architecture is also being designed to enable operations from the heart of ASEAN as it caters for implementation across all units and provides for regional expansion.

Foundation of the new House of Maybank

In FY2010, enhancement of the ICT platform has resulted in higher levels of risk control, improving efficiency and productivity, thus enabling revenue expansion and delivering greater value to our customers. Continuous investment in ICT is required for the ongoing transformation we have envisaged for an enriched future. Indeed, ICT services will transcend the entire Group and create greater synergies across the three business pillars of the new House of Maybank.

economic review & industry outlook

Malaysia recovered from the 2008-2009 global financial crisis and the ensuing worldwide economic recession. Real GDP expanded by 5.5% in FY2010 to raise the value of goods and services produced in the economy to RM544.6 billion, after it shrank by 1.3% to RM516.9 billion in FY2009, and compared with RM523.7 billion in FY2008. On a calendar year basis, the economy is expected to rebound by 7.5% in 2010 to RM560 billion following the 1.7% decline to RM521.1 billion in 2009 from RM530.2 billion in 2008.

A combination of fiscal and monetary stimuli as well as measures to stabilise the financial markets and banking globally in FY2008-FY2009 resulted in a quick turnaround of the world economy during the course of FY2010. Maybank Investment Bank's Economics Research estimates that the global real GDP posted a growth of 0.9% YoY in 4Q 2009, which reverses the preceding four straight quarters of contractions. The pace of growth accelerated to 4.5% YoY in 1Q 2010 and was sustained at 4.7% YoY in 2Q 2010. This is in line with the International Monetary Fund's (IMF) latest projection that the world economy will post a 4.6% growth in 2010 after the 0.6% contraction in 2009.

The global economic recovery benefitted Malaysia principally via business re-stocking activities that contributed to a rebound in exports and industrial production that is dominated by the trade-oriented manufacturing sector. The improvement in external demand was accompanied by a firming up of domestic demand through an expansion and rebound in consumer spending, Government expenditure and business investments, spurred by domestic economic stimulus packages, supportive monetary policy – particularly in terms of availability and access to credit – as well as improvement in the job

Global Quarterly Real GDP Growth, % YoY

| | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 |
|--------------|--------|-------|-------|-------|------|
| WORLD | (3.4) | (2.1) | 0.9 | 4.5 | 4.7 |
| US | (4.1) | (2.7) | 0.2 | 2.4 | 3.2 |
| Eurozone | (4.9) | (4.1) | (2.1) | 0.6 | 1.7 |
| Japan | (5.7) | (5.2) | (1.0) | 4.7 | 2.0 |
| UK | (5.9) | (5.3) | (2.9) | (0.2) | 1.6 |
| Canada | (3.7) | (3.0) | 0.2 | 3.1 | 3.8 |
| Australia* | 0.9 | 0.9 | 2.8 | 2.7 | 2.8 |
| China | 7.9 | 9.1 | 10.7 | 11.9 | 10.3 |
| India* | 6.0 | 8.6 | 6.5 | 8.6 | 8.6 |
| Russia | (10.8) | (7.7) | (3.8) | 2.9 | 5.2 |
| Brazil* | (1.6) | (1.2) | 4.3 | 9.0 | 7.2 |
| S. Korea | (2.2) | 1.0 | 6.0 | 8.1 | 7.2 |
| Taiwan | (6.9) | (1.0) | 9.1 | 13.3 | 12.5 |
| Hong Kong | (3.8) | (2.4) | 2.5 | 8.0 | 6.5 |
| Singapore | (1.7) | 1.8 | 3.8 | 16.9 | 18.8 |
| Indonesia | 4.1 | 4.2 | 5.4 | 5.7 | 6.2 |
| Thailand | (4.9) | (2.7) | 5.9 | 12.0 | 9.1 |
| Malaysia | (3.9) | (1.2) | 4.4 | 10.1 | 8.9 |
| Philippines* | 1.2 | 0.2 | 2.1 | 7.3 | 5.2 |
| Vietnam | 4.4 | 5.2 | 7.4 | 5.9 | 6.3 |

Note: World's Quarterly Growth is Maybank-IB's estimate
Source: Bloomberg, CEIC

*2Q10 forecast numbers by Bloomberg & FocusEconomics
Consensus (Aug '10)

Global Economy: Real GDP Growth

| (% Chg) | 2007 | 2008 | 2009 | 2010E | 2011E |
|---------------------------------|------------|------------|--------------|------------|------------|
| WORLD | 5.2 | 3.0 | (0.6) | 4.6 | 4.3 |
| Advanced Economies | 2.8 | 0.5 | (3.2) | 2.6 | 2.4 |
| US | 2.1 | 0.4 | (2.4) | 3.3 | 2.9 |
| Eurozone | 2.8 | 0.6 | (4.1) | 1.0 | 1.3 |
| Japan | 2.4 | (1.2) | (5.2) | 2.4 | 1.8 |
| UK | 2.6 | 0.5 | (4.9) | 1.2 | 2.1 |
| Emerging & Developing Economies | 8.3 | 6.1 | 2.5 | 6.8 | 6.4 |
| China | 13.0 | 9.6 | 9.1 | 10.5 | 9.6 |
| India | 9.4 | 6.4 | 5.7 | 9.4 | 8.4 |
| Brazil | 6.1 | 5.1 | (0.2) | 7.1 | 4.2 |
| Russia | 8.1 | 5.6 | (7.9) | 4.3 | 4.1 |
| Asian NIEs | 5.8 | 1.8 | (0.9) | 6.7 | 4.7 |
| ASEAN-5 | 6.3 | 4.7 | 1.7 | 6.4 | 5.5 |

Source: IMF World Economic Outlook Update (July 2010)

Malaysia: Quarterly Real GDP

| % YoY | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 |
|------------------------------------|--------------|--------------|------------|-------------|------------|
| Real GDP | (3.9) | (1.2) | 4.4 | 10.1 | 8.9 |
| Manufacturing | (14.5) | (8.6) | 5.0 | 17.0 | 15.9 |
| Services | 1.7 | 3.4 | 5.2 | 8.5 | 7.3 |
| Agriculture | 0.3 | (0.4) | 5.9 | 6.8 | 2.4 |
| Mining | (3.5) | (3.6) | (2.8) | 2.1 | 1.9 |
| Construction | 4.5 | 7.9 | 9.3 | 8.7 | 4.2 |
| Domestic Demand | (2.2) | 0.1 | 2.8 | 5.3 | 9.0 |
| Private Consumption | 0.3 | 1.3 | 1.6 | 5.1 | 7.9 |
| Public Consumption | 1.5 | 9.4 | 0.7 | 6.3 | 6.8 |
| Gross Fixed Capital Formation | (9.6) | (7.9) | 8.2 | 5.4 | 12.9 |
| Net External Demand | (6.7) | (10.3) | (4.7) | (12.9) | (38.4) |
| Exports of Goods & Services | (17.9) | (12.9) | 6.0 | 19.3 | 13.8 |
| Imports of Goods & Services | (19.4) | (13.2) | 7.0 | 27.5 | 21.9 |
| Change in Inventories (RM'million) | (1,630) | (230) | (294) | (2,344) | 6,407 |

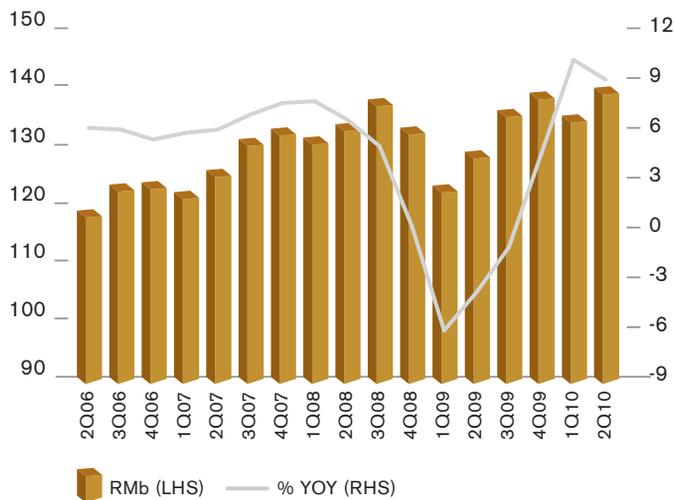
Source: Department of Statistics, BNM's Quarterly Economic Bulletin

market. Together, these lifted business conditions and consumer sentiment. Consequently, Malaysia's real GDP also rebounded in 4Q 2009 (+4.4% YoY) after three straight quarters of decline, followed by robust expansion of 10.1% YoY in 1Q 2010 and 8.9% YoY in 2Q 2010.

Despite the strong global and local economic recovery in FY2010, the environment remains challenging for FY2011 in view of the post-crisis macroeconomic policy of "normalisation" and headwinds blowing from the major economies.

For a start, fiscal stimulus is ending. The bulk of governments' pump-priming announced worldwide in late-2008 and early-2009 has been implemented. For instance, as at mid-August 2010, 63% of the US' fiscal stimulus that totaled USD787 billion and 69% of the RM22 billion allocations for government spending under

Malaysia: Quarterly Real GDP

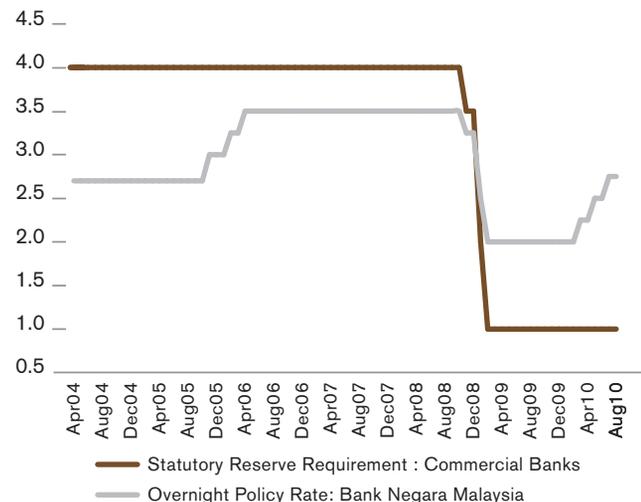


Source: Department of Statistics

Malaysia's two economic stimulus packages were already spent. Moreover, the pressure now is on governments to restore fiscal discipline via consolidation in budget deficits and public debt. This is equally true for Malaysia, which has set the target to reduce its deficit budget over the medium term from 7% of GDP in 2009 to 2.8% of GDP by 2015 to contain its debt at 49.9% of GDP by 2015 versus 53.3% in 2009.

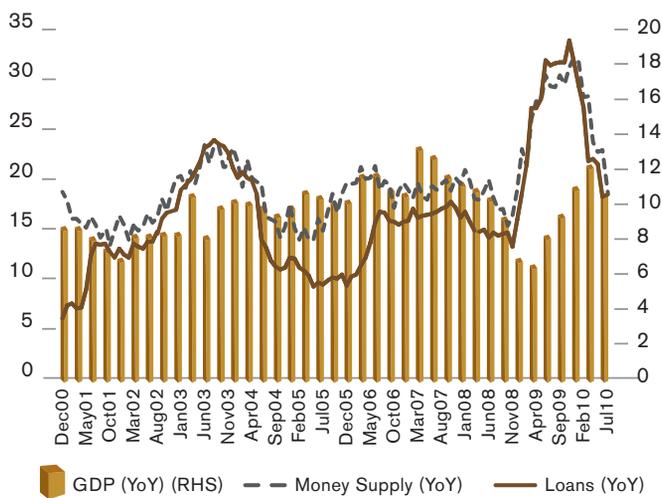
At the same time, monetary policy is being "normalised" globally via interest rate hikes – at least across Asia ex-Japan (including Australia) – after the previous rounds of aggressive interest rate cuts by the central banks and monetary authorities in 2008-2009. Malaysia has also started to reverse its monetary policy via a series of increases in the Overnight Policy Rate (OPR) which so far in 2010 totaled 75bps on three occasions (4 March, 13 May and 8 July), thus partially reversing the total 150bps reduction made between November 2008 and February 2009.

Malaysia: Overnight Policy Rate (OPR, % p.a.) and Statutory Reserve Requirement (SRR, %)



Source: Bank Negara Malaysia

China: Real GDP, Money Supply & Loans Growth



Sources: Bloomberg, CEIC

Meanwhile, external headwinds concern the strength and sustainability of US recovery, impact of Europe’s fiscal turmoil on the region’s growth prospects, and China’s economic slowdown arising from the correction in its real estate/property market.

The prolonged period of accommodative monetary policy (i.e. low interest rates and “quantitative easing”) in the US and Europe underscores the downside risks to growth in these economies. The US economy is still feeling the effects of, and adjusting to, the 2008-2009 financial crisis. The housing market is still in limbo amid volatile home sales, high level of property foreclosures and continued depressed forward-looking indicators like housing starts and building permits. The economy is struggling to create

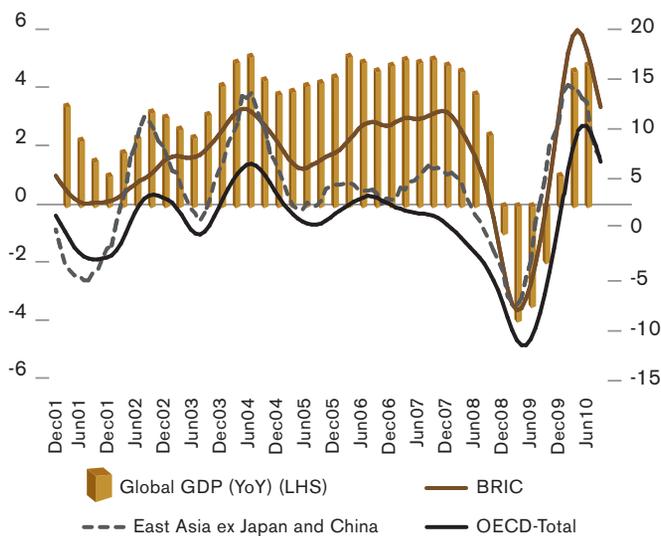
jobs in view of the erratic statistics on non-farm payrolls and initial jobless claims, culminating in the still-high unemployment rate. Household indebtedness remains elevated, necessitating de-leveraging by consumers via increased savings and decreased consumer credit.

Meanwhile, Europe’s fiscal crisis and sovereign debt default risk, triggered by worries over the build-up in fiscal deficits and government debts, are expected to weigh on economic growth and outcome as governments raise taxes, cut spending and implement austerity measures to restore fiscal discipline, policy credibility as well as public and investor confidence. Although the region’s financial risk indicators like the sovereign credit default (CDS) swaps and government bond yield spreads have stabilised somewhat, the region is not out of the woods considering the increasing amounts of European government bonds maturing over the next two years, especially those from vulnerable and high-risk countries like the UK, Italy, Spain, Portugal, Ireland and Greece.

Another source of external headwinds facing the global and local economies in FY2011 is sign of a slowing growth momentum in China as the anti-asset bubble measures put in place earlier begin to take effect, as reflected by indicators such as money supply, banking system’s loans and real estate/property statistics.

Global and local indices of leading economic indicators are pricing in the downside risks from the aforementioned policy normalisation and external headwinds by signaling a moderation of growth momentum in the first half of FY2011.

Global: Leading Economic Indicators vs Real GDP Growth

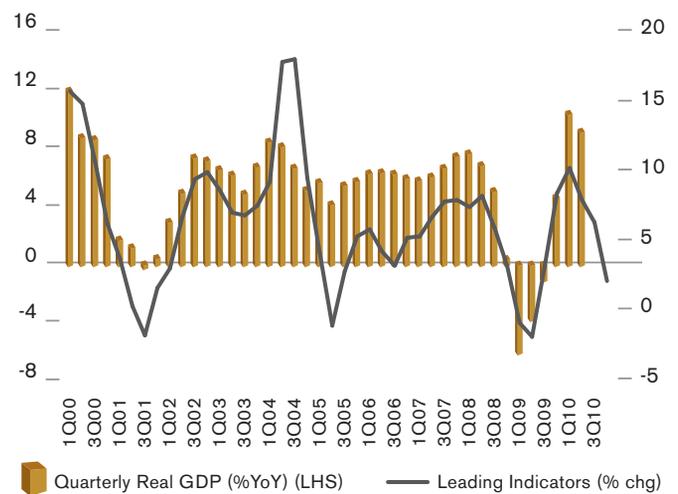


Sources: OECD, Bloomberg, CEIC

Nevertheless, strong and stable economic fundamentals – including a healthy banking sector – as well as domestic tailwinds and undercurrents are expected to sustain Malaysia’s growth momentum in FY2011. Indeed, the quarterly real GDP table above highlights the strengthening of domestic demand as the Malaysian economy recovers. This is further corroborated by the trend in imports, i.e. robust growth in the purchase of foreign-made capital and consumption goods. At the same time, a very gradual process of subsidy rationalisation, improving job market conditions and continued accommodative monetary policy by the central bank should sustain consumer spending growth.

Although the Malaysian Government is reducing its deficit spending and role in the economy over the medium term, investment activities will be supported by “enlarged” public sector spending, namely higher capital expenditure by Government-linked companies, direct investment in the

Malaysia: Leading Economic Indicators vs Real GDP Growth

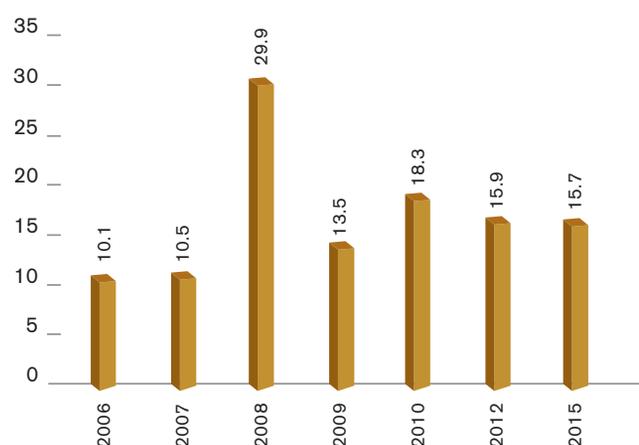


Source: Department of Statistics

economy by Government-linked investment institutions as well as strategic public-private partnerships and co-investments (e.g. major infrastructure projects such as the high-speed broadband and MRT; development of Government land; and regional economic corridors).

These are in addition to the sustained efforts to boost private domestic direct investment and attract foreign direct investment via market-friendly, business-oriented and investor-centric measures that include the Government Transformation Plan (GTP) and Economic Transformation Programme (ETP) to raise the Government and economic efficiencies, increase the ease of doing business and investing in Malaysia, as well as remove and re-calibrate policies and practices that impede and distort private sector investments. There will also be payoffs to the economy in terms of higher trade and investment flows from the growing importance of intra-regional trade, liberalisation of the services sector – including the banking

Malaysia: Government's Operating Expenditure on Subsidies (RM'billion)



Source: 10th Malaysia

sector – and strengthening of bilateral ties with key regional countries such as China and Singapore.

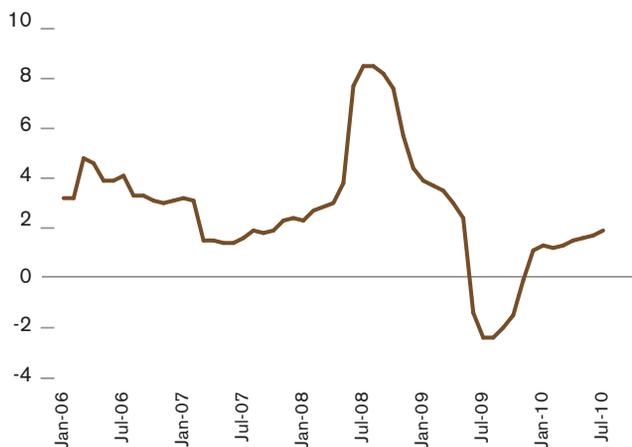
Therefore, the Malaysian economy should be able to sustain growth into FY2011 with real GDP expanding by 5.6% (FY2010: +5.5%). In calendar year terms, the economy is expected to grow further by 6.1% in 2011 (2010: +7.5%). Inflation, meanwhile, is expected to pick up gradually to 2.7% in 2011 from 2% in 2010. This is below the recent high of 5.4% in 2008 and the long-term historical average of 3.7% and in line with the measured reduction as opposed to drastic cuts in price subsidies. To further ensure that the growth momentum stays on track, BNM is anticipated to keep the OPR steady at the present rate of 2.75% until towards the end of FY2011 before resuming further interest rate adjustments. The combination of sustained economic growth and domestic monetary policy normalisation is expected to support the Ringgit's upward momentum. During FY2010, the Ringgit surged 9.1% against the US Dollar to close at RM3.2255. The currency is expected to end 2010 on a firmer note at RM3.10-RM3.15 and strengthen further to RM3.00-RM3.05 by end 2011.

Malaysia: Real GDP

| | ACTUAL | | MAYBANK IB | | |
|----------------------|--------------|------------|------------|------------|------------|
| | 2009 | 1H 2010 | 2010E | 2011E | 2012E |
| Real GDP | (1.7) | 9.5 | 7.5 | 6.1 | 6.0 |
| Manufacturing | (9.4) | 16.4 | 11.5 | 6.1 | 6.2 |
| Services | 2.6 | 7.9 | 7.0 | 7.4 | 6.6 |
| Agriculture | 0.4 | 4.6 | 3.5 | 1.2 | 3.8 |
| Mining | (3.8) | 2.0 | 1.7 | 2.3 | 3.2 |
| Construction | 5.8 | 6.4 | 5.3 | 4.5 | 5.0 |
| Domestic | (0.5) | 7.2 | 5.3 | 6.9 | 5.7 |
| Demand | | | | | |
| Private | 0.7 | 6.5 | 6.5 | 6.9 | 6.0 |
| Consumption | | | | | |
| Public | 3.1 | 6.6 | (1.7) | 3.5 | (1.2) |
| Consumption | | | | | |
| Gross Fixed | (5.6) | 9.2 | 7.0 | 8.8 | 9.5 |
| Capital | | | | | |
| Formation | | | | | |
| Private | (21.8) | NA | 4.1 | 12.5 | 7.0 |
| Investment | | | | | |
| Public | 12.9 | NA | 9.4 | 6.1 | 11.6 |
| Investment | | | | | |
| Net External | 11.1 | (25.6) | 4.6 | (2.3) | (15.8) |
| Demand | | | | | |
| Exports of | (10.4) | 16.5 | 16.2 | 7.4 | 8.4 |
| Goods & Services | | | | | |
| Imports of | (12.3) | 24.7 | 17.9 | 8.7 | 12.0 |
| Goods & Services | | | | | |
| Inventories | (14,289) | 4,063 | 10,765 | 825 | 1,435 |
| (change, RM'million) | | | | | |

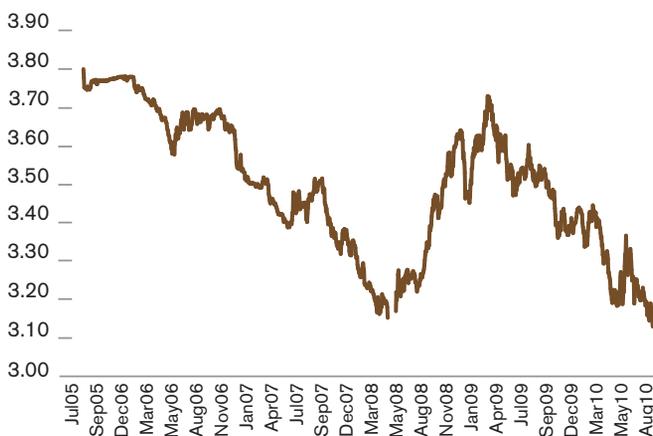
Sources: Department of Statistics, 10MP, Maybank IB

Malaysia: Consumer Price Index



Source: Department of Statistics

Ringgit Malaysia vs US Dollar



Source: Bloomberg

**Banking Sector Review
FY2010 – July 2009 to June 2010**

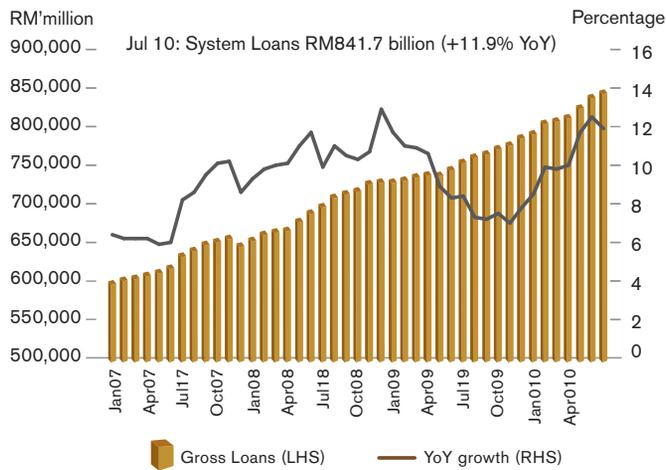
Banking system loans grew 12.5% in FY2010 to RM835.5 billion as at end-June 2010, outpacing economic growth of 5.3% (real GDP) in the same period. Household loans remained the driver, contributing 56.6% to the absolute loan growth of RM92.7 billion in FY2010, while businesses contributed 43.4%. Household loans made up 55.1% of system loans as at end-June 2010, and businesses 44.9%.

Banking system health strengthened further in FY2010, with gross non-performing loan (NPL) declining 10% by end-June 2010, from end-June 2009. Gross NPL as a ratio of gross loans declined 90-bps to 3.59% as at end-June 2010 (end-June 2009: 4.48%).

The banking system remained well capitalised in FY2010, with stable Tier 1 capital and risk weighted capital ratios at 13.1% and 15.0% respectively as at end-June 2010 (end-June 2009: 13.1% and 14.8% respectively). Excess capital in the banking system was about RM66 billion as at end-June 2010, based on our estimates.

Banking groups with financial year ending December (Public, CIMB, RHB, EON, Affin) and March (AMMB, Alliance Financial) started financial statement reporting under FRS 139 “Financial Instruments: Recognition and Measurement” in 1Q-2Q 2010. All banks are reporting under Bank Negara Malaysia’s transitional arrangement in determining collective assessment on loan impairments. The banks’ opening shareholders’ equity were only marginally adjusted.

Banking System Loans

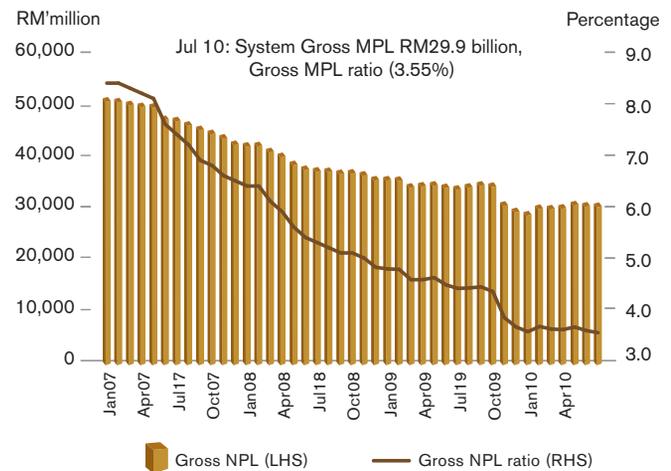


System pretax profit grew 16% YoY to RM21.53 billion in FY2010 (July 2009 – June 2010). The growth came from all income segments, buoyed by strong credit growth, and a robust capital market which benefited investment banking activities. A recovery economy negated preemptive loan loss provisioning in 1Q-2Q 2010.

Banking Sector Outlook FY2011- July 2010 to June 2011

We expect system loans to expand further, although the potential of a slowing global economy poses a risk to business loans. Household credit demand should stay strong, supported by rising wages and ample domestic investment catalysts to cushion against any potential external slowdown. We forecast system loans to expand by 6-8% in FY2011 based on our real GDP growth forecast of 5.7% for the same period.

Banking System Asset Quality



Banking profits would continue to remain robust in FY2011. This would come from loan growth and an immediate net interest margin (NIM) expansion after a total 75-bps rise in the overnight policy rate on 4 March, 13 May and 8 July 2010. However, NIMs are expected to be under pressure over the near-term due to severe competition within the industry.

Basel III capital reforms are expected to be finalised in the current FY2011, i.e. by end-2010. Finalisation of the new rules would give a clearer direction on banks' dividend policies and additional equity capital requirement.



**We'll be there
when the next generation
finds new ways to keep
traditions and heritage alive.**

Thank you for sharing your lives, hopes and dreams with us. Celebrating 50 years, close to you.



human**capital**development

“The cultural transformation programme implemented over the last two years has inspired and ignited us across teams to ensure that we live up to our values and remind us that ‘today has to be better than yesterday’. I engage with my team on a daily basis, which spurs them to outperform themselves every day. We’ve gone back to the basics of how to manage, guide and coach our teams.”

“The various Human Capital workshops have helped us understand, relate to, engage and reward our teams of diverse Maybankers. We’re passionate about growth and are constantly improving ourselves while maintaining quality of the highest standards to optimise business results.”

“It was encouraging and motivating to see management’s commitment to our people on the ground through the townhall and other engagement sessions. This is certainly a fresh approach by management, and one that has revitalised and re-spirited Maybank and Maybankers. We are truly one Maybank family.”

– Maybankers



The last couple of years have been rife with challenges. Competition intensified; the global economic landscape collapsed, bringing down many businesses. The imperative for the Maybank Group was to change. And the change had to start internally for us to stay ahead of the competition and deliver on our promise to our customers. The work culture had to evolve to allow Maybankers to realise their ambitions and excel while ensuring that our TIGER did not change its stripes – that our values continued to be integral to the Maybank way of life, ideals that drive what we do and how we do it.

Our people transformation was premised on the understanding that rewards and opportunities need to be strengthened as key engagement levers, but are not the silver bullets of engagement. Our work culture and the sincerity of those who lead and nurture our Maybankers are equally important to retain talent, and secure their commitment to the success of the Group. Having always prided ourselves as being a nurturing organisation, we are aware that the day-to-day impact of people and culture carry a lot of weight as Maybankers make decisions on how hard they should work, or even if they should work at all with Maybank.

The strengthening of our people, policies and practices required an honest assessment of where we were, and what was not working well. This we performed by engaging all quarters across the organisation and obtaining their feedback on what it would take to improve. We were sincere in the desire to ensure Maybank delivers its promise to our people.

The people transformation plan was developed end 2008 and has been refined and executed to complement the vision, mission and strategy of the Group and to allow Maybankers to make a difference to their future and the future of Maybank.

Key attributes of our culture and values of TIGER were renewed and revitalised across the Group. A strong and well-rounded executive team to lead the structural change required to take the Group to greater heights was identified. Human Resource policies were simplified. Those that were outdated were dispensed with while new ones were initiated to reflect our core values of TIGER.

The change started by transforming the recruitment functions into a centralised 'talent factory' aimed at providing a consistent and efficient recruitment experience to attract and retain the best talent in the region. New Maybankers are now given day one orientation, and an induction day out within the first two months with the PCEO and executive committee. They also receive customised learning maps. Meanwhile, recruiters and line managers have been issued with clear guidelines to help new staff settle in. Upon completing their first 90 days, the new recruits are asked for their feedback.

As Maybank continues to strive for a high performance culture, the rule of meritocracy is applied to all performance management and talent management processes. Maybank's talent management framework and

compensation philosophies were reviewed to be in line with world-class practices to improve our ability to grow, retain and reward talent. Rigorous performance, rewards and talent management processes that were aligned to the culture and our values based system were outlined in easy-to-understand guides, through interactive workshops for all people managers across the group and globe, and via on-the-job coaching and application.

Recognition and rewards now encompass spot awards to star employees, innovation awards, awards for the best talent in all categories, and incentive plans catering to the different lines of business across the Group, be it sales or treasury. Leaders are given budgets, based on the performance of their sectors, to pay their talent market competitive remuneration and reward them attractively for their achievements.

The enhanced, integrated and systematic Talent Management framework ensures talent are now identified as part of a disciplined and systematic process, and reviewed in a timely, open and objective manner using data rather than hearsay and perception. Those who do not make the grade are coached and nurtured through a structured 'consequence management process' designed to ensure all Maybankers are given the opportunity to improve while maintaining rapport and credibility in the process.

The enhanced talent management process was also designed to allow for effective and efficient succession planning across the group. Talent identified are flagged by a central coordinating unit for consideration by the group and sector talent review forums to assume roles of greater responsibility. This process assures high-performers of being noticed and recognised with growth opportunities.

The infrastructure to support internal career progression and upskilling of talent necessitated a renewed emphasis on learning and development. The mandate to all people managers is to improve leadership skills benchmarked against Maybank's own set of carefully selected competencies and give all Maybankers the opportunity to be mobile across sectors and even regions. The Group offers varied and comprehensive development opportunities, from intervention and right actions to mentoring and coaching, catering to the diverse needs of Maybankers.

After a year-and-a-half of hard, concerted efforts to transform the way we attract, recruit, retain, engage and develop Maybankers, we are at a tipping point of clarity and confidence to accelerate into the future. Engagement opportunities at all levels, varying feedback management systems ranging from the yearly employee engagement survey to numerous other monthly effectiveness measurement indicators, continuously serve to check and enhance the experience of Maybankers.

Clear and meaningful communication on the vision, mission, actions and expectations will continue to be of top priority, led by the Executive Committee. The Executive Committee engages with all Maybankers through the many formal and informal sessions, whether it is regular emails from the President & CEO, updates on the employee portal, responding to feedback on the 'ask senior management site', the *teh tarik* sessions, roadshows, 'lunch with chairman' sessions, visits to the business units or even at our fun-filled sporting, CSR and annual Maybank Idol events.

This is Maybank's promise to Maybankers. We are committed not only to enabling talented individuals to rise to the top quartile but also to ensuring that we get 'close to you', our people. 'Serving with a Heart' begins from within the family.



Maybank Employee Engagement Index (EEI) and Overall Core Values Index (CVI)

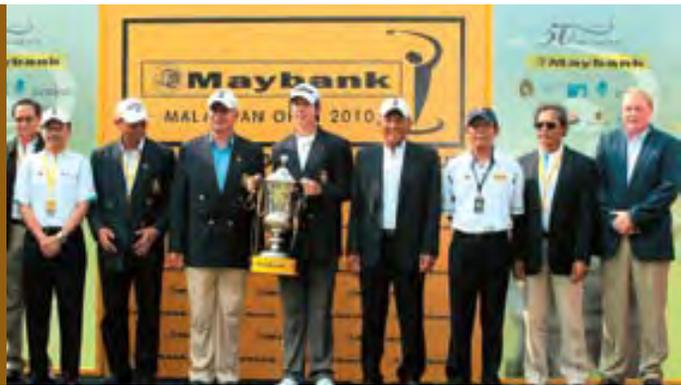
The Maybank overall engagement index has significantly improved from the score of 83% in 2009 to 87% in 2010, and performed strongly against the Malaysian benchmark (10% above), global industry peers (9% above) and even global high performing companies (4% above).

The Maybank Group Overall Core Values Index (CVI) for 2010 is 78%, which is an increase of 5% from the previous year. This index also performed strongly against the Malaysian benchmark (9%), global industry peers (8%) and global high performing companies (2%).



| | EEI* | CVI Overall | Teamwork | Integrity | Growth | Excellence & Efficiency | Relationship Building | Significant increase over 3 years  |
|------------------------------------|------------|-------------|------------|------------|------------|-------------------------|-----------------------|--|
| 2008 | 77% | 69% | 73% | 75% | 69% | 57% | 74% | |
| 2009 | 83% | 74% | 78% | 80% | 72% | 63% | 77% | |
| 2010 | 87% | 78% | 81% | 85% | 79% | 67% | 82% | |
| % Difference (2009 vs 2010) | 5% | 5% | 3% | 4% | 6% | 5% | 5% | |

* indicates a statistically significant difference





corporate **responsibility**

As a leading financial services group in South East Asia, Maybank focuses not only on capturing growth opportunities, but also on being a leader in socially responsible initiatives and the setting of sustainable standards for financial services. Our risk management, strategies and sustainability are intrinsically linked as we integrate sustainable corporate responsibility (CR) into our core business operations. For Maybank, sustainability means observing the principles of good governance and conducting business in a way that enhances our performance both today and over the long term, contributing to the economic development of the countries in which we operate while conserving the environment, enriching the lives of the local communities, and caring for the development and well-being of our employees.



Maybank ranks among companies in Malaysia advocating good CR which, to us, represents a long-term investment of capital and involvement of staff. We are committed to continuously managing sustainable CR initiatives and evolving these as our business progresses. We are producing our first complete and standalone Corporate Responsibility Report containing initiatives undertaken, our achievements and progress made within the four main pillars of the Community, Environment, Workplace and Marketplace. Details of our corporate governance, meanwhile, can be found in the CR Report and in this Annual Report.

Contributing to the Community

Our commitment to the community is core to our sustainable development strategy. During the year,

Maybank invested in various activities in support of general education, financial education, employee volunteerism and caring for disadvantaged groups. We continue to support our two adopted schools under the PINTAR programme and responded to local health care needs. In the area of sports, we enhanced efforts supporting talent development and the building of future champions. Using our expertise, we built on our tradition of developing financial capability while improving access to fair and affordable financial knowledge and services for disadvantaged and under-served communities. Our efforts support the long-term development of local communities and provide an opportunity for our staff to engage in meaningful initiatives.

Maybank achieved another first this year with the opening of five disabled-friendly branches which offer special ATMs, cash deposit machines, service counters and entry ramps to facilitate banking convenience for wheelchair bound customers.

Sustainable Livelihood

The Bank teamed up with Yayasan Sejahtera under the auspices of the Putrajaya Committee on GLC High Performance (PCG) and New Straits Times Press to set up the *Tabung Maybank Sejahtera* which aims to assist in the creation of sustainable living environments for vulnerable communities in Malaysia regardless of race, religion or creed. The funds will be used to help vulnerable communities nationwide, as well as the disabled, single parents, the aged and orphans. Maybank donated RM50,000 to kick start this fund, which has collected more than RM290,000 to date.

The Cahaya Kasih Programme is now in its fourth year where the Group has adopted seven welfare homes throughout the country in collaboration with Ministry of Women, Family and Community Development. Under this programme, Maybank employees volunteer their time each month with the residents of the homes organising various activities and helping to nurture them. Maybank contributed

in cash and kind to upgrade the playground at Tengku Budriah Children's home, while at Taman Sinar Harapan, Kuala Kubu Baru, the surau was refurbished and four mobile shower trolleys were donated. Maybank volunteers also spent time organising clean up campaigns, games, tuition classes, visits to educational sites such as the Petronas Science Centre, movies and entertainment outings such as the Disney on Ice Show besides celebrating the various festivals. The Bank also introduced programmes such as 'conservation' to students by holding tree planting activities in their homes.

Maybank Singapore participated in several programmes for the elderly through the CityCare CSR Movement 09 project. It also sponsored a direct pay service portal where the Bank contributed 50 cents for every online transaction undertaken by customers and channeled all proceeds to deserving primary school children and families. It re-launched its Youngstarz Savings Account with an innovative programme where hampers and cash were given to the underprivileged elderly for new accounts opened.

Maybank Islamic and Etiqa contributed over RM8 million in zakat payment during the year to benefit the less privileged and needy.

Etiqa donated four houses to Rumah Pendidikan At-Tohiriah in Port Dickson, to house more than 60 orphans and poor children along with their caretakers and educators. It also built hostels and upgraded a multipurpose hall and classes for students of Madrasah An-Nuriah, Paya Rumpit, Melaka, as well as provided school equipment and financial assistance to 183 poor students around Baling. In addition it built and equipped a canteen at a Tahfiz School in Kelantan.

Maybank teamed up with leading Chinese newspaper Sin Chew Daily, for a year-long consumer community programme titled "My Heart, My Land". The programme reinforced Maybank's positioning as a community financial

services leader in urban and non-urban areas, demonstrating the engagement through the years with customers to bring greater development and economic prosperity for all communities served.



In areas of medical and health support, BII made contributions to the Daarul Rizky Clinic in North Jakarta to pay for expenses of children requiring cleft lip and hernia surgery. It continued its UN-World Food Programme allocating USD100,000 to support the school feeding programme that benefit more than 5,000 elementary schools in 20 cities in Indonesia. It supported the “Walk the World” programme held by the United Nations to help end hunger.

In Vietnam, Maybank Hanoi visited Ba Vi Handicapped Children and Old People Centre in Hanoi donating hampers and essential items worth VND10 million as well as organising activities with the residents.

Through Maybank2u.com, the Group assisted two charities, Yayasan Al Jenderami, a Muslim NGO and Yayasan Al Ijabah caring for HIV patients in their on-line charity drive. It assisted the Malaysian National Cancer Council (MAKNA) in promoting an online donation campaign.

Youth & Education

The Maybank Scholarship Awards Scheme attracts interest from students in local institutions of higher learning to be Maybank scholars and join the Group upon graduation. A total of 107 scholars are currently being supported. The annual Maybank Group Academic Achievement Awards for



children of Maybank employees to promote academic excellence also disbursed cash rewards to 419 students who achieved excellent results in their public examinations during the year. More than RM1.1 million was spent on these two Awards.

Maybank was also honoured with the title of “Child Friendly Commercial Bank” in March 2010 in recognition of the Bank providing financial solutions to those involved in setting up kindergartens and other education facilities for children.

Maybank entered a major partnership with MoneyTree (M) Sdn Bhd to educate school children on financial management and promote entrepreneurship among youth through the Young Entrepreneurship Startup (Y.E.S.) Challenge. More than 10,000 students have been reached through these programmes.

Maybank was principle sponsor for the “Live & Inspire Series” Programme undertaken by an enterprising young social network group to promote leadership and innovation among young entrepreneurs. The programme invites corporate leaders to share their experiences and inspire the creation of groups of visionary leaders who can contribute to the growth of the nation. Each session is also podcast in the “Live & Inspire” website.

For the 11th year running, Maybank was the premier partner of PNB’s annual Minggu Saham Amanah Malaysia to help create greater awareness among all Malaysians about the investments opportunities available through various savings and investment products.



Etiqa Insurance and Takaful established a partnership with Universiti Utara Malaysia to offer a bachelor's degree programme specifically for insurance and takaful agents. Etiqa also organised an academic and life skill programme for 38 children of its employees.

In Indonesia, BII in partnership with Karya Salemba Empat, an NGO engaged in education programmes, provided scholarships to 100 students at Gadjah Mada University, Yogyakarta. BII pioneered an Apprentice Programme with ABFI Institute Perbanas Indonesia where 11 students from various institutions of higher learning underwent a 6-month internship with the Bank. It also promoted banking literacy programmes for elementary school teachers via a Popay Satori Gathering Event.

BII continued its strong programme in educational initiatives contributing Rp1.19 billion for the reconstruction of classrooms in primary schools in Yogyakarta destroyed by the recent earthquake. It constructed fully furnished BII classrooms for a special school for underprivileged families in the Lengkong Wetan area in Tangerang in collaboration with Bina Anak Indonesia and rebuilt a library in Tasikmalaya for SMP N1 Cigalontong.

Maybank Singapore continued for the seventh year its sponsorship of the Berita Harian Financial Planning Conference to promote financial education among the Malay community in Singapore, while BII conducted a Journalist Writing and Photography Contest as part of its campaign to educate the public on banking knowledge. It also sponsored a new print-and-online programme called Cyber Sleuths on internet safety for families and children.



Disaster Relief

During the year, Maybank revived its *Tabung Gempa Nusantara Utusan-Maybank* which was initiated in 2008 to help raise funds for victims of the Indonesia earthquake, and again offered our range of electronic channels for public donations. Over RM300,000 was collected this time for the earthquake victims in Padang, Indonesia reflecting the unique strengths and capabilities of Maybank's electronic channels for fundraising in the community.

BII also implemented an active disaster relief programme which raised over Rp4 billion during its fund-raising campaign for relief work in Aceh and Nias, Indonesia. BII and Jati Nurani Foundation have initiated a project to build clapboard homes for victims in Padang.

Following the spate of other natural disasters after the earthquake in Padang, such as the typhoons in the Philippines and Vietnam and the tsunami in Samoa, Maybank supported the NSTP-Media Prima Group in raising funds for its *Tabung Bencana NSTP-Media Prima* which was set up in October 2009. Maybank donated RM500,000 to this fund, while employees at BII Indonesia assisted on the ground level. Maybank staff also collected more than RM100,000 for their overseas colleagues affected by natural disasters in Indonesia, Philippines and Vietnam.



Our Commitment to the Environment



Maybank has established numerous environment protection and conservation initiatives to reduce operational emissions and paper consumption. Paper recycling is supplemented by electronic communications and payment, energy-saving guidelines, and providing online statements, an initiative that has been promoted through Maybank2u's 'Love The Earth' campaign. Under this campaign, customers are encouraged to switch to online statements instead of receiving printed copies. Maybank has committed RM1 for each switch, which will be donated to three environmental organisations. Over RM170,000 has been raised to date.

Biodiversity

This year, Maybank entered into a landmark agreement with the Malaysian Conservation Alliance for Tigers (MyCAT) by providing a RM1 million grant for a two-year research and social outreach programme aimed at creating awareness on the plight of the Malayan Tiger. Maybank employees have also been volunteering at various outreach sites such as night markets and shopping centres to educate the public on tiger conservation and anti-poaching efforts.

Maybank continued to sponsor tigers at Zoo Negara and Zoo Melaka as part of efforts to educate Malaysians on wildlife protection. Maybank2u.com meanwhile assisted the Worldwide Fund for Nature (WWF) by promoting an online donation campaign for its programmes.

Maybank organised A Green Day in conjunction with World Environment Day at Menara Maybank. Support for a greener environment was extended into the Group's Cahaya Kasih programme with the planting of trees at our adopted homes in Penang. In addition, Etiqa volunteers held a beach cleaning programme at Teluk Cempedak Kuantan, Pahang.



Maybank participated in the worldwide symbolic Earth Hour 2010 by switching off all lights for an hour at Menara Maybank, Dataran Maybank and Maybank Tower Singapore.

This year BII supported the Green Festival conducted by Komunitas Hijau Pondok Indah in Jakarta. It also organised green programmes with an environmental NGO, Wahana Lingkungan Hidup Indonesia (WALHI) to educate the community, especially youth, on the importance of maintaining cleanliness of beaches.

During the year, the Group was also active in sponsoring forums such as that hosted by Securities Commission entitled "Climate Change and The Impact to Health" in April 2010 and contributed articles on sustainability development in both local and international publications.

Heritage, Arts & Culture

Maybank promotes the preservation of heritage through activities at Balai Seni, its art gallery and the Numismatic Museum, as well as through sponsorship of books on the environment, culture and heritage.

In conjunction with Maybank's 50th anniversary celebrations which falls in the Year of the Tiger, Maybank sponsored an art exhibition on tigers entitled 'Tiger Show' at Wei-Ling Gallery, a renowned local art gallery. Maybank



Singapore also hosted a customer appreciation event at the Glass Atrium of the National Museum on June 2010, during which customers were treated to a preview of the Singapore 1960 exhibition.

Maybank provided sponsorship support for two publications, one a coffee table book on the Prime Minister of Malaysia, and the other a book on “Half a Century of Malaysia-Indonesia Relations” to help enhance the cordial ties between the two countries.

Bill held an event for young people through its Youth Jazz Band Competition while Maybank Singapore organised a children’s art competition to encourage its appreciation among the young.

Support for Sports

Maybank was title sponsor for the Maybank Malaysian Golf Open for the fifth year. The tournament is one of the most prestigious international golf events in Asia which carries world-ranking points and global viewership. This significant event with a USD2 million prize money drew a global audience of close to 400 million, promoting Malaysia as an international golf destination as well as providing immense exposure to the Maybank brand. A junior golf training camp was held in partnership with the Malaysian Golf Association as part of our efforts to groom potential champions as well as encourage aspiring young Malaysian golfers to excel.

During the year the Bank partnered with Star Online TV to host a football clinic by a former Malaysian footballer for 100 customers to hone their skills in the game. The Bank also continued to support Maybankers who are state and national players in the various sports competitions, including hockey and football.

Relationship with Employees

Maybank is committed to the well-being of our employees, firm in the belief that they are our most valuable assets. We engage with our employees through an annual Employee Engagement Survey (EES) and have various reward programmes that benefit their children. Results of the Maybank Group EES 2009 show a significant improvement from 2007 and 2008. Overall, the Group’s employee satisfaction level measures well against the Malaysian benchmark, global industry peers, and even against global high-performing companies. The Employee Engagement Index (EEI) for 2010 stands at 87%, a 5% increase from 2009. We aim to ensure that our working environment is safe while offering opportunities that are challenging and rewarding to all employees.



Health & Safety at Work

We apply high standards in our management and operations to ensure the health, safety and welfare of our employees. Maybank manages health and safety across the Group through the F.A.S.T (First Aid Standby Team) and OSH (Occupational Safety & Health) Committees and OSH Sub Committees at all our branches nationwide. Sports and recreational facilities are provided at a number of our offices while regular health and safety talks are organised for employees benefit.

During the year, the Group also organised various other wellness and health programmes such as anti-smoking campaign, NIOSH/SOCSO Awareness, personal and traffic safety and blood donations.

Training & Career Development

The performance of all employees are evaluated regularly and top management usually sets business goals, KPIs and targets which cascade throughout the Group. Accordingly, staff can review their competencies and set developmental objectives. Maybank's Talent Management Framework facilitates the development of employees' competency for mass skill upgrading at our learning centre – the Maybank Academy – and through online e-learning at My Campus which is accessible round the clock. With the right knowledge, employees are equipped to perform optimally and work synergistically as one effective team.

Responsibility in the Marketplace

In line with responsible business practices, we constantly engage with stakeholders, especially customers, suppliers and investors, to provide a clear understanding of Maybank's performance and enhance their experience with us.



Customers

Customers are central to our sustainability strategy and we are conscious of our responsibility to provide both our business and individual customers with quality products and services at a fair price. We also offer honest advice and treat all customers fairly, ensuring transparency in our dealings and assisting them in times of need.

We maintain our customers' trust by engaging them in surveys, seeking their feedback and channeling this into better customer service programmes. Maybank has also always prioritised support for Small and Medium Enterprises (SMEs), with our staff facilitating workshops and clinics that have benefited hundreds of SMEs across the country. In 2009, we incorporated a CSR module in our seminars on lending focusing on the SMEs.

This year, Maybank actively promoted green technology funding, namely the Government funding schemes for Clean Development Mechanism (CDM) initiatives, such as the Green Technology Financing Scheme for companies that supply and utilise green technology launched in January 2010, with a total allocation of RM1.5 billion. Roadshows on such financing were held nationwide.

Suppliers

Maybank is fully committed to the continual improvement in environmental, social and ethical performance when working with key suppliers. We adopt responsible procurement practices in line with the GLC Red Book guidelines and Anti-Crime Policy/Measures, especially cyber crime. Accordingly, our procurement policy has detailed guidelines on information handling and conflicts of interest. We also manage supply chain risks through our Group Procurement Policy and Code of Conduct. We expect all vendors to maintain the highest standards of integrity, and constantly evaluate their performance against our Service Level Agreement (SLA).

Investor Relations

Maybank engages in constant dialogue with our investors and shareholders through Annual General Meetings (AGMs), Extraordinary General Meetings (EGMs), group conferences and various investor relations programmes. Our AGMs and EGMs are the primary platforms for direct two-way interaction between the Board and Management of the Group and our shareholders. We keep investors updated on the Group's performance, strategies and key business activities including quarterly financial announcements. Information on the Group's financial performance is available on our website, www.maybank.com.



statement on **corporate governance**



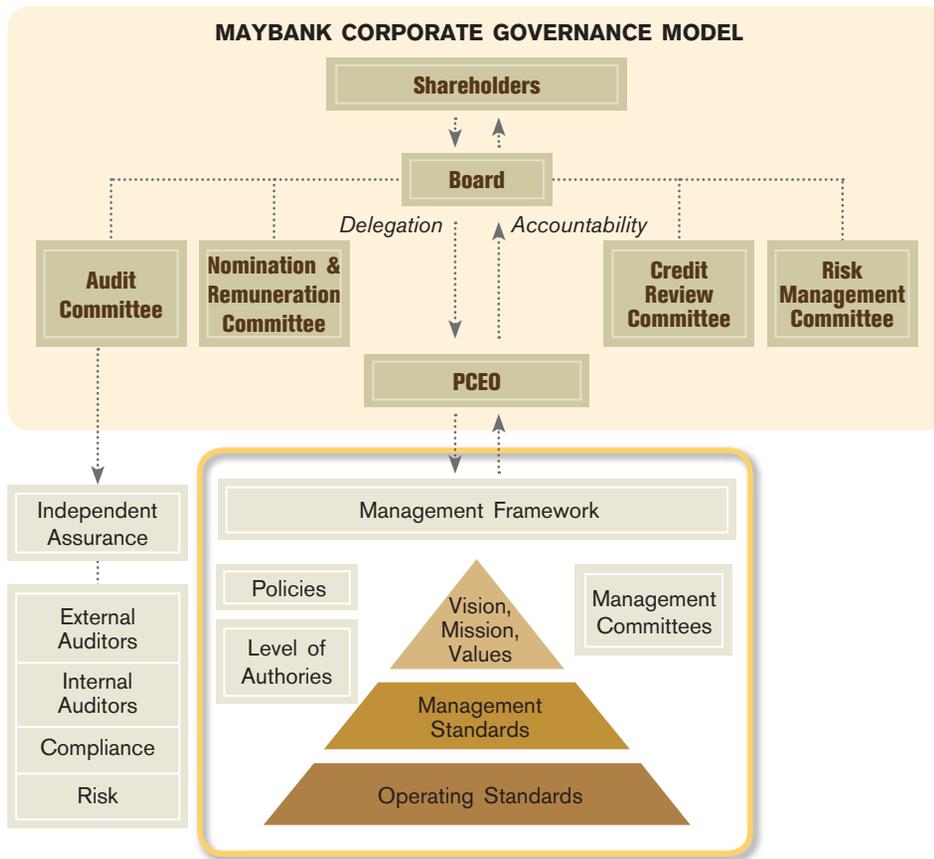
The Group acknowledges the importance of corporate governance in enhancing stakeholder value, increasing investor confidence, establishing customer trust and building a competitive organisation to pursue the Group's corporate vision to be a regional financial services leader by 2015. The Board's fundamental approach to good corporate governance is to ensure that the right executive leadership, strategy and internal controls are well in place. Additionally, the Board is committed to achieving the highest standards of business integrity, ethics and professionalism across all of the Group's activities.

Maybank Group's corporate governance model adopts the following requirements and guidelines on corporate governance best practices:-

- (i) Revised Malaysian Code on Corporate Governance ("the Code");
- (ii) Bank Negara Malaysia's ("BNM") Revised Guidelines on Corporate Governance for Licensed Institutions ("BNM/GP1")
- (iii) Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements");
- (iv) "Green Book on Enhancing Board Effectiveness" ("Green Book") by the Putrajaya Committee on GLC High Performance; and
- (v) Corporate Governance Guide ("CG Guide") by Bursa Securities.

Maybank also refers to the Minority Shareholder Watchdog Group ("MSWG") Corporate Governance Scorecard as a guide in ensuring its practices are in line with best practices.

The Board will continue to review its governance model to ensure its relevance and ability to meet the challenges of the future. The review will also consider the adoption of international governance best practices particularly in respect of the countries that the Bank has presence in.



The Board of Maybank is pleased to inform the shareholders on the application of its corporate governance model and the extent of compliance with the Best Practices of the Code throughout the financial year ended 30 June 2010, as set out hereunder.

THE BOARD OF DIRECTORS

Board Charter

In December 2009, the Board of Directors of Maybank formally adopted the Board Manual (“Manual”), which provides guidance and reference for directors in discharging their duties effectively relating to the Board’s role, powers, duties and functions.

The Manual reflects not only current best practices in the relevant rules and regulations, but also outlines processes and procedures to ensure the Group’s boards’ and their committees’ effectiveness and efficiency. It is a dynamic document to be updated from time to time to reflect changes to the Bank’s policies, procedures and processes as well as amended relevant rules and regulations, or to be reviewed at least once in two years, whichever is earlier.

The Manual comprises, amongst others, well defined terms of reference as well as authority limits for the Board and its committees, and the various relevant internal policies.

The chapters covered under the Manual are as follows:-

- (i) Group’s standard of business conduct
- (ii) Directors’ duties and obligations
- (iii) Appointment and resignation of Directors
- (iv) Governance structure
- (v) Board and Board Committee proceedings
- (vi) Remuneration and benefits for Directors
- (vii) Supply of information to the Board
- (viii) Training and induction programme
- (ix) Annual Board assessment

- (x) Conflict of interest and related party transaction
- (xi) Other key policies of the Group

Roles and responsibilities of the Board

The Board has the responsibility to periodically review and approve the overall strategies, business and organisation, and significant policies of the Bank. The Board also sets the Company's core values and adopts proper standards to ensure that the Bank operates with integrity and complies with the relevant rules and regulations.

The Board has a formal schedule of matters reserved for its decision which include, amongst others, the following:-

- Reviewing and approving the strategic business plans for the Bank and Group;
- Identifying and managing principal risks affecting the Group;
- Reviewing the adequacy and integrity of the Group's internal control system;
- Overseeing the conduct and the performance of the Group's businesses;
- Approving the appointment and compensation of senior management staff;
- Approving new policies pertaining to staff salary and benefits;
- Approving changes to the corporate organisation structure;
- Approving the appointment of Directors and Directors' emoluments and benefits in accordance with relevant statutes; and
- Approving policies relating to corporate branding, public relations, investor relations and shareholder communication programmes.

Other than as specifically reserved to the Board in the Board Charter, the responsibility for management of Maybank's business activities is delegated to the President and Chief Executive Officer ("PCEO") who is accountable to the Board.

Board composition and balance

The Board of Maybank currently comprises 11 Directors. Seven Directors are Independent Non-Executive Directors, three are Non-Independent Non-Executive Directors (nominees of Permodalan Nasional Berhad, "PNB") and one is a Non-Independent Executive Director (PCEO).

The current composition of the Board is in compliance with Chapter 1.01 of the Listing Requirements as more than half of its members are Independent Directors.

The Directors bring to the Board a wealth of knowledge, experience and skills in the aspects of accountancy, law, regulation, international business operations and development, finance and risk management, amongst others. A brief profile of each member of the Board is presented on pages 74 to 84 of this Annual Report.

The Board affirms the selection of Directors is based on merit guided by the criteria outlined in the Group's Policy on Fit and Proper Criteria for Appointment as Chairman, Directors and Chief Executive Officers of Licensed Institutions in Maybank Group ("Fit and Proper Policy") as duly assessed by the Nomination and Remuneration Committee ("NRC"). Notwithstanding, the Board will endeavour to continue its search for a competent woman director to be considered for appointment in due course to widen its inclusiveness of gender mix.

Director Independence and Independent Non-Executive Directors

The composition of the Board reflects the interest of the majority shareholder, which is adequately represented by the appointment of its nominee Directors, balancing the interest of the minority shareholders. The Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationships with the Group (other than in situations permitted by regulations) in order to ensure that they remain truly capable of exercising independent judgement and act in the best interests of the Group and its shareholders. Further, the Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest.

The Non-Executive Directors of Maybank continue to proactively engage with senior management and other relevant parties such as the external/internal auditors and the Bank's Compliance unit, to ensure that the various concerns and issues relevant to the management and oversight of the business and operations of the Bank and the Group are properly addressed. The Board's commitment to ensure good governance in deliberation of key issues is evident with the introduction of "Board Time Without Management" as a permanent item in the monthly Board meeting agenda (at the end of each meeting) since October 2009.

BNM/GP1 further outlines that an Independent Non-Executive Director, amongst others, shall not have more than 5% equity interest in the licensed institution or in its related companies, or be connected to a substantial shareholder of the licensed institution.

In addition to the aforesaid requirements, the Board ensures that all Independent Non-Executive Directors possess the following qualities:-

- Able to challenge the assumptions, beliefs or viewpoints of others with intelligent questioning, constructive and rigorous debating, and dispassionate decision for the good of the company;
- Are willing to stand up and defend their own views, beliefs and opinions for the ultimate good of the company; and
- Have a good understanding of the company's business activities in order to appropriately provide response on the various strategic and technical issues confronted by the Board.

The Board has considered all relevant facts in assessing independence before appointing the seven Independent Non-Executive Directors, namely Dato' Mohd Salleh Hj Harun, Tan Sri Datuk Dr Hadenan A. Jalil, Dato' Seri Ismail Shahudin, Dato' Dr Tan Tat Wai, Dato' Johan Ariffin, Mr Cheah Teik Seng and Mr Alister Maitland; and the Board finds that they meet the said requirements.

Senior Independent Non-Executive Director

In line with best practices on corporate governance, the Board has identified and appointed Tan Sri Datuk Dr Hadenan A. Jalil as the Senior Independent Director ("SID") of the Board to whom concerns of shareholders and stakeholders may be conveyed. The SID is responsible for addressing concerns that may be raised by the shareholders and to lead in all governance-related issues.

The SID may be contacted at the following email address: adenan.aj@maybank.com.my.

Board appointment process

There is a formal and transparent procedure for the appointment of new Directors to the Board, the primary responsibility of which has been delegated to the Nomination and Remuneration Committee (“NRC”), formerly two separate Board Committees, namely the Nomination Committee (“NOMC”) and Remuneration and Establishment Committee (“REC”), which have been merged and are now known as the NRC effective 27 May 2010. The NRC comprises exclusively Non-Executive Directors, with its Chairman and the majority of whom are independent. This composition ensures that any decisions made are impartial and in the best interest of the Group. Guided by the Group’s Fit and Proper Policy (which was implemented in August 2006) and in line with BNM/GP1, the NRC recommends to the Board suitable candidates for directorships and appointment of key senior management of the Bank and relevant subsidiaries. The NRC also ensures candidates satisfy the relevant requirements on the skills and core competencies of a Director and are deemed fit and proper to be appointed as Director in accordance with the Fit and Proper Policy.

The Fit and Proper Policy outlines the attributes and qualifications of a candidate to determine his suitability, amongst others, in respect of his

management and leadership experience, which ought to be at the most senior level in a reputable local or international financial services group, public corporation or professional firms/bodies. In respect of the candidate’s skills, expertise and background, he should ideally and to the extent available, possess a diverse range of skills, including in particular, business, legal and financial expertise, professional knowledge and financial industry experience, as well as experience in regional and international markets.

The Fit and Proper Policy is also critical as a guiding mechanism to identify the gaps in skills of the composition of the Board. The Fit and Proper Policy outlines the requirement for Non-Executive Directors of Maybank who have reached the age of 70 and above, and those who have served the Board for 12 years or more to submit their resignation letters annually to the NRC six months before the AGM, for appropriate recommendations to be made to the Board. The Board acknowledges the view of MSWG and others that the appropriate term for Independent Non-Executive Directors should not be more than nine years and may consider this in the next review of the Fit and Proper Policy.

The Policy on the Nomination Process for the Appointment of Chairman, Director and CEO of Licensed Institutions in the Group (“Policy on Nomination Process”) sets out a clear and transparent nomination process on the same. The nomination process involves the following five stages:-



Upon the approval by the relevant Board, the application for the appointment of such candidates would thereafter be submitted to BNM for the requisite approval under the Banking and Financial Institutions Act, 1989 (“BAFIA”) and Insurance Act and Regulations 1996, as the case may be.

The appointment process for Executive Directors would in essence include the identification of potential candidates by a special committee of the Board based on the description of the expectation of the roles and capabilities required by the Board. This is subsequently followed by a submission to the NRC for deliberation and ultimately, the final recommendation to the Board for approval.

The year saw a Board transition exercise with eight new Directors appointed for the period between 1 July 2009 and 30 September 2009 being the date of the 49th Annual General Meeting of Maybank. From 1 October 2009 to 30 June 2010, two new Directors had been appointed, namely Tan Sri Megat Zaharuddin Megat Mohd Nor, a Non-Independent Non-Executive Director as Chairman on 1 October 2009, and Dato' Mohd Salleh Hj Harun, an Independent Non-Executive Director as Vice Chairman on 18 November 2009.

Two of the former Non-Executive Directors, namely Tan Sri Mohamed Basir Ahmad (also the former Chairman of Maybank) and Datuk Syed Tamim Ansari Syed Mohamed, had opted not to seek re-election as Directors and retired on 30 September 2009 upon conclusion of the said Annual General Meeting. In addition, Mr Spencer Lee Tien Chye resigned as a Non-Independent Non-Executive Director effective 18 November 2009.

The Board considers that the appointment of Tan Sri Megat Zaharuddin Megat Mohd Nor and Dato' Mohd Salleh Hj Harun who bring their own unique skills, experience and knowledge in the commercial sector with particular exposure in the financial-related industry and at the highest level of leadership will ensure that the critical competency gaps identified by the Board are appropriately addressed and provide fresh insights that would help the Bank overcome the challenges ahead. The profiles of the Chairman and Vice Chairman are stated on pages 74 and 75 of this Annual Report.

Directors' retirement and re-election

All directors of the Bank, including the PCEO, are subject to re-election by the shareholders at their first opportunity after their appointment, and are subject to re-election at least once every three years in accordance with the Bank's Articles of Association. Board support for a Director's re-election is not automatic and is subject to satisfactory assessment of performance.

Directors who are due for re-election at the AGM will be first assessed by the NRC, which will then submit its recommendations to the Board for deliberation and approval. Upon obtaining Board's endorsement, the relevant submission including the justifications for such re-appointment is thereafter made to BNM for approval if the relevant director's BNM's term of appointment is expiring.

The Board has determined that the five Directors who are due for re-election at the forthcoming AGM have continued to perform in an exemplary manner and have met the Board's expectations which include their contributions to Board deliberations.

Board and individual Director's effectiveness

Annually, the NRC provides a formal and transparent procedure for the assessment of effectiveness of individual Directors, the Board as a whole and its committees, and the performance of the PCEO.

The Board and Peer Annual Assessment exercise is primarily based on answers to a detailed questionnaire prepared internally by Corporate and Legal Services ("CLS") of Maybank. The assessment form is distributed to all the respective Board members and covers topics which include, amongst others, the responsibilities of the Board in relation to strategic planning, risk management, performance management, financial reporting, audit and internal process, human capital management, corporate social responsibility, communication, corporate governance, and shareholders' interest and value. Other areas assessed include Board composition and size, the contribution of each and every member of the Board at meetings, the Board's decision-making and output, information and support rendered to the Board as well as meeting arrangements.

The results of the Board and committee assessment are reviewed at the Board and actionable improvement programmes identified, which may include training needs of individual Directors, to be reviewed quarterly thereafter. The Chairman would discuss with individual members on the peer assessment whilst the Chairman of the NRC would discuss with the Chairman of the Board on the latter's assessment results.

The Board has considered its size and composition following the Annual Board Assessment exercise for the financial year ended 30 June 2010 and is satisfied with the current number and composition of the Board to ensure an efficient and effective conduct of board deliberation pursuant to BNM/GP1. The current Board size enables the Board to discharge its function in a professional manner in consideration of the size, breadth and complexity of the Group's business activities, domestically as well as internationally.

The Board believes that the quality of its Directors, each of whom offers a broad range of skills, knowledge and experience, ensures that they are able to challenge management, develop and drive the Group's vision and

strategy, and that the governance standards are continuously upheld. The Chairman will always try to ensure that the Board's decisions are based on consensus, and any concern or dissenting view expressed by any Director on any matter deliberated at meetings of the Board or any of its Committees as well as the meeting's decision, will accordingly be addressed and recorded in the relevant minutes of meetings.

Role and responsibilities of the Chairman and the President & CEO

The roles and responsibilities of the Chairman and the PCEO are clearly separated, defined and documented as approved by the Board. This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with its focused approach and attendant authority limits also facilitates efficiency and expedites informed decision-making.

Chairman

Tan Sri Dato Megat Zaharuddin Megat Mohd Nor is the Chairman of Maybank. Prior to his appointment as the Chairman of Maybank on 1 October 2009, he was an Independent Non-Executive Director of Maybank from July 2004 until February 2009. He has never assumed an executive position in Maybank.

The Chairman leads the Board and is also responsible for the effective performance of the Board. The Chairman continuously works together with the rest of the Board in setting the policy framework to align the business activities driven by the senior management with the Group's objectives and aspirations, and ensuring that the Board supports the strategy formulated by the Bank and monitors its implementation.

The Chairman ensures orderly conduct and proceedings of the Board, where healthy debate on issues being deliberated is encouraged to reflect an appropriate level of

scepticism and independence. He also ensures that each Board decision is made collectively by consensus, failing which reflects the will of the majority.

The Chairman takes the lead to ensure the appropriateness and effectiveness of the succession-planning programme for the Board and senior management levels. He also promotes a healthy working relationship with the PCEO and provides the necessary support and advice as appropriate. He continues to demonstrate the highest standards of corporate governance practices and ensures that these practices are regularly communicated to the stakeholders.

The President & CEO

Dato' Sri Abdul Wahid Omar has been the PCEO and Executive Director of Maybank since May 2008. As PCEO, he has been delegated certain responsibilities by the Board and is primarily responsible for overseeing the day-to-day operations to ensure the smooth and effective running of the Group. Furthermore, he is responsible for mapping the medium to longer term plans for Board approval, and implementing the policies and decisions of the Board, as well as coordinating the development and implementation of business and corporate strategies, specifically by making sure that they are carried through to their desired outcomes, especially in the institution of remedial measures to address identified shortcomings. He is also responsible for developing and translating the strategies into a set of manageable goals and priorities, and setting the overall strategic policy and direction of the business operations, investments and other activities based on effective risk management controls.

The PCEO ensures that the financial management practice is performed at the highest level of integrity and transparency for the benefit of the shareholders and that the business and affairs of the Bank are carried out in an ethical manner and in full compliance with the relevant

laws and regulations. His other responsibilities include ensuring that whilst the ultimate objective is maximising total shareholders return, social and environmental factors are not neglected, and also developing and maintaining strong communication programmes and dialogues with the shareholders, investors, analysts as well as employees, and providing the effective leadership to the organisation. He is also responsible for ensuring high management competency as well as the emplacement of an effective management succession plan to sustain continuity of operations. The PCEO, by virtue of his position as a Board member, also functions as the intermediary between the Board and senior management.

Board meetings

The Board meets every month with additional meetings convened as and when urgent issues and important decisions are required to be taken between the scheduled meetings. During the financial year ended 30 June 2010, the Board met 21 times to deliberate and consider a variety of significant matters that required its guidance and approval.

All Directors have complied with the requirement that Directors must attend at least 75% of Board meetings held in the financial year in accordance with BNM/GP1, and attended at least 50% of Board meetings held in the financial year pursuant to the Listing Requirements.

Additionally, three of the 21 Board meetings were held at regional operations centres located outside of Kuala Lumpur, to enable the members to visit the numerous operations centres not only to provide more effective oversight but also to better understand the Group's operations and customer needs and issues as well as meet with the management and staff at Group and Region level at sessions and events organised in conjunction with the Board meetings.

The current practice of Board members who are also members of overseas subsidiary boards attending the various board meetings, in particular of the key overseas subsidiaries, is continued in order to maintain oversight and ensure the operations of the respective subsidiaries are aligned with the Group's strategies and objectives.

During the financial year, a Board Offsite session was held on 19 November 2009 in Singapore in conjunction with a Board Meeting, whereby the Board took the opportunity to discuss key matters in relation to its role in monitoring strategy execution, initiatives to further enhance Board effectiveness and processes; and how the Board could work with senior management to achieve shared goals.

Details of attendance of each Director on the Board and respective Board Committees during the financial year ended 30 June 2010 are as follows:-

| Name of Director | Board Scheduled Meeting | | | CRC Scheduled Meeting | | | ACB Scheduled Meeting | | |
|--|-------------------------|----------|-----|-----------------------|----------|-----|-----------------------|----------|-----|
| | Held | Attended | % | Held | Attended | % | Held | Attended | % |
| Present Directors | | | | | | | | | |
| Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor ¹ | 16 | 16 | 100 | 8 | 6 | 75 | | | |
| Dato' Mohd Salleh Hj Harun ² | 14 | 14 | 100 | 32 | 28 | 88 | | | |
| Dato' Sri Abdul Wahid Omar | 21 | 21 | 100 | 51 | 44 | 86 | | | |
| Tan Sri Dr Hadenan A. Jalil ³ | 21 | 18 | 86 | 49 | 45 | 92 | 17 | 17 | 100 |
| Dato' Seri Ismail Shahudin ⁴ | 21 | 20 | 95 | 14 | 12 | 86 | 17 | 13 | 76 |
| Dato' Dr Tan Tat Wai ⁵ | 21 | 21 | 100 | | | | | | |
| Encik Zainal Abidin bin Jamal ⁶ | 21 | 20 | 95 | 48 | 41 | 85 | 17 | 16 | 94 |
| Mr Alister Maitland ⁷ | 18 | 18 | 100 | | | | | | |
| Mr Cheah Teik Seng ⁸ | 18 | 18 | 100 | | | | 11 | 11 | 100 |
| Dato' Johan Ariffin ⁹ | 18 | 18 | 100 | 43 | 33 | 77 | 11 | 10 | 91 |
| Mr Sreesanthan Eliathamby ¹⁰ | 18 | 18 | 100 | | | | | | |
| Past Directors | | | | | | | | | |
| Tan Sri Mohamed Basir bin Ahmad ¹¹ | 5 | 5 | 100 | 12 | 10 | 83 | | | |
| Tuan Hj Mohd Hashir Hj Abdullah ¹² | | | | 2 | 1 | 50 | 1 | 1 | 100 |
| Datuk Zainun Aishah Ahmad ¹³ | | | | 3 | 3 | 100 | | | |
| Datuk Syed Tamim Ansari Syed Mohamed ¹⁴ | 5 | 5 | 100 | | | | 5 | 5 | 100 |
| Mr Spencer Lee Tien Chye ¹⁵ | 7 | 6 | 86 | 16 | 16 | 100 | 8 | 7 | 88 |

| Name of Director | RMC Scheduled Meeting | | | REC Scheduled Meeting | | | NOMC Scheduled Meeting | | |
|--------------------------------------|-----------------------|----------|-----|-----------------------|----------|-----|------------------------|----------|-----|
| | Held | Attended | % | Held | Attended | % | Held | Attended | % |
| Present Directors | | | | | | | | | |
| Tan Sri Dr Hadenan A. Jalil | | | | 8 | 6 | 75 | 9 | 7 | 78 |
| Dato' Seri Ismail Shahudin | 8 | 7 | 88 | 8 | 8 | 100 | 9 | 9 | 100 |
| Dato' Dr Tan Tat Wai | 12 | 12 | 100 | 5 | 5 | 100 | 5 | 5 | 100 |
| Encik Zainal Abidin Jamal | | | | 8 | 8 | 100 | 9 | 9 | 100 |
| Mr Alister Maitland | | | | 5 | 5 | 100 | 5 | 5 | 100 |
| Mr Cheah Teik Seng | 9 | 9 | 100 | | | | | | |
| Dato' Johan Ariffin | 3 | 2 | 67 | | | | | | |
| Mr. Sreesanthan Eliathamby | 10 | 9 | 90 | | | | | | |
| Past Directors | | | | | | | | | |
| Tuan Hj Mohd Hashir Hj Abdullah | 1 | 1 | 100 | | | | | | |
| Datuk Zainun Aishah Ahmad | 1 | 1 | 100 | | | | | | |
| Datuk Syed Tamim Ansari Syed Mohamed | 4 | 4 | 100 | | | | | | |
| Mr Spencer Lee Tien Chye | 5 | 4 | 80 | | | | | | |

| Name of Director | NRC Scheduled Meeting | | |
|-----------------------------|-----------------------|----------|-----|
| | Held | Attended | % |
| Tan Sri Dr Hadenan A. Jalil | 2 | 2 | 100 |
| Dato' Seri Ismail Shahudin | 2 | 2 | 100 |
| Dato' Dr Tan Tat Wai | 2 | 2 | 100 |
| Encik Zainal Abidin Jamal | 2 | 2 | 100 |
| Mr Alister Maitland | 2 | 2 | 100 |

Note:-

- * New committee as a result of the merger between REC and NOMC with effect from 27 May 2010.
- ¹ Appointed as Chairman of the Board and Chairman of the CRC with effect from 1 October 2009 and 6 October 2009, respectively. Subsequently, he resigned as Chairman of the CRC with effect from 1 December 2009.
- ² Appointed as Vice-Chairman with effect from 18 November 2009. Subsequently, he was appointed as member of the CRC on 24 November 2009 and thereafter as Chairman of the CRC with effect from 8 December 2009.
- ³ Appointed as Director and member of the CRC, ACB, REC and NOMC with effect from 15 July 2009. Subsequently, he resigned as a member of the CRC effective 30 June 2010.
- ⁴ Appointed as Director and member of the CRC, ACB, RMC, REC and NOMC with effect from 15 July 2009. Subsequently, he resigned as a member of the CRC effective 29 October 2009.
- ⁵ Appointed as Director and member of the RMC, REC and NOMC with effect from 15 July 2009.
- ⁶ Appointed as Director and member of the CRC, ACB, REC and NOMC with effect from 22 July 2009.
- ⁷ Appointed as Director and member of the REC and NOMC with effect from 26 August 2009.
- ⁸ Appointed as Director and member of the ACB and RMC with effect from 26 August 2009.
- ⁹ Appointed as Director and member of the CRC, RMC and ACB with effect from 26 August 2009. Subsequently, he resigned as a member of the RMC effective 18 November 2009.
- ¹⁰ Appointed as Director and member of the RMC with effect from 26 August 2009.
- ¹¹ Retired as Chairman of the Board and Chairman of the CRC with effect from 1 October 2009.
- ¹² Retired as Director and member of the CRC, ACB and RMC with effect from 15 July 2009.
- ¹³ Resigned as Director and member of the CRC and RMC with effect from 22 July 2009.
- ¹⁴ Retired as Director and member of the ACB and RMC with effect from 1 October 2009.
- ¹⁵ Resigned as Director and member of the CRC, ACB and RMC with effect from 18 November 2009.

Directors' Remuneration

Directors' remuneration is generally determined at levels which would continue to attract and retain Directors of such calibre to provide the necessary skills and experience as required and commensurate with the responsibilities for the effective management and operations of the Group.

For the Executive Director, the component parts of remuneration are structured so as to link short and long-term rewards to corporate and individual performance. A significant portion of the Executive Director's compensation package has been made variable in nature to be determined by performance during the year against the individual Key Performance Indicators in a scorecard aligned with the corporate objectives, and approved by the Board.

For Non-Executive Directors ("NEDs"), the level of remuneration generally reflects the experience and level of responsibilities undertaken. The determination of remuneration packages for NEDs including the Non-Executive Chairman, is a matter for the Board as a whole following the relevant recommendation made by the NRC.

The current remuneration policy of the Directors comprises the following:-

- (a) Basic salary
Basic salary of the Executive Director is based on the recommendation of the NRC.
- (b) Director's fees and meeting allowances (in effect since 2006)
For Board of Directors, RM120,000 per annum for Chairman, RM110,000 per annum for Vice Chairman and RM100,000 per annum for each NED. For Board Committees, RM12,500 per annum for Chairman and RM10,000 per annum for members.

The meeting allowance is RM750 per meeting.

- (c) Benefits-in-kind and emoluments

Benefits for NEDs include medical coverage, insurance coverage (Group Personal Accident, Group Term Life and Directors & Officers' Liability), travel benefits and use of Maybank holiday apartments/bungalows.

The Chairman is also paid monthly other emoluments commensurate with responsibilities befitting his position, for example in representation and organisation capability building.

The Board in 2007 had approved certain benefits for retired NEDs which would be enjoyed by Directors who have served on the Board for five years or more, amongst others banking products at privilege rates and use of Maybank holiday apartments/bungalows.

Note: The Bank's ESOS which was also applicable to certain eligible NEDs had lapsed in August 2009, following a decision made in May 2006 to discontinue it for fiscal reasons.

Mindful that Maybank's Director remuneration had lagged the market, more so given the expanding scope of the Group's activities, the Board in November 2009 decided to undertake a review of NEDs remuneration framework to ensure that remuneration commensurate with the responsibilities assigned to Directors. To ensure an independent and holistic review, the Board appointed Messrs. PricewaterhouseCoopers ("PwC") to undertake the review exercise. PwC coincidentally was also commissioned by BNM-Financial Institutions Directors' Education ("FIDE") to assess the framework for remunerating NEDs given the aftermath of the global financial crisis.

The NRC and the Board have deliberated on PwC's recommendations. The proposed revised Maybank's NEDs remuneration pertaining to Maybank Directors' fees and meeting allowances will be tabled to the shareholders for approval at the forthcoming AGM.

A summary of the total remuneration of the Directors, distinguishing between Executive and Non-Executive Directors, in aggregate with categorisation into appropriate components for the financial year ended 30 June 2010 (including Directors' fees to be tabled at the forthcoming AGM for shareholders' approval) is as follows:-

| | Salary (RM) | Bonus (RM) | Directors' Fees ^(a) (RM) | Other emoluments ^(b) (RM) | Benefits in kind (RM) | Total (RM) |
|---|------------------|------------------|---|--|-----------------------------|------------------|
| Executive Directors | | | | | | |
| Dato' Sri Abdul Wahid Omar | 1,080,000 | 2,160,000 | – | 742,937 | 79,397 | 4,062,334 |
| TOTAL | 1,080,000 | 2,160,000 | – | 742,937 | 79,397 | 4,062,334 |
| Non-Executive Directors | | | | | | |
| Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor | – | – | 231,164 | 384,250 | 27,002 | 642,416 |
| Dato' Mohd Salleh Hj Harun | – | – | 203,137 | 41,000 | – | 244,137 |
| Tan Sri Dr Hadenan A. Jalil | – | – | 338,384 | 94,000 | – | 432,384 |
| Dato' Seri Ismail Shahudin | – | – | 362,548 | 71,000 | – | 433,548 |
| Dato' Dr Tan Tat Wai | – | – | 279,699 | 44,000 | – | 323,699 |
| Encik Zainal Abidin Jamal | – | – | 317,562 | 94,000 | – | 411,562 |
| Mr Alister Maitland | – | – | 218,384 | 29,000 | – | 247,384 |
| Mr Cheah Teik Seng | – | – | 208,849 | 37,000 | – | 245,849 |
| Dato' Johan Ariffin | – | – | 216,986 | 62,000 | – | 278,986 |
| Mr Sreesanthan Eliathamby | – | – | 186,247 | 27,000 | – | 213,247 |
| TOTAL | – | – | 2,562,960 | 883,250 | 27,002 | 3,473,212 |
| GRAND TOTAL | 1,080,000 | 2,160,000 | 2,562,960 | 1,626,187 | 106,399 | 7,535,546 |

Notes:

- ^(a) Directors' fees are subject to shareholders' approval at Maybank's Annual General Meeting on 29 September 2010.
- ^(b) Executive Director's Other Emoluments include allowance, EPF, SOCSO and EPF on bonus.
- ^(c) This list excludes NEDs who have left the Board during the financial year.

Independent professional advice

Individual Directors may seek independent professional advice at the Bank's expense where necessary, in the furtherance of their duties in accordance with the Bank's Policy and Procedure on Access to Independent Professional Advice, Senior Management and Company Secretary by Directors of Maybank Group. Copies of any reports, advice and recommendations provided by the independent professional adviser to a respective Director, would be forwarded by the said Director to the Company Secretary, who will, where appropriate, circulate them to other Directors to ensure that they are kept informed of pertinent issues, which may have an impact on the Group's growth and performance.

In the financial year, no Director invoked this process for independent professional advice.

Company Secretary

The General Counsel and Company Secretary, in his function as the Company Secretary, is responsible for advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance. He is also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving the Bank, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

The duties of the Company Secretary also include, amongst others, the following:-

- Attending Board and Board Committee meetings and ensuring that the proceedings of Board and Board Committee meetings and decisions made thereof, are accurately and sufficiently recorded;
- Ensuring that minutes of meetings are properly kept for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements, Bank Negara Malaysia and other regulatory requirements;

- Communicating the decisions of the Board for senior management's attention and further action;
- Ensuring all appointments and re-appointments of Directors are in accordance with the relevant legislations;
- Handling company share transactions, such as issuance of new shares and arranging for the payment of dividends;
- Advising Directors on regulatory compliance issues relevant to Directors' duties, including on the closed period for trading in Maybank shares, pursuant to Chapter 14 on Dealings in Securities of the Listing Requirements; and
- Managing the necessary preparation and arrangements for general meetings of the Bank to ensure smooth proceedings and adherence to regulations.

All Directors have access to the advice and services of the Company Secretary.

Quality and supply of information to the Board

The Board has full and unrestricted access to all information pertaining to the Group's businesses and affairs to enable it to discharge its duties effectively. Directors also have full and unrestricted access to the advice and services of the senior management of the Group. In addition to formal Board meetings, the Chairman maintains regular contact with the PCEO to discuss specific matters, and the latter assisted by the Company Secretary ensures that frequent and timely communication between the senior management and the Board is maintained at all times as appropriate.

Directors are also regularly updated and apprised of any new regulations and guidelines, as well as any amendments thereto issued by Bank Negara Malaysia, Bursa Malaysia Securities Berhad, Securities Commission, the Companies Commission of Malaysia and other relevant regulatory authorities including recommendations on

corporate law reform in respect of Malaysian as well as relevant foreign jurisdictions, particularly the effects of such new or amended regulations and guidelines on directors specifically, and the Bank and the Group generally.

Board Meetings for the ensuing financial year are scheduled in advance before the end of the financial year, specifically before the end of the calendar year, so as to allow members of the Board to plan ahead and fit the coming year's Board and Board Committees meetings into their respective schedules.

Prior to each Board meeting, an agenda together with comprehensive reports for each agenda item to be discussed is forwarded to each Director at least five clear days before the scheduled meeting to enable the Directors to obtain further clarification or explanation, where necessary, in order to be adequately apprised before the meeting.

Further, the Bank's minutes of meetings of the Board and various Board Committees incorporate the discussions of the members at the meetings in arriving at decisions and are concise and accurate in accordance with the recommendations of the Code.

The Annual Board Outline Agenda was introduced in November 2009 with the main objective of highlighting to the Board and relevant Board Committees as well as the senior management subject matters other than 'routine' for the year to facilitate better planning and for greater time effectiveness of various parties. It also gives a greater sense of discipline on the part of senior management to commit to the said outline. At the same time, such focus allows the Board to deliberate on and contribute towards achieving a higher level of value-added discussions on such identified issues and other relevant matters.

Board Satisfaction Index ("BSI")

Following the introduction of the BSI last year, an effort to ensure continuing adequate support is provided to the Board to assist Directors in discharging their duties effectively, the BSI exercise was conducted in July 2010 for the financial year ended 30 June 2010. The areas of assessment cover transactional and operational efficiency, which includes Board and Board Committees minutes, papers and meeting arrangements, and training and knowledge management, as well as advisory services on matters concerning Directors' duties, such as disclosure of interests and prohibition against trading.

Based on feedback received from Board members, the Board was generally satisfied with the support provided for the period under review and several areas had been identified for further improvement.

Structured Training Programme for Directors

The Board is responsible for further enhancing the skills and knowledge of its members on relevant new laws and regulations and changing commercial risks, as well as to keep abreast with developments in the financial services industry through a Structured Training Programme for Directors ("STPD"). The STPD requires that each Director attend at least one training programme, which is to be specifically developed by the organisation for its Directors during the financial year.

For the period under review, all the Board members have complied with the aforesaid internal policy by attending various training programmes and workshops on issues affecting the Group, which were organised internally, as well as in collaboration with external training providers. The main training programmes for the year were the Induction Programme for New Directors and BNM-FIDE programme.

A comprehensive induction programme coordinated by CLS for new Directors was conducted to provide new Directors with the necessary information and overview to assist them in understanding the Group's operations and appreciating the challenges and issues the Group faces in achieving its objectives. The programme covered subject matters such as, amongst others, the Group's business and strategy, work processes and Board Committees, and the duties and responsibilities of Directors of financial institutions.

The key area of focus for training programmes attended by the Directors, with an average of 7 days per director, for the period ended 30 June 2010 are as follows:-

| Financial Services Industry | Board Effectiveness | Corporate Governance | Risk Management |
|--|--|---|--|
| <ul style="list-style-type: none"> ○ Updates and overview of GST and Accounting. ○ The Challenge of Implementing FRS139. ○ BNM Financial Industry Conference. | <ul style="list-style-type: none"> ○ Effective Board Governance Frameworks. ○ BNM – FIDE programme (Module 1 on effective boardroom deliberations). ○ BNM-FIDE (Module 4 on building effective Board team). | <ul style="list-style-type: none"> ○ Talk on Corporate Governance Lessons from Hong Kong. ○ 2nd Annual Corporate Governance Summit 2010. ○ Governance Expectations of International Fund Managers. | <ul style="list-style-type: none"> ○ Basel II Workshop including overview and progress update. ○ Managing Risks in Mortgage financing. ○ BNM-FIDE programme (Module 2 on Risk Management). ○ BNM-FIDE (Module 3 on Internal controls and audit oversight). |

All Directors have attended and successfully completed the Mandatory Accreditation Programme in compliance with the Listing Requirements.

Apart from attending the various training programmes, some of the Directors were also invited to speak at conferences and seminars organised by regulatory bodies and professional associations.

BOARD PROFESSIONALISM

Directorships in other Companies

Pursuant to the Listing Requirements, each member of the Board holds less than 10 directorships in public listed companies and less than 15 directorships in non-public listed companies. Furthermore, the Directors also comply with the best practices recommendation of the Green Book which states that directors should not sit on the boards of more than five listed companies to ensure that their commitment, resources and time are more focused to enable them to discharge their duties effectively.

It should be noted that even though the Independent Non-Executive Directors hold directorships in several companies in the Maybank Group, the NRC assesses the independence of the said Directors pursuant to a declaration made that they are not taking instructions from any person including Maybank. In this respect, all the Independent Non-Executive Directors of Maybank successfully complied with the relevant guidelines provided in BNM/GP1.

Conflict of Interest

In line with various statutory requirements on the disclosure of director's interest, it has been the practice of Maybank that members of the Board make a declaration to that effect at the Board meeting in the event they have interest in proposals being considered by the Board, including where such interest arises through close family members, any interested Directors would then abstain from deliberations and decisions of the Board on the subject proposal and, where appropriate, excuse themselves from being present in the deliberations.

Insider trading

In accordance with the Listing Requirements and the relevant provisions of the Capital Markets & Services Act 2007, Directors, key management personnel and principal officers of the Maybank Group are prohibited from trading in securities or any kind of property based on price sensitive information and knowledge which have not been publicly announced. Notices on the close period for trading in Maybank's securities are circulated to Directors, key management personnel and principal officers who are deemed to be privy to any price sensitive information and knowledge whenever the close period is applicable.

Directors' and Officers' Insurance

Directors and officers of the Maybank Group are covered against liabilities arising from holding office as Directors by virtue of the Directors' and Officers' Insurance coverage which is put in place by the Bank. The policy covers personal liability of Directors and officers in the form of professional indemnity insurance, which includes any breach of trust, breach of duty, act, neglect, error, omission, misstatement, misleading statements, breach of warranty or authority committed in the respective capacities as Directors or officers. Even though the Directors contribute a part of the premium paid for the insurance policy annually, such policy does not provide coverage in the event the Directors are proven to have acted fraudulently, dishonestly or maliciously.

BOARD COMMITTEES

The Board delegates certain of its governance responsibilities to the following Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

Audit Committee

The Audit Committee is authorised by the Board to investigate any activities within its Terms of Reference and has unrestricted access to both the internal and external auditors and members of the senior management of the Group. The activities carried out by the Audit Committee, which met 18 times during the year under review, are summarised in the Audit Committee Report and its Terms of Reference as stated on pages 202 to 207 of this Annual Report.

Credit Review Committee

The Credit Review Committee is tasked by the Board generally to review all fresh or additional loan applications subject to a pre-determined authority limits and credit risk ratings as may be recommended by the Group Management Credit Committee ("GMCC") as well as to approve the writing off of credit and operational items, in respect of which amount exceeds senior management's authority limit.

In relation to the proposals which would need the final approval or affirmation by the Board, these proposals would be reviewed by the Credit Review Committee prior to being recommended to the Board. The Credit Review Committee is also entrusted to review any Director and staff-related loans as well as policy loans.

The Credit Review Committee comprises the following members:-

Dato' Mohd Salleh Hj Harun (*Chairman*)
Dato' Sri Abdul Wahid Omar
Dato' Seri Ismail Shahudin
Encik Zainal Abidin Jamal
Dato' Johan Ariffin

The Committee meets weekly and during the year under review the Committee had met 51 times. Details of attendance of meetings by members are stated on page 182 of this Annual Report.

The specific responsibilities of the Credit Review Committee include, amongst others, the following:-

- (i) To review veto all loans approved by the GMCC in respect of applications for fresh or additional facilities exceeding GMCC's discretionary power;
- (ii) To review/veto, with powers to object or to support proposals recommended by the GMCC to the Board for approval/affirmation including statute and policy loans.

Nomination and Remuneration Committee ("NRC")

Subsequent to the approval given by BNM on 14 April 2010 in respect of the proposed merger of the NRC, the Board at its meeting held on 27 May 2010 had approved the merger of the Nomination Committee and Remuneration & Establishment Committee into one new committee, known as the NRC, in line with the practice adopted by other major banks and GLCs and to reflect compliance with the Revised BNM/GP1.

The members of the NRC are as follows:-

Dato' Seri Ismail Shahudin (*Chairman*)
Tan Sri Dr Hadenan A. Jalil
Dato' Dr Tan Tat Wai
Encik Zainal Abidin Jamal
Mr Alister Maitland

The NRC held two meetings and each of the Nomination Committee and the Remuneration and Establishment Committee met 9 times during the year. Details of attendance of meetings by members are stated on page 183 of this Annual Report.

The terms of reference of the NRC have been streamlined to ensure adequate focus on key issues under its purview which have been categorised into the following four main areas:-

- (i) Group Human Capital Policies and Strategies;
- (ii) Appointment of Directors and senior management (including the relevant remuneration);
- (iii) Performance assessment of Directors and Chief Executive Officer; and
- (iv) Succession planning and talent management.

The broad responsibilities of the NRC are as follows:-

1. To provide a formal and transparent procedure for the appointment of Directors and CEO as well as assessment of effectiveness of individual Directors, Board as a whole and the performance of the CEO and key senior management officers; and
2. To provide a formal and transparent procedure for developing a remuneration policy for Directors, CEO and key senior management officers and ensuring that compensation is competitive and consistent with the licensed institution's culture, objectives and strategy.

The specific responsibilities of the NRC include, amongst others, the following:-

- (i) To recommend to Maybank Board, the appointment, promotion and remuneration as well as compensation policies for executives in key management positions;
- (ii) To recommend to the Maybank Board, a Leadership Development framework for the Group;

- (iii) To oversee the general composition of the Board (size, skill and balance between Executive Directors and Non-Executive Directors);
- (iv) To recommend to the Maybank Board, a framework of remuneration for Directors, covering fees, allowances and benefits-in-kind in their work as Directors of all boards and committees;
- (v) To recommend to the Board a policy regarding the period of service for the Executive and Non-Executive Directors;
- (vi) To assess the performance and effectiveness of individuals and collective members of the Boards and Board Committees of the Group and its subsidiaries, as well as the procedure for the assessment;
- (vii) To recommend measures to upgrade the effectiveness of the Boards and Board Committees;
- (viii) To recommend to the Maybank Board a Performance Management framework/model, including setting of the appropriate performance target parameters and benchmark for the Group Balanced Scorecard at the start of each financial year;
- (ix) To oversee the succession planning, management and performance evaluation of executives in key management positions;
- (x) To consider and recommend solutions on issues of conflict of interest affecting Directors; and
- (xi) To assess annually that Directors and key senior management executives are not disqualified under section 56 of the BAFIA.

Risk Management Committee

The Risk Management Committee ("RMC") has been delegated by the Board to assume responsibility for the Group's risk oversight. Any approved policy or framework formulated to identify, measure and monitor various risk components, amongst others credit risk, market risk, liquidity risk and operational risk, would be reviewed and recommended by the RMC to the Board. The RMC's

terms of reference were reviewed recently in line with leading practices and approved by the Board in June 2010.

Additionally, the RMC reviews and assesses the adequacy of these risk management policies and ensures infrastructure, resources and systems are employed for risk management.

The RMC meets monthly with additional meetings convened to attend to urgent matters that require its deliberation. During the year, 12 meetings were held. The Chairman and the majority of the Committee's members are Independent Non-Executive Directors and their attendance for the year under review is stated on page 183 of this Annual Report.

The members of the RMC are as follows:-

Dato' Dr Tan Tat Wai (*Chairman*)
Dato' Seri Ismail Shahudin
Mr Cheah Teik Seng
Mr Sreesanthan Eliathamby

The specific responsibilities of the RMC include, amongst others, the following:

- (i) To develop and foster a risk aware culture within the Bank;
- (ii) To review and approve risk management strategies, risk frameworks, policies, risk tolerance and risk appetite limits;
- (iii) To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which they operate effectively;
- (iv) To ensure infrastructure, resources and systems are in place for risk management, i.e. that the staff responsible for implementing risk management systems perform those duties independently of the financial institution's risk taking activities;

- (v) To review and assess the appropriate levels of capital for the Bank, vis-a-vis its risk profile;
- (vi) To review and recommend strategic actions to be taken by the Bank arising from Basel II implementation for Board's approval;
- (vii) To review and approve new products and ensure compliance with the prevailing guidelines issued by BNM or other relevant regulatory body;
- (viii) To oversee the resolution of BNM Composite Risk Rating findings for Maybank Group;
- (ix) To oversee the specific risk management concerns in the business units that leverage on the Embedded Risk Units in the business units; and
- (x) To review and approve model risk management and validation framework.

Employee Share Option Scheme (ESOS) Committee

The Board had delegated to the Employee Share Option Scheme ("ESOS") Committee the responsibility of determining all questions of policy and expediency arising from the administration of ESOS and to generally undertake the necessary to promote the Bank's best interest.

The ESOS Committee is also tasked to review the rules and regulations relating to ESOS and to ensure the scheme is implemented in accordance with the Bye-Laws, amongst others, in respect of the terms on eligibility, the offer and date of offer, basis of allotment, termination and appeals.

All members of the ESOS Committee were Non-Executive Directors. Meetings are held as and when the ESOS Committee is required to deliberate on urgent matters. The ESOS lapsed in August 2009. There were no meetings held during the financial year and the ESOS committee was disbanded effective July 2010.

The members of the Employee Share Option Scheme Committee were as follows:

Dato' Seri Ismail Shahudin (*Chairman*)
 Tan Sri Dr Hadenan A. Jalil
 Dato' Dr Tan Tat Wai
 Encik Zainal Abidin Jamal
 Mr Alister Maitland

EXECUTIVE LEVEL MANAGEMENT COMMITTEES ("ELC")

The PCEO, with Board support, has established various ELCs and delegated some of his authority to assist and support the relevant Board Committees in the operations of the Bank. The key ELCs, which are mostly chaired by the PCEO of the Bank, are as follows:-

- Group Executive Committee
- Group Management Credit Committee
- Internal Audit Committee
- Executive Risk Committee
- Asset and Liability Management Committee
- Group Staff Committee
- Group Procurement Committee
- Group IT Steering Committee

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

Maybank regards Investor Relations ("IR") as an important part of its corporate governance framework in ensuring that shareholders, stakeholders, investors and the investment community, both local and international, are provided with relevant, timely and comprehensive information about the Group. Maybank's dedicated IR unit is committed to providing effective and open communication in order to improve disclosure and transparency.

As one of the largest listed companies on Bursa Malaysia, Maybank has a strong following among both local and foreign sell-side equity research houses with 30 analysts covering Maybank on a regular basis in addition to other buy-side analysts and fund managers, both in the equity and fixed income field.

Immediately following the release of its quarterly financial results, the Group convenes media and analyst briefings with concurrent conference call facilities during the interim and final quarters of the financial year and conference calls for the first and third quarters and provides comprehensive presentation slides that are available on the corporate website. While these briefings are also participated by foreign investors via conference calls, the relevant management personnel also attend conferences and roadshows to engage with these investors more effectively. IR unit works with its counterpart at its subsidiary in Indonesia, Bank Internasional Indonesia ("BII"), which is listed on the Indonesia Stock Exchange to provide analysts and investors with access to management of BII in order to ensure a better understanding of Maybank's operations in one of its key markets.

During the year, senior management participated in the following conferences and roadshows:-

| Event | Date | Broker | Location |
|---------------------------------|----------------|--------------------|--------------------------|
| 1 Non-deal roadshow | 7-8 Sep 2009 | UBS | Singapore |
| 2 Non-deal roadshow | 12-16 Oct 2009 | UBS | London, Boston, New York |
| 3 Non-deal roadshow/ conference | 23-24 Feb 2010 | CLSA | Singapore |
| 4 Non-deal roadshow | 1-2 Mar 2010 | UBS | Hong Kong |
| 5 Invest Malaysia | 30-31 Mar 2010 | Nomura/ Maybank-IB | Kuala Lumpur |

During the conferences and roadshows, senior management representatives communicated to investors the Group's strategy and latest updates on the progress of its various initiatives as well as the impact of new financial standards being adopted.

In addition, the Bank constantly engage with research analysts, institutional shareholders and fund managers on a one-to-one basis in meetings as well as teleconferences. In total, the Group held 174 meetings and met with 274 analysts and investors during the financial year.

Media coverage on the Group and senior management is also initiated proactively at regular intervals to provide wider publicity and improve general understanding of the Group's businesses.

March 2010 marked another step in the Group's efforts towards enhancing transparency and greater disclosure when Maybank introduced a new group corporate website (www.maybank.com). The website contains more comprehensive corporate and investor relations information for the Group than previously housed under the Group's consumer financial portal Maybank2u (www.maybank2u.com). The corporate website is regularly updated with corporate and financial news and developments, quarterly financial results and presentation slides as well as the statutory statements to the exchange and is a repository of previous annual reports and other financial documents.

In addition to the AGM in September 2009, Maybank held an Extraordinary General Meeting ("EGM") in May 2010 to obtain approval from shareholders for its proposed Dividend Reinvestment Plan ("DRP"). Being the first DRP in Malaysia, the Bank's senior management conducted a presentation to explain the details of the DRP to shareholders which led to greater understanding and their approval.

Maybank maintains its credit ratings by rating agencies Rating Agency Malaysia, Standard and Poor's, Fitch Ratings and Moody's Investors Services as part of providing an independent flow of information to stakeholders as well as to the general public.

For further information or queries on Investor Relations matters, the following management personnel may be contacted:-

Khairussaleh Ramli, Group Chief Financial Officer
Contact: (6)03 2074 4288
Email: khairul@maybank.com.my

Hazimi Kassim, Head, Strategy and Corporate Finance
Contact: (6)03 2074 8101
Email: hazimik@maybank.com.my

Raja Indra Putra Raja Ismail, Head, Investor Relations
Contact: (6)03 2074 8582
Email: rajaindra@maybank.com.my

GENERAL MEETINGS

The Group's EGMs and AGMs represent the primary platforms for direct two-way interaction between the shareholders, Board and senior management of the Group. In deference to shareholder democracy and the transparency policy adopted by the Group, shareholders' approval is required on all material issues including, but not limited to, the election and appointment of Directors, material mergers, acquisitions and divestments exercises, as well as the appointment of auditors and dividend payments.

The attendance of shareholders at the Group's general meetings has always been high as evidenced by the presence of about 2,000 shareholders at the AGM for the financial year 2009 and the EGM in May 2010 despite the institutional bias in the investor base.

In addition to the AGMs and EGMs, shareholders and market observers are also welcomed to raise queries at any time through the Corporate Affairs and Communications and Strategy and Corporate Finance Divisions.

OWNERSHIP STRUCTURE

The shares of Maybank are widely held with institutional shareholders dominating the ownership structure of Maybank. As at 30 June 2010, the top three shareholders are Skim Amanah Saham Bumiputra (ASB) with 44.04%, Employees Provident Fund Board with 10.75% and Permodalan Nasional Berhad (PNB) with 7.67% and accounting for a combined 62.46%.

Although the three top shareholders of Maybank accounted for more than half of the total paid up share capital of Maybank, Maybank is not subject to any biased influence from these shareholders and they do not hold management positions within the organisation. This arrangement ensures a high level of corporate governance and permits the Group to focus on continuously building value for all its shareholders.

Maybank's shareholding structure is transparent and is disclosed on pages 427 to 429 of this Annual Report. Any updates on the shareholding structure can be obtained on request from the designated management personnel on Investors Relations matters. The existing share structure consists entirely of ordinary shares and there are no different classes of ordinary shares. There is no foreign shareholding limit and the Memorandum and Articles of Association do not have any explicit provisions that may discourage any acquisition. However, the Bank is subject to BAFIA, which contains certain restrictions on share ownership.

As part of Maybank's effort to expand its liquidity and shareholder base, it has established a Sponsored Level 1 American Depository Receipt Programme (ADR) which is

traded Over-the-Counter in United States of America since May 2005 on the basis of 1 ADR equivalent to 2 Maybank shares. Maybank Custody Services holds the securities for Maybank and the total number of ADRs outstanding is 6,660,677 as at 30 June 2010. The percentage of the securities for which the ADRs are issued against Maybank's issued and paid-up share capital is 0.09%.

ACCOUNTABILITY AND AUDIT

Financial Reporting and Disclosure

The Board has a fiduciary responsibility and takes it upon itself to present to the shareholders and the public at large, a clear, balanced and meaningful evaluation of the Group's financial position, performance and prospects. In order to meet the fiduciary responsibility expected of the Board, the Board with the assistance of the Audit Committee oversee the financial reporting process and the quality of the Group's financial statements to ensure that the reports present a true and fair view of the Group's performance.

The Board also ensures that the financial treatment of the consolidated accounts under the Group is based on the more stringent requirements and that the financial statements of Maybank are in compliance with the Malaysian Accounting Standards Board's (MASB) requirements, which in turn are in accordance with the International Accounting Standards (IAS).

The scope of the disclosure includes a review of the main sources of revenue by business activity and geography, past year performance analysis and financial adequacy, together with detailed explanation of the changes in the Balance Sheet and Profit and Loss Statement, to facilitate better understanding of the Group's operations. In addition to the Audited Report, the Group also releases its unaudited quarterly financial results on a timely basis. These are accessible on Maybank and Bursa Securities' websites.

Directors' Responsibility Statement in respect of the preparation of the Annual Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Bank as at the end of the accounting period and of the profit and loss and cashflow for the period then ended.

In preparing the financial statements, the Directors have applied suitable accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The Directors have also ensured that all applicable accounting standards have been followed and prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and of the Bank have adequate resources to continue in operational existence for the foreseeable future.

The Directors also have responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Bank and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965. The Directors generally have the duty to take such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

Internal Controls

The Board has overall responsibility for maintaining sound internal control systems that cover financial controls, operational and compliance controls and risk management to ensure shareholders' investments, customers' interests and the Group's assets are safeguarded. The Directors' Statement on Internal Control set out on pages 198 to 201 of this Annual Report provides an overview of the state of internal control within the Group.

Whistleblowing Policy

The Board is satisfied that an adequate framework on whistleblowing, specifically the Fraud Reporting Policy is in place, which had been implemented in 2004. All Group employees can raise their concerns regarding fraud, criminal activities, dishonesty and malpractice committed by another employee or any person who has dealings with the Bank via the following Fraud Reporting Hotline established by the Bank:-

- (i) Toll Free Message Recording Line
1-800-38-8833
- (ii) Protected Email Address
fraudline@maybank.com.my
- (iii) Secured P.O.Box Mail Address
P.O.Box 11635, 50752 Kuala Lumpur

The above mechanism protects employees who contemplate to “blow the whistle” against victimisation or harassment. The confidentiality of all matters raised and the identity of the whistleblower are protected under the Policy. Concerns raised anonymously may also be considered provided it is clear and specific. Further details of the Fraud Reporting Policy are set out on page 217 of this Annual Report.

Relationship with the Auditors

In accordance with industry practice, the Group Internal Audit regularly audits the internal control practices and reports significant findings to the Audit Committee with the recommended corrective actions. Thereafter, senior management is held responsible for ensuring that all these necessary actions on reported weaknesses are undertaken within an appropriate time frame. The Minutes of the Audit Committee are subsequently tabled to the Board for notation and served as reference especially if there were pertinent issues that the Committee wished to highlight to the Board.

The Audit Committee and the Board maintain great emphasis on the objectivity and independence of the Bank's Auditors, namely Messrs. Ernst & Young, in providing the relevant and transparent reports to the shareholders. As a measure of ensuring full disclosure of

matters, the Bank's Auditors are regularly invited to attend the Audit Committee Meeting as well as the AGM, apart from the twice yearly discussions with the Audit Committee without the presence of the senior management. A full report of the Audit Committee outlining its role in relation to the internal and external auditors is set out on pages 202 to 207 of this Annual Report.

Maybank Group's Code of Ethics and Conduct

Apart from the Directors' Code of Ethics as set out in the BNM/GP7-Part 1 Code of Ethics: Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry, and the Company Directors' Code of Ethics established by the Companies Commission of Malaysia, the Group also has a Code of Ethics and Conduct that sets out the sound principles and standards of good practice in the financial services industry, which are observed by the Directors and employees. Both Directors and employees are required to uphold the highest integrity in discharging their duties and in dealings with stakeholders, customers, fellow employees and regulators. This is in line with the Group's Core Values which give emphasis on behavioural ethics when dealing with third parties and fellow employees.

The Group communicates the Code to all Directors and employees upon commencement of their employment and is deemed to be part of the Terms and Conditions of Service. Further details of the Code of Ethics and Conduct can be found on page 219 of this Annual Report.

During the year, the Bank organised various activities/ workshops conducted by the relevant departments and units to reinforce and renew the commitment of the Directors and staff to uphold the Code as a reflection of professionalism and a lasting impression when dealing with customers, colleagues, shareholders, suppliers, communities and the environment.

Corporate Responsibility

The Board is satisfied that a good balance has been achieved between value creation and corporate responsibility. Details of the Group's corporate responsibility initiatives are set out on pages 164 to 173 of this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION AS AT 30 JUNE 2010

1. Utilisation of Proceeds

The Company's subsidiary, BII, had in April 2010 issued a Rp.1.407 trillion Rights Issue. The proceeds will be used principally for credit expansion as part of BII's plan to further grow its business and strengthen its capital structure.

2. Share Buy-back

The Company did not make any proposal for share buy-back during the financial year under review.

3. Options, warrants or convertible securities

Maybank did not issue any options, warrants or convertible securities during the financial year ended 30 June 2010.

4. Imposition of sanctions and/or penalties

Save for the following, there were no other sanctions and/or penalties imposed on Maybank by the relevant regulatory bodies, which were made public during the financial year under review:-

- (i) Following the global financial crisis, the Monetary Authority of Singapore ("MAS") had looked into the sale and marketing of structured notes linked to Lehman Brothers by 10 financial institutions in Singapore and directed suspension on sale of structured notes by these institutions for periods ranging from 6 months to 2 years. Maybank Singapore was one of the financial institutions placed on a 6-month suspension period and the directive has been uplifted on 12 February 2010.

5. Non-audit fees

Non-audit fees payable to the external auditors, Messrs. Ernst & Young, for the year amounted to RM3,452,000 for the Group and RM2,543,000 for the Bank.

6. Variation in results

There was no profit forecast issued by Maybank and its subsidiary companies during the year.

7. Profit guarantee

There was no profit guarantee issued by Maybank and its subsidiary companies during the year.

8. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders, either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

9. Valuation Policy

The Company does not value its landed properties classified as Property and Equipment. The revaluation policy on landed properties classified as Investment Properties are disclosed in Note 3(ix) of the financial statements.

10. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")

The Company did not seek any mandate from its shareholders nor enter into any RRPT, which are necessary for its day-to-day operation on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders for the financial year under review.

This statement is made in accordance with a resolution of the Board dated 20 August 2010.



Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor
Chairman of the Board

statement on internal control



Introduction

Paragraph 15.26(b) of the Bursa Malaysia Securities Bhd Listing Requirements requires the Board to include in its Company Annual Report a statement about the state of its internal control. The revised Malaysian Code on Corporate Governance (2007) requires all listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.

Accordingly, the Board is pleased to provide the Statement on Internal Control ("Statement") that was prepared in accordance with the "Guidance for Directors of Public Listed Company" issued by Bursa Malaysia Securities Bhd which outlines the processes that the Board has adopted in reviewing the adequacy and integrity of the system of internal control of the Group.

Responsibility

The Board acknowledges its overall responsibility for maintaining sound internal control systems to safeguard the shareholders' interest and the Group's assets. The Board is of the view that the internal control framework is designed to manage the Group's risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable, rather than absolute assurance of effectiveness against material misstatement of management and financial information or against financial losses and fraud.

The Board has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of business objectives. The process which has been instituted throughout the Group is updated and reviewed from time to time to suit the changes in the business environment and this on-going process has been in place for the whole financial year under review.

The role of Management includes:-

- identifying and evaluating the risks faced;
- formulating related policies and procedures to manage these risks;
- designing, operating and monitoring a suitable system of internal controls; and
- implementing the policies approved by the Board

Control Structure

The key processes that the Directors have established in reviewing the adequacy and integrity of the system of internal controls include the following:-

Risk Management Framework

- The Board has established an organisation structure with clearly defined lines of responsibility, authority limits and accountability aligned to business and operations requirements which support the maintenance of a strong control environment. It has extended the responsibilities of the Audit Committee to include the assessment of internal controls, through the Internal Audit ("IA") function.
- The Board has also delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee. The effectiveness of the risk management system is monitored and evaluated by the Group Risk Management function, on an ongoing basis.
- Risk management principles, policies, procedures and practices are updated regularly to ensure relevance and compliance with current/applicable laws and regulations, and are made available to all employees. The Group also adopted a whistle blowing policy, providing an avenue for employees to report actual or suspected malpractice, misconduct or violations of the company's policies and regulations in a safe and confidential manner.
- A written Management Control Policy (MCP) and Internal Control Policy (ICP) from Management are in place. The MCP outlines the specific responsibilities of the various parties i.e. the Management, the Internal Audit Committee and the Audit Committee of the Board pertaining to internal control for Maybank

Group. The ICP is to create awareness among all the employees with regards to the internal control components and the basic control policy of Maybank Group.

- Establishment of the three (3) lines of Defence concept – risk taking units, risk control units and internal audit. 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 framework and developing tools and methodologies. Complementing this is internal audit, which provides independent assurance of the effectiveness of the risk management approach.

Internal Audit Function

- The Internal Audit function includes undertaking regular reviews of the Group's operations, the systems of internal control by performing regular reviews of the business processes to examine and evaluate the adequacy and efficiency of financial and operating controls and highlights significant risks and non compliance impacting the Group. Where applicable, they provide recommendations to improve on the effectiveness of risk management, control and governance process. Management will follow up and review the status of actions on recommendations made by the internal and external auditors. Audits are carried out on units that are identified premised on a risk based approach, in cognisance with the Group's objectives and policies in the context of its evolving business and regulatory environment, taking into consideration input of the senior management and the Board.

- The Audit Committee of the Board (ACB) regularly reviews the actions taken on internal control issues identified in reports prepared by Internal Audit, the external auditors, regulatory authorities and further evaluates the effectiveness and adequacy of the Group's internal control system. The ACB has active oversight on the internal audit's independence, scope of work and resources. It also reviews the Internal Audit function, particularly the scope of the annual audit plan and frequency of the internal audit activities.

Other key elements of internal control

The other key elements of the procedures established by the Board that provides effective internal control include:-

- An annual business plan and budget is submitted to the Board for approval. Actual performances are reviewed against the targeted results on a monthly basis allowing timely responses and corrective actions to be taken to mitigate risks. The Board reviews regular reports from the management on the key operating statistics, as well as legal and regulatory matters. The Board also approves any changes or amendments to the Group's policies.
- Several Board Committees are set up to assist the Board to perform its oversight functions. Specific responsibilities have been delegated to these Board Committees, all of which have formalised terms of reference. These Committees have the authority to examine all matters within their scope and report to the Board with their recommendations. For more details on the various Board Committees, please refer to pages 189 to 192.
- Group Executive Committee (previously the Group Management Committee), Group Staff Committee, Executive Risk Committee, Asset & Liability Management Committee, Group Management Credit Committee, Internal Audit Committee, Group Procurement Committee, Group IT Steering Committee and Human Resource Disciplinary Committee are also established as part of its stewardship function to ensure effective management and supervision of the areas under the respective Committees' purview.
- Recruitment and promotion policies/guidelines within the Group are established to ensure appropriate persons of calibre are selected to fill available positions. Formal training programmes either face-to-face or through e-learning, semi and annual performance appraisals and other relevant procedures are in place to ensure that staff are competent and adequately trained to enable them to discharge their duties and responsibilities effectively. Proper guidelines are also drawn up for termination of staff.
- A clearly defined framework with appropriate empowerment and authority limits has been approved by the Board for acquisitions and disposals of assets, awarding tenders, writing off operational and credit items, donations, as well as approving general and operational expenses.
- There are policies and procedures in place to ensure compliance with internal control and the prescribed laws and regulations. These policies and procedures are set out in the Group's Standard Practice Instruction and are updated from time to time in tandem with changes to the business environment or regulatory guidelines.

Note: With effect from 1 July 2010, Maybank has reorganised its corporate structure and the brief details of this new structure is highlighted in page 9.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Internal Control for inclusion in the annual report for the financial year ended 30 June 2010.

The external auditors conducted the review in accordance with the "Recommended Practice Guide 5: Guidance for Auditors on the Review of Directors' Statement on Internal Control" ("RPG 5") issued by the Malaysian Institute of Accountants. The review has been conducted to assess whether the Statement on Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the processes the Directors had adopted in reviewing the adequacy and integrity of the system of internal controls of the Group.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Internal Control covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. RPG 5 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant matters disclosed in the annual report will, in fact, mitigate the risks identified or remedy the potential problems.

Based on their review, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that the Statement on Internal Control is inconsistent with their understanding of the processes the Board have adopted in the review of the adequacy and integrity of the internal control of the Group.

auditcommittee report



A. COMPOSITION AND TERMS OF REFERENCE

Composition

1. The Committee shall be appointed by the Board of Directors from amongst its non-executive directors and shall consist of at least (3) three members. The Chairman and the majority of the Audit Committee members must be independent directors and at least one (1) member of the committee must be:-
 - a member of the Malaysian Institute of Accountants (MIA); or
 - if he is not a member of the MIA, he must have at least three (3) years working experience; and
 - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - ii he must be a member of one (1) of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.
2. Where the Chairman is unable to attend the meeting, the members shall elect a person among themselves as Chairman.
3. Review of membership is undertaken once every three (3) years. This review pertains to the terms of office and performance of the members.

Meetings

1. Meetings shall be held at least once a month or at a frequency to be decided by the Committee and the Committee may invite any person to be in attendance to assist in its deliberations. At least once a year, the Committee shall meet with the external auditor without the presence of Management.
2. The Committee will regulate its own procedure particularly with regard to the calling of meetings, the notice to be given of such meetings, the voting and proceedings of such meetings, the keeping of minutes and the custody, production and inspection of such minutes.
3. Upon the request of the external auditor, a meeting is to be convened to consider any matter that the auditor believes should be brought to the attention of the directors and shareholders.

Quorum

The quorum shall be three (3) with majority to be independent directors.

Secretary

The General Counsel & Company Secretary, En. Mohd Nazlan Mohd Ghazali is the Secretary to the ACB.

Authority

The Committee is authorised by the Board to:

1. Investigate any activity or matter within its terms of reference.
2. Promptly report to Bursa Malaysia Securities Berhad ("Bursa Securities") matters which have not been resolved satisfactorily, thus, resulting in a breach of the Bursa Securities Listing Requirements.

3. Obtain external independent professional advice, legal or otherwise deemed necessary.
4. Maintain direct communication channels with external auditors, person(s) carrying out the internal audit function or activity and with senior management of the Bank and its subsidiaries.
5. Convene meetings with internal and external auditors, without the attendance of the management, whenever deemed necessary.

In discharging the above functions, the ACB has also been empowered by the Board to have:-

- Necessary resources which are required to perform its duties.
- Full and unrestricted access to any information and documents relevant to its activities.

B. DUTIES & RESPONSIBILITIES

The primary duties and responsibilities of the ACB with regards to the Maybank Group's Internal Audit function, external auditors, financial reporting, related party transactions, annual reporting and investigation are as follows:-

1. Internal Audit

- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function, Internal Audit Charter and that it has the necessary authority to carry out its work.
- Review the internal audit reports and to ensure that appropriate and prompt remedial action is taken by Management on lapses in controls or procedures that are identified by internal audit.
- Approve the appointment or termination of the Chief Audit Executive and Heads of Department of Internal Audit.

- Assess the performance of the internal auditor; determine/approve the remuneration and annual increment of the internal auditor.
- Take cognisance of resignation of internal audit staff and the reason for resigning.

2. External Audit

- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board.
- Assess the qualification, expertise, resources and effectiveness of the external auditors.
- Monitor the effectiveness of the external auditors' performance and their independence and objectivity.
- Review the external auditors' audit scope and plan, including any changes to the planned scope of the audit plan.
- Review major audit findings raised by the external auditors and Management's responses, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the external auditors and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- Approve non audit services provided by the external auditors.

3. Financial Reporting

Review the quarterly and year-end financial statements focusing on:-

- any changes in accounting policy and practices.
- significant and unusual events and
- compliance with applicable Financial Reporting Standards and other legal and regulatory requirements.

4. Related Party Transactions

Review any related party transactions and conflict of interest situations that may arise within the Bank or Maybank Group including transactions, procedures or courses of conduct that may raise questions of Management's integrity.

5. Annual Report

Report the Audit Committee's activities for the financial year.

6. Investigation

Instruct the conduct of investigation into any activity or matter within its terms of reference.

7. Other Matters

Other matters as the Committee considers appropriate or as authorised by the Board of Directors.

C ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

During the year under review, the Audit Committee in the discharge of its duties and functions carried out the following activities:

Attendance of meetings

A total of 17 meetings are held for the Financial Year. The details of attendance of each of the members at the Committee meetings held during the year are as follows:-

| Composition and name of committee member | No. of meetings attended whilst in office |
|---|---|
| 1 Tan Sri Datuk Dr Hadenan A. Jalil (Chairman) – Appointed on 15 July 2009 – Independent Non-Executive Director | 17/17 |
| 2 Dato' Seri Ismail Shahudin (member) – Appointed on 15 July 2009 and resigned as member w.e.f. 16 July 2010 – Independent Non-Executive Director | 13/17 |
| 3 En Zainal Abidin Jamal (member) – Appointed on 22 July 2009 – Non-Independent Non-Executive Director | 16/17 |
| 4 En Cheah Teik Seng (member) – Appointed on 26 August 2009 – Independent Non-Executive Director | 11/11 |
| 5 Dato' Johan Ariffin (member) – Appointed on 26 August 2009 – Independent Non-Executive Director | 10/11 |

The Audit Committee consists of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. One of the members (En Cheah Teik Seng) is a Fellow of the Institute of Chartered Accountants in England and Wales. This meets the requirement of Section 15.09(1) of the Bursa Securities Listing Requirements which requires at least one qualified accountant as a member of the Audit Committee.

The Audit Committee meets on a scheduled basis at least once a month. The Chief Operating Officer (COO) and the Chief Audit Executive (CAE) are invited to attend the meetings. The External Auditors are also invited to discuss their management letters, Audit Planning Memorandum and other matters deemed relevant.

In addition to the monthly scheduled meetings, the members of the Audit Committee also had two (2) one-to-one sessions with the External Auditors without the presence of the Management as required.

The Audit Committee also meets to discuss and review the quarterly unaudited financial results and the annual audited financial statements of the Bank and the Maybank Group. The President & CEO (PCEO) and the Group Chief Financial Officer (GCFO) are invited to attend these meetings, together with the External Auditors.

Note: The Chief Operating Officer (COO) has since retired on 1 July 2010 and the GCFO is invited to attend the meetings with effect from July 2010.

Internal Audit Committee

The Internal Audit Committee (IAC) is a management committee chaired by the GCFO and comprises senior level representatives from a broad range of business and support units of the Bank. The IAC meets every fortnight to deliberate on the findings of all signed audit and investigation reports and decide on the appropriate action required to resolve audit issues covering all aspects of the Bank's business and operations.

Where required, representatives from the parties being audited are requested to attend the IAC meeting to enable more detailed deliberation and speedy resolution of the matter at hand.

Minutes of the IAC meeting are then tabled to the ACB together with the audit reports. IAC also follows up on the actions required by the ACB.

Internal Audit (IA)

1. Reviewed the annual internal audit plan for the financial year 2009/2010 to ensure adequate scope, coverage over the activities of the Bank and the Group and the resource requirements of internal audit to carry out its functions.
2. Reviewed the internal audit reports, audit recommendations and management's responses to these recommendations.
3. Reviewed the status report on Management's efforts to rectify the outstanding audit issues to ensure control lapses are addressed.
4. Reviewed the monthly audit performance reports to ensure the adequacy, performance, progress, achievement and coverage of the internal audit functions.
5. Reviewed the audit reports issued by regulatory authorities, Management's responses to the Regulators' recommendations and the remedial actions taken to rectify the weaknesses detected.
6. Deliberated the minutes of meetings of the subsidiary companies' ACB for an overview of the risk management and internal control systems of those subsidiary companies.
7. Examined the adequacy of the skills, knowledge and core competencies of the internal auditor.
8. Provided independent evaluation on the performance and remuneration package of audit staff in accordance with the requirements of Garis Panduan 1 of Bank Negara Malaysia.
9. Instructed the conduct of investigation into any activity or matter within its terms of reference.

10. Approved the appointment of audit staff in key positions and noted the reasons for the resignation of audit staff.
11. Reviewed the Audit Committee Report and Statement on Internal Control.
12. Reviewed the Internal Audit Committees' minutes of meetings for an overview of the deliberation and remedial actions taken by Management on the control lapses raised by internal auditors.

Financial Reporting

13. Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Bank and the Maybank Group to ensure that the financial reporting and disclosure requirements are in compliance with the relevant acts, rules and regulations.

External Audit

14. Reviewed with the external auditors:-
 - Their Audit Planning Memorandum and scope of work for the year.
 - The results of the audit, the relevant audit reports and Management Letters together with Management's responses/comments to the findings.
15. Approved the non-audit services provided by the external auditors.
16. Evaluated the performance of the external auditors and made recommendations to the Board on their appointment, scope of work and audit fees.

Directors' Training

17. The training attended by the Committees is reported under the Statement on Corporate Governance in pages 187 and 188.

E. INTERNAL AUDIT FUNCTION

The Group has a well established in-house Internal Audit (IA) to assist the Board of Directors to oversee that Management has in place a sound risk management, internal control and governance system. The costs incurred for maintaining the IA function for the year under review was approximately RM30.0 million, comprising mainly salaries, travelling and accommodation expenses and subsistence allowances for audit assignments.

The internal audit function is guided by its Audit Charter and reports functionally to the ACB of the Bank and administratively to the President & CEO, and is independent of the activities or operations of other operating units. The principal responsibility of IA is to undertake regular and systematic reviews of the systems of internal control, so as to provide reasonable assurance that such systems continue to operate efficiently and effectively. The scope of coverage of IA encompasses all units and operations of the Bank, including the subsidiaries. The selection of the units to be audited from the audit universe leading to the formulation of the audit plan is premised on a risk based approach and it is the responsibility of the IA to provide the ACB with an independent and objective report on the state of affairs of the risk management, internal control and governance processes.

The internal audit function for Maybank operations and its subsidiary companies in Malaysia and Papua New Guinea is organised on a Group basis within Maybank. Technical support in the areas of credit risk, market risk, information technology systems and developmental initiatives are centrally driven to ensure consistency of standards and applications. The ACB reviews and approves Maybank IA's human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors. The internal audit functions for the respective subsidiary companies in Philippines and

Indonesia are organised and supported by the respective resident internal audit teams with direct accountability to the respective Board Audit Committees of these subsidiary companies.

The audit reports which provide the results of the audit conducted in terms of the risk management of the unit, operating effectiveness of internal controls, compliance with internal and regulatory requirements and overall management of the unit are submitted to the respective ACB for their review. Key control issues, significant risks and recommendations are highlighted, along with Management's responses and action plans for improvement and/or rectification, where applicable. This enables the ACB to execute its oversight function by forming an opinion on the adequacy of measures undertaken by Management.

The International Standards for the Professional Practice of Internal Auditing (SPPIA) of the Institute of Internal Auditors (IIA), the Practice Advisories issued by the IIA, the Guidelines on Internal Audit Functions, Bank Negara Malaysia's Garis Panduan 10 (GP10), Garis Panduan Insurance 13 (GPI 13) and Guidelines on Management of IT Environment (BNM/GPIS1) are used where relevant as authoritative guides for internal auditing procedures.

During the year under review, the following activities were carried out by IA:-

1. Executed independent assurance role through programmed reviews of units and operations identified on a risk based audit approach in the annual audit plan, to evaluate and improve the effectiveness of risk management, internal control and governance processes.
2. Reviewed the adequacy and appropriateness of the internal controls and risk exposures in the new products/financing packages.
3. Ascertained the extent of compliance with established policies and procedures and statutory requirements.
4. Besides the risk assurance activities, IA also conducts audits on computer hardware, operating and application systems as well as the information communication technology (ICT) network of Maybank Group.
5. Carried out ad hoc assignments and special reviews as instructed by the ACB.
6. Recommended improvements and enhancements to the existing system of internal control and work procedures/processes.
7. Developed annual audit plan premised on a risk based approach and in cognisance with the Group's objectives and policies in the context of its evolving business environment, taking into consideration input from Senior Management and the ACB.
8. Carried out audit investigation into activities or matters as instructed by the ACB and Senior Management.
9. Witnessed the tender opening process for procurement of services.
10. Preparation of Audit Committee Report and Statement on Internal Control for the Company's Annual Report 2009/2010.

riskmanagement

Overview

The management of risk lies at the heart of Maybank Group's business. All of the Group's activities involve the measurement, evaluation, acceptance and management of risks or combination of risks. The Group proactively manages the various risks posed by the rapidly changing business environment. These risks, which include credit risk, market risk, liquidity risk and operational risk, are comprehensively dealt with and systematically managed within established limits and controls.

Initiatives under the Basel II programme have been a major catalyst and contributor to the enhancement of risk management practices within the Group, further embedding the risk culture and best practice methodologies in Group operations. We are pleased to announce that Bank Negara Malaysia (BNM) has approved Maybank and Maybank Islamic to migrate fully to the Basel II Internal Ratings-based (IRB) approach for credit risk from 1 July 2010.

The risk management framework that Maybank Group has put in place is designed to meet these challenges. Various aspects of this framework are described below.



Risk Governance Structure

The Board of Directors has overall risk oversight responsibility and approves the Group's risk management framework, risk appetite, plans and performance targets. The Board of Directors is assisted by the following Board and Management Level Risk Committees:

| BOARD | MANAGEMENT |
|---|--|
| <ul style="list-style-type: none"> ○ Risk Management Committee (RMC) | <ul style="list-style-type: none"> ○ Executive Risk Committee (ERC) ○ Asset & Liability Management Committee (ALCO) |
| <p>The RMC is a dedicated Board Committee responsible for the risk oversight function within the Bank. It is principally responsible to review and approve key risk frameworks and policies for the various categories of risk.</p> | <p>The ERC and ALCO are Management-level committees responsible for the management of all material risks within the Bank. The scope of the ERC encompasses all risk types except market and liquidity risks, which are within the purview of the ALCO.</p> |

The Risk function is independent of the origination and sales functions to ensure the necessary balance in risk/return decisions.

The Risk function is also responsible for implementing and maintaining the Group's Risk Management Framework, ensuring that it remains relevant and appropriate to the Group's activities. Other functions include administering risk-related governance and reporting processes.

Risk Appetite

The formulation of risk appetite takes into consideration Maybank Group's risk capacity, its financial position, the strength of its core earnings and the resilience of its reputation and brand.

Risk Strategy

Maybank Group's risk management strategy is targeted at ensuring pre-emptive risk planning through:

Economic and Industry Research

Close monitoring of major and relevant economies including Malaysia through selective economic indicators are used as early warning signals to manage Maybank Group's exposures. These indicators are taken into account when developing the Bank's long-term lending strategy and asset growth plans. At the tactical level, medium-term industry trend information is used by the relationship managers to develop appropriate actions in making risk informed business decisions.

New Supervisory Requirements

Maybank Group assesses the impact of various regulatory changes in Malaysia and markets in which the Group has a presence. The thematic assessments deliberated include the impact of new liquidity requirements issued by the Basel Committee on Banking Supervision and Financial

Services Authority, United Kingdom to strengthen liquidity management as well as the impact on capital requirements based on the "Basel III" concept paper.

Capital Management

The impact of the overall net risk earnings and adequacy of Maybank Group's capital to support the risk taking activities is assessed through Group-wide and business level stress tests as well as periodic reviews of the stress events library. Relevant business units are alerted on possible defensive actions.

Holistic Enterprise Risk Management Approach

In light of Maybank Group's operating structure and geographic expansion, the Group continuously enhances its integrated risk management approach towards the effective management of enterprise-wide risks.

The Group views the Enterprise Risk Management (ERM) process as a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risks in line with enhancing shareholder value. This comprehensive risk and capital assessment process is commonly known as the Internal Capital Adequacy Assessment Process (ICAAP) under Pillar 2 of Basel II. The range of risks that need to be covered by ICAAP is much broader than Pillar 1 of Basel II, which covers only credit risk, market risk and operational risk.

Moving forward, the Group shall provide additional public disclosures on the risk profiles, capital adequacy and other requirements based on disclosure requirements as per Pillar 3 of Basel II.

The Group has adopted and consistently practised the Seven Broad Principles of Risk Management to ensure integration in purpose, policy, methodology and risk culture.

Maybank Group's Seven Broad Principles of Risk Management

The **Seven Broad Principles** define the key principles of accountability, independence, structure and scope.

| No | Principles |
|----|---|
| 1. | The risk management approach is premised on three lines of defence – risk taking units, risk control units and internal audit. |
| 2. | 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 risk. Complementing this is internal audit which provides independent assurance of the effectiveness of the risk management approach. |
| 3. | Risk management provides risk oversight for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks. |
| 4. | 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. |
| 5. | Risk management is functionally and organisationally independent of the business sectors and other risk taking units within the Maybank Group. |
| 6. | The Maybank Board, through the Board Risk Management Committee, maintains overall responsibility for risk oversight within the Group. |
| 7. | Risk management is responsible for the execution of various risk policies and related business decisions empowered by the Board. |

To promote risk culture, Maybank Group concentrated on the following:

Embedded Risk Management Units

The RMC has approved the establishment of embedded risk management units (ERU) within the selected key business sectors. The approved terms of reference of the ERU include assessment and review of material risks faced by the business sectors as guided by the overall risk management approach of the Bank.

Maybank Islamic Berhad (MIB)

MIB adopts the same principles and standards as Maybank in setting its risk management framework while ensuring the framework is consistent with Shariah requirements set out by the Islamic Financial Services Board (IFSB) and Bank Negara Malaysia (BNM).

At present, MIB manages its credit and operational risks while the management of market and liquidity risk relating to Islamic banking is carried out by Risk Management, Maybank. Moving forward, market and liquidity risk management relating to Islamic banking will be gradually placed under the purview of MIB.

The MIB Shariah Committee advises on the overall Islamic Banking operations of MIB's business to ensure compliance with the Shariah requirements.

Credit Risk

Credit Risk Definition

Credit risk arises as a result of customers' or counterparties' failure or unwillingness to fulfill their financial and contractual obligations as and when they arise. These obligations arise from the Bank's direct lending operations, trade finance and its funding, investment and trading activities.

Management of Credit Risk

Corporate and institutional credit risks are assessed by the business units and approved by an independent party. Each customer is assigned a credit rating based on the assessment of relevant factors including the customer's financial position and types of facilities and securities offered.

Reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic condition and account conduct. Corrective actions are taken when the accounts show signs of credit deterioration.

To manage large exposures, the Group has in place various limits and related lending guidelines to avoid undue concentration of credit risk in its loan portfolio.

To manage vulnerable corporate and institutional credit effectively, there are dedicated teams comprising Corporate Remedial Management at Head Office and Loan Management Centres at Regional Offices.

A post-approval evaluation of credit facilities is performed by the Credit Review team, with checks to ensure that credit facilities are properly appraised and approved. The team also reviews credit applications with overrides and/or policy breaches to assess the adequacy of justification and mitigation when approving such overrides/breaches.

A dedicated Credit Policy & Portfolio Management team designs strategies to achieve a desired ideal portfolio risk tolerance level. The teams also prepare regular credit risk reports which are submitted to the various risk committees as part of on-going monitoring and review of borrowers and loan portfolios. Periodic credit stress tests under selected scenarios are also performed and the results reported.

Credit Risk Management Framework

The Credit Risk Management (CRM) framework includes comprehensive credit risk policies, frameworks, tools and methodologies for the identification, measurement, monitoring and control of credit risk on a consistent basis. Components of the CRM framework constitute:

- Strong emphasis in creating and enhancing credit risk awareness.
- Comprehensive selection and training of lending personnel in the management of credit risk.
- Leveraging on knowledge sharing tools including e-learning courses to enhance credit skills within the Group.

The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. The Credit Risk Management sub-sector (CRM) is responsible for developing, enhancing and communicating an effective and consistent credit risk management framework across the Group to ensure appropriate credit policies are in place to identify, measure, control and monitor such risks.

In view that authority limits are directly related to the risk levels of the borrower and transaction, a Risk-Based Authority Limit structure was implemented based on the Expected Loss framework and internally developed Credit Risk Rating System (CRRS).

Credit Risk Assessed Using Internal Ratings-Based Approach

The Maybank Group adopts various rating systems for different asset classes under the Internal Ratings-Based (IRB) Approach. There is a governance process within the Group for the development and approval of credit risk models.

Basel II Approach for Retail Exposures

Maybank Group adopts the Advanced Internal Ratings-Based (AIRB) approach for its Retail portfolios. As the approach calls for the Bank's own internal experience-based estimations for all the three components of Risk Weighted Assets (RWA) calculation, namely Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), statistical models were developed to meet the requirements.

Credit Exposures Subject to Standardised Approach (SA)

The Standardised Approach (SA) is applied to portfolios that are classified as permanently exempt from the IRB approach, and those portfolios that are currently in transition to the IRB Approach in accordance with the Group's Basel II Master Plan.

The risk weights applied under SA are prescribed by the regulator (BNM) based on the asset class to which the exposure is assigned.

Counterparty Risk Management

Counterparty credit risk is the risk of the Bank's counterparty defaulting in transactions involving foreign exchange, interest rate, commodity, equity and derivatives prior to the successful completion of the said transaction. Counterparty credit risk occurs both in the trading and banking books and arises for Over-the-Counter (OTC) derivatives.

Limits

Counterparty credit risk exposures are managed via limits set up on a counterparty group basis in line with Bank Negara Malaysia's (BNM) guidelines. These exposures are actively monitored to protect the Bank's balance sheet in the event of counterparty default. The Bank monitors and manages its exposures to counterparties in OTC derivatives on a day-to-day basis.

Market Risk

Maybank Group recognises market risk as the risk of losses in earnings and capital resulting from changes in market prices and interest rates. The Group's market risk exposures are primarily from proprietary trading and customer driven activities. The primary categories of market risk for Maybank Group are:

- interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
- foreign exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options;
- commodity price risk: arising from changes in commodity prices and commodity option implied volatilities; and
- equity price risk: arising from changes in the price of equities, equity indices, equity baskets and implied volatilities on related options.

Management of Market Risk

Market Risk Management (MRM) is an independent risk control unit and is responsible for ensuring that market risk management frameworks are implemented and that adequate risk controls are in place to support business growth. Its primary objectives are to facilitate risk/return decisions, reduce volatility in earnings, and highlight the market risk and liquidity risk profile to senior management, ALCO, RMC, the Board of Directors and regulators.

Market Risk Management Framework

The Market Risk Management Framework covers key risk management activities such as identification, measurement, monitoring, control and reporting of the market risk exposures, which are benchmarked against industry best practices and regulatory requirements. The principles mentioned under the framework are intended for trading and non-trading activities.

Measurement and Monitoring

The risk measurement techniques employed by the Group comprise both quantitative and qualitative measures.

Value at Risk

Value at Risk (VaR) measures the potential loss of future value resulting from adverse movement in market rates over a specified period of time within a specified confidence level, under a normal business situation. The Group's VaR is computed based on the Historical Simulation approach on a 10-day holding period at 99% confidence for one-year observation period as per Bank Negara Malaysia requirements. To ensure the relevancy and accuracy of the VaR computation, VaR is back-tested on a daily basis against actual clean profit and loss. It is also validated by an independent model validation team.

Besides Value at Risk (VaR), other risk management tools used include interest rate sensitivity e.g. exposure to a one basis point increase in yields (PV01), net open position limit for managing foreign currency exposure, and Greek limits for controlling options risk.

Stress Testing

To supplement the valuable insight from VaR measurement, the Group performs stress tests to assess its ability to withstand changes or stresses in the economic and financial conditions that could negatively affect the Group's profitability and capital base. By identifying and evaluating the business risk profile, the Group is able to undertake appropriate measures. Stress test scenarios cover a range of factors that can create extraordinary losses or gains in trading portfolios, or make the control of risk in those portfolios very difficult.

Framework of Interest Rate/Rate of Return Risk in the Banking Book

Interest rate risk (IRR) or rate of return risk (RoR) is the risk of loss to both earnings and economic capital of the Group arising from adverse movements in interest rates. The Group emphasises the importance of managing interest rate risk in the banking book as most of the balance sheet items of the Group generate interest income and interest expense which are indexed to interest rates. Volatility of earnings is an important focal point for interest rate risk analysis as reduction in earnings will pose a threat to the Group's capital adequacy.

Repricing Gap Analysis

The Group quantifies interest rate risk in the banking book by analysing the repricing mismatch between rate sensitive assets and rate sensitive liabilities. One of the challenges in analysing this risk arises from the quality of assumptions regarding embedded optionality of certain products such as prepayment of housing loans and hire purchase loans and effective duration of liabilities which are contractually repayable on demand such as current accounts and savings accounts.

Dynamic Simulation

The Group also performs dynamic simulation analysis to assess the variation in earnings under different rate scenarios (including the standardised rate shock of ± 200 basis points per Basel II requirements) from the Bank's pro-forma balance sheet. The analysis incorporates business assumptions obtained from various lines of business and behavioral assumptions established from statistical and non-statistical methods. The impact on earnings is measured against the approved earnings at risk limit where new business and hedging strategies are carried out to mitigate the increasing interest rate risk / rate of return risk.

Economic Value at Risk

By taking a more comprehensive view of potential long-term effects of the Group's overall exposure, the impact on economic value is also measured.

The vulnerability under stressed market conditions, like abrupt changes in the level of the term structure of interest rate risk, is measured by performing stress tests on the Bank's current position on a regular basis.

Liquidity Risk

Liquidity is the ability of the bank to fund increases in assets and meet obligations as they are due, without incurring unacceptable losses.

Liquidity Risk Management Framework

The Group employs BNM's Liquidity Framework and leading practices as a foundation to manage and measure its liquidity risk exposure. The Group also uses a range of tools to monitor and limit liquidity risk exposure such as liquidity gap, early warning signals, liquidity indicators and stress testing. The liquidity positions of the Group are monitored regularly against the established policies, procedures and limits.

Diversification of Liquidity Sources

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, provider, product and term. The Group has a diversified liability structure to meet its funding requirements. The primary source of funding include customer deposits, interbank deposits, debt securities, bank loan syndication and medium term funds. The Group also reviews, initiates and implements strategic fund-raising programmes as well as institutes standby lines with external parties on a need basis.

The Bank's funding diversification is augmented with monitoring of concentration by maturity to avoid having many debt repayments at any one time.

Liquidity Buffers

Maybank Group maintains a portfolio of highly liquid instruments on its balance sheet that can be drawn upon when needed. These liquid assets include cash and government bonds and high credit quality private securities that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow.

Stress Testing and Contingency Funding Plan

The Group uses stress testing and scenario analysis to evaluate the impact of sudden stress events on its liquidity. Scenarios are based on hypothetical events that include bank specific crisis and general market crisis scenarios. The stress test results provide an insight to the Bank's funding requirements at different levels of stress and are closely linked to the Group's Contingency Funding Plan (CFP), which provides a systemic approach in handling any unexpected liquidity disruptions.

Capital Treatment for Market Risk

At the Group and Global consolidated level, Maybank computes the minimum capital requirements against market risk in the trading portfolio per Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework under Standardised Approach. This is imperative as the capital serves as a financial buffer to withstand any adverse market risk movements. Interest rate risk and foreign currency risk are the primary risk factors experienced in the Group's trading and non-trading activities.

The Group's policies, processes and controls are designed to achieve a balance between exploiting trading opportunities and managing earnings volatility within a framework of sound and prudent practices. All positions are marked to market on a consistent and daily basis using quoted prices within active markets. Where this is not possible, positions are marked to model using models which have been independently validated by the Model

Validation Team. The valuations are reviewed on a regular basis and adjusted to incorporate elements such as counterparty risk, bid/ask spreads and market liquidity that is in line with the FRS 139 standards.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Management of Operational Risk

The Operational Risk Management Unit (ORM) is responsible for the formulation and implementation of the operational risk framework within the Maybank Group, which encompasses the operational risk management strategy and governance structure. Another key function is the development and implementation of operational risk management tools and methodologies to identify, measure, monitor and control operational risks.

Risk taking units (Business/Support Sectors) 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 establishing and

maintaining their respective operational manuals and ensuring that activities undertaken comply with the Group's operational risk management framework.

Risk Officers and Risk Representatives have been appointed within the various Business and Support Sectors (BSSs) of the Group and are responsible for implementing and executing the operational risk management processes and tools. They are also responsible for the investigation of operational losses, monitoring and analysis of risk trends and staff training on operational risk management practices and governance.

Operational Risk Management Framework



Maybank Group's Operational Risk Management Framework focuses on the five causal factors of operational risk, i.e. internal processes, people, systems, external events and legal. It provides a transparent and formalised framework aligned to business objectives within which the Board of Directors, management teams, staff and contractors can discharge their operational risk management responsibilities.

Operational Risk Management Methodology and Tools

A variety of methodologies and tools have been implemented to effectively identify, assess, measure and report operational risk exposures on a timely basis, thereby serving as tools to facilitate decision-making and enhance the operational risk management process.

Operational Risk Measurement and Monitoring

The key methods and tools used to measure and monitor operational risks are as follows:

- Risk & Control Self Assessment (RCSA)
RCSA is a process of continual assessment of inherent operational risks and controls to identify control gaps and to develop action plans to close the gaps. It is a risk profiling tool which facilitates effective operational risk management for the Group.

BSSs undertake the RCSA exercise to give due focus in the review of business processes to enhance critical operations and controls, especially those assessed to be in the 'Caution' and 'Alert' categories.

The sector level risk profiling exercises are compiled to establish the Maybank Group Risk Profile on a half-yearly basis. The consolidated Risk Profile is presented to the Executive Risk Committee and Risk Management Committee.

- Key Risk Indicators (KRIs)
KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/monitoring.

BSSs monitor their risk exposures via KRIs and are required to develop specific and concrete action plans for those indicators that fall under 'Caution' and 'Alert'. ORM assists the BSSs to develop and validate the KRIs to ensure appropriate thresholds are set.

KRIs are tracked at Group, Business and Operating levels. The main source of KRIs are from the periodic RCSA process, IMDC database, BSS experiences, internal/ external audit findings and Bank Negara Malaysia examination findings.

- Incident Management & Data Collection (IMDC)
IMDC provides a structured process and system to identify and focus attention on operational 'hotspots' and facilitates the minimisation of risk impact.

With the implementation of the IMDC and the availability of a centralised operational risk loss database, ORM and BSSs are able to analyse operational incidents based on causal factors as well as Basel II loss event types and identify 'operational hotspots' for appropriate action plans to address the critical areas.

Risk Mitigation And Control

Risk Mitigation tools and techniques are used to minimise risk to an acceptable level and are focused on:

- Decreasing the likelihood of an undesirable event occurring; and
- Decreasing the impact on the business, should it occur.

The control tools and techniques to mitigate operational risk are as follows:

- Business Continuity Management (BCM)
The Maybank Group BCM Programme, which commenced in August 2004, aims to ensure business continuity and people safety in the event of disruptions or disaster. The programme covers the implementation of various BCM initiatives that have been developed in line with Bank Negara Malaysia's requirements and best BCM practices.

Under BCM implementation, Business Continuity Plans (BCP) have been developed for all critical sectors, including subsidiaries and overseas branches. To coordinate the crisis escalation procedures and

recovery efforts, we have established the BCM Command Centre and Recovery Centres.

By having a proper BCM Programme in place, we are able to respond effectively and in a structured manner in the event of disruptions/disaster, hence ensuring the Group's business continuity.

○ Insurance

Insurance programme is another risk mitigation technique aimed at reducing operational risk exposures from 'low frequency – high severity' events that are beyond the Group's control. Maybank has put in place a risk-based insurance management framework to enable the following:

- Implement and monitor Maybank's insurance programme as a risk mitigation technique in a coordinated and consistent manner.
- Minimise operational losses to Maybank, particularly for low likelihood events with high impact.
- Enable a structured and consistent review in the scope and adequacy of Maybank's insurance programme.
- Reduce the risk to an acceptable level based on the Group's risk appetite.

○ Outsourcing

Outsourcing is a technique used by Maybank Group mainly to reduce fixed and/or current expenditure and to concentrate on the Group's core businesses with a view to enhance operational efficiency.

For effective operational risk management, a Group Outsourcing Policy, designed in accordance with local regulatory requirements and international leading practices, has been put in place. All new outsource services introduced are subject to rigorous risk review by the risk taking unit proposing the outsourcing service and independent risk review by Risk Management.

Continuous review, monitoring and reporting to the Executive Risk Committee and Risk Management Committee are also carried out by Risk Management to ensure the integrity and service quality of the service providers are not compromised.

○ Fraud Reporting Hotline

The Fraud Reporting Policy provides all employees of the Maybank Group a framework and avenue to report actual or suspected misconduct or violations of the Group's policies and regulations in a safe and protected manner.

The purpose of implementing a fraud reporting hotline is to promote a culture where it is safe and acceptable for all employees to raise concerns regarding fraud, criminal activities, dishonesty and malpractice committed by another employee via dedicated reporting mechanism.

Treatment for Operational Risk (OR) Capital Charge

Operational Risk capital charge is calculated using the Basic Indicator Approach (BIA) as per the Bank Negara Malaysia (BNM) Risk Weighted Capital Adequacy Framework.

Maybank Group intends to adopt The Standardised Approach (TSA) for Operational Risk Capital Charge Calculation, subject to BNM's approval.

For this purpose, the Group has mapped its business activities into the eight business lines as prescribed by Basel II and the BNM Risk Weighted Capital Adequacy Framework.

The Group has also automated the operational risk capital charge calculation process to produce accurate and reliable Operational Risk capital charge figures across Maybank Group under both the Basic Indicator Approach (BIA) and the Standardised Approach (TSA).

anti-money laundering/counter financing of terrorism policy

Maybank Group is at the forefront of the Government and Bank Negara Malaysia's continuous initiatives and efforts in the prevention of the use of the banking system for illicit, laundering and terrorism financing activities.

The Group demonstrates its full commitment and support to high standards of compliance with the Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) requirements by establishing robust and comprehensive policy, procedures, processes and systems for the prevention and detection of money laundering and terrorist financing activities.

The enterprise-wide AML/CFT programme is subject to periodic reviews to ensure that it remains robust and complies with the requirements of the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 (AMLATFA 2001), the Financial Action Task Force (FATF) Recommendations as well as international best practices.

Key measures undertaken in Maybank Group include having in place the following:

- Policy and procedures which outline the roles and responsibilities as well as establish clear accountability of all employees within the Group;
- Customer Due Diligence measures which emphasise the importance of ascertaining customer's identity and establishing the ultimate economic beneficiary via documentary and/or non documentary mechanisms;
- Ongoing monitoring of customer transactions through management information systems that enables the detection and reporting of suspicious activities to the Financial Intelligence Unit, Bank Negara Malaysia on timely basis;

- Provision of full and timely disclosure of suspicious transactions/circumstances to the relevant authorities as provided under all applicable laws/respective jurisdictions;
- Record keeping of all identification/transaction details obtained for the purpose of customer identification as well as of all documents in accordance with statutory requirements; and
- Regular AML/CFT communication and training programs through various channels to raise staff awareness at all levels within the Group.
- The extensive infrastructure and resources invested reaffirms the Group's full commitment and strong support to international efforts in combating money laundering, the financing of terrorism and other criminal activities.

Entities within the Group, regardless of geographic locations, are strongly committed in ensuring compliance with the Group-wide AML/CFT Policy as well as applicable AML/CFT legislations within the jurisdiction they operate in adopting the most rigorous standards.

The Group fully co-operates with the enforcement agencies and competent authority in the investigation of money laundering and/or financial crime.

code of ethics and conduct

Maybank, as a custodian of public funds, has a responsibility to safeguard its integrity and credibility. It is on this understanding that the organisation sets out clearly the code of ethics and conduct for its staff. The code stipulates the sound principles that will guide all Maybank staff in discharging their duties. It sets out the standards of good banking practice.

The purpose of the code is to:

1. Uphold the good name of the Maybank Group and to maintain public confidence in the Maybank Group.
2. Maintain public confidence in the security and integrity of the banking system.
3. Maintain an impartial and unbiased relationship between the Maybank Group and its customers.
4. Uphold the high standards of personal integrity and professionalism of the Maybank Group staff.

The code stipulates that staff should not:

1. Engage directly or indirectly in any business activity that competes or is in conflict with the Bank's interest.
2. Misuse or abuse their positions in the Bank for their personal benefit or for the benefit of other persons.
3. Misuse information. Staff should not copy, remove or make use of any information obtained in the course of business for the direct or indirect benefit of themselves or of any other persons.

In addition to these, staff should:

1. Ensure the integrity and accuracy of records and/or transactions.
2. Ensure fair and equitable treatment in all business dealings on behalf of the Bank.
3. Maintain the highest standard of service in their relationship with customers.
4. Maintain confidentiality of all relations and dealings between the Bank and its customers. However, confidential information concerning a customer may be given or made available to third parties only with prior written consent of the customer or when disclosure is authorised under the Banking and Financial Institutions Act, 1989.
5. Manage their financial matters well and not subject themselves to pecuniary embarrassment.
6. Observe and comply with laws and regulations relating to the operations of the Bank.



**We were there when Rathika
and Seong were introduced
on Facebook.**

**We'll be there when their children
find love in their own way.**

Thank you for sharing your lives, hopes and dreams with us. Celebrating 50 years, close to you.



Financial Statements



- 223** Statement of Directors' Responsibility
- 224** Directors' Report
- 231** Statement by Directors
- 231** Statutory Declaration
- 232** Independent Auditors' Report
- 234** Balance Sheets
- 236** Income Statements
- 238** Consolidated Statement of Changes in Equity
- 240** Statement of Changes in Equity
- 242** Cash Flow Statements
- 246** Notes to the Financial Statements

statement of directors' responsibility

In Respect of the Audited Financial Statements

The directors are required by the Companies Act, 1965 and the Bursa Malaysia's Listing Requirements to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Bank at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing the financial statements, the directors have:

- considered the applicable approved accounting standards in Malaysia
- adopted and consistently applied appropriate accounting policies
- made judgements and estimates that are prudent and reasonable

The directors have the responsibility for ensuring that the Group and the Bank keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Bank which will enable them to ensure that the financial statements comply with the Companies Act, 1965 and the Bursa Malaysia's Listing Requirements.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Bank and to prevent and detect fraud and other irregularities.

directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2010.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the business of banking and finance in all its aspects.

The subsidiaries are principally engaged in the businesses of banking and finance, Islamic banking, investment banking including stock broking, general and life insurance, general and family takaful, trustee and nominee services, asset management and venture capital.

There were no significant changes in these activities during the financial year.

RESULTS

| | Group RM'000 | Bank RM'000 |
|----------------------------------|-----------------|----------------|
| Profit before taxation and zakat | 5,370,408 | 4,786,544 |
| Tax expense and zakat | (1,401,958) | (1,233,859) |
| Profit for the year | 3,968,450 | 3,552,685 |
| Attributable to: | | |
| Equity holders of the Bank | 3,818,167 | 3,552,685 |
| Minority interests | 150,283 | – |
| | 3,968,450 | 3,552,685 |

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

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

DIVIDENDS

The amount of dividends paid by the Bank since 30 June 2009 were as follows:

| | RM'000 |
|---|---------|
| In respect of the financial year ended 30 June 2009 as reported in the directors' report of that year: | |
| Final dividend of 8 sen less 25% taxation, on 7,077,982,768 ordinary shares, declared on 25 August 2009 and paid on 27 October 2009 | 424,679 |
| In respect of the financial year ended 30 June 2010: | |
| First interim dividend of 11 sen less 25% taxation, on 7,077,982,768 ordinary shares, declared on 9 February 2010 and paid on 16 March 2010 | 583,934 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2010 of 44 sen less 25% taxation on 7,077,982,768 ordinary shares, amounting to a net dividend payable of RM2,335,734,313 (33 sen net per ordinary share) will be proposed for the shareholders' approval.

The proposed gross dividend consists of an electable portion of 40 sen (30 sen net per ordinary share) which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan as disclosed in Note 51(c) to the financial statements and subject to the relevant regulatory approvals as well as shareholders' approval for the issuance and allotment of new shares at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2011.

MAYBANK GROUP EMPLOYEE SHARE OPTION SCHEME (ESOS)

The Maybank Group Employee Share Option Scheme (ESOS) is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 11 August 2004. The ESOS was implemented on 26 August 2004 and is in force for a period of 5 years from the date of implementation.

The terms of the ESOS include provision for the participation of non-executive directors. The maximum number of ordinary shares of RM1 each in the Bank available under the ESOS should not exceed 15% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme. Other principal features of the ESOS are disclosed in Note 27 to the financial statements.

During the financial year, the ESOS expired on 26 August 2009.

ISSUE OF SHARE CAPITAL

During the year, the Bank increased its issued and paid-up capital from RM7,077,663,368 to RM7,077,982,768 via the issuance of 319,400 new ordinary shares of RM1 each for cash consisting of 255,520 new ordinary shares of RM1 each to eligible persons who exercised their options plus 63,880 bonus shares granted upon exercise of the options after bonus declaration, to eligible persons who exercised their options under the current ESOS which commenced on 26 August 2004, for a period of 5 years.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing shares of the Bank.

DIRECTORS

The directors who served since the date of the last report are:

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman – appointed with effect from 1 October 2009)

Dato' Mohd Salleh bin Hj Harun (Vice Chairman – appointed with effect from 18 November 2009)

Dato' Sri Abdul Wahid bin Omar (President and Chief Executive Officer)

Tan Sri Datuk Dr Hadenan bin A. Jalil

Dato' Seri Ismail bin Shahudin

Dato' Dr Tan Tat Wai

Encik Zainal Abidin bin Jamal

Mr Sreesanthan Eliathamby

Dato' Johan bin Ariffin

Mr Cheah Teik Seng

Mr Alister Maitland

Tan Sri Mohamed Basir bin Ahmad (Chairman – retired with effect from 30 September 2009)

Datuk Syed Tamim Ansari bin Syed Mohamed (retired with effect from 30 September 2009)

Mr Spencer Lee Tien Chye (resigned with effect from 18 November 2009)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank or its subsidiary was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Bank or any other body corporate, other than as may arise from the share options granted pursuant to the ESOS.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors, or the fixed salary of a full time employee of the Bank as disclosed in Note 35 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 of the Bank during the financial year were as follows:

| | Number of ordinary shares of RM1 each | | | |
|---|---------------------------------------|----------|-----------|-----------|
| | 1.7.2009 | Acquired | Sold | 30.6.2010 |
| Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor | 57,350 | – | – | 57,350 |
| Dato' Mohd Salleh bin Hj Harun | 287,781 | – | – | 287,781 |
| Dato' Seri Ismail bin Shahudin | 21,250 | – | – | 21,250 |
| Mr Sreesanthan Eliathamby | 150,000 | – | (100,000) | 50,000 |
| Dato' Johan bin Ariffin | – | 70,000 | – | 70,000 |

None of the other directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

| Rating agency | Date | Rating classification | Rating received |
|---------------------------|------------------|---|-----------------|
| Standard & Poor's | 14 December 2009 | Long-term counterparty | A- |
| | | Short-term counterparty | A-2 |
| | | Certificate of Deposit | A-/A-2 |
| | | Preferred Stock (1 Issue) | BBB |
| | | Subordinated (2 Issues) | BBB+ |
| | | Bank Fundamental Strength Rating (Local Currency) Outlook | B Stable |
| Moody's Investors Service | 23 February 2010 | Long-term Foreign Currency Bank Deposit/Outlook | A3/Stable |
| | | Short-term Foreign Currency Bank Deposit | P-1/Stable |
| | | Long-term Local Currency Bank Deposit/Outlook | A1/Stable |
| | | Short-term Local Currency Bank Deposit | P-1/Stable |
| | | Foreign Currency Tier 1 Capital/Outlook | Baa2/Stable |
| | | Foreign Currency Subordinated Debt/Outlook | A3/Stable |
| | | Bank Financial Strength Rating/Outlook | C/Stable |

RATING BY EXTERNAL RATING AGENCIES (CONT'D.)

| Rating agency | Date | Rating classification | Rating received |
|---------------|------------------|--|-----------------|
| Fitch Ratings | 2 November 2009 | Foreign Long-term Issuer Default Rating | A-/Stable |
| | | Local Long-term Issuer Default Rating | A-/Stable |
| | | Individual | B/C |
| | | Support Rating | 2 |
| | | Support Rating Floor | BBB |
| | | Sub Debt | BBB+ |
| RAM Ratings | 11 November 2009 | Long-term Financial Institution Ratings | AAA |
| | | Short-term Financial Institution Ratings | P1 |
| | | Tier-1 Capital Securities | AA2 |
| | | Subordinated Bonds | AA1 |
| | | Outlook (Long-term) | Stable |

BUSINESS OUTLOOK

Moving forward, Maybank has set its sight on becoming a regional financial services leader, focusing on three key home markets of Malaysia, Singapore and Indonesia which collectively contributed some 95.7% to Group revenue and 98.7% to Group profit before tax and zakat in the last financial year. The economy in each of these countries is growing strongly again after the recent global financial crisis. Malaysia's GDP is expected to grow 7.5% in 2010 and 6.1% in 2011 while Singapore's GDP is expected to grow by 12.3% in 2010 and 5.2% in 2011. Indonesia which continued to grow during the crisis is expected to grow 5.9% and 6.1% in 2010 and 2011 respectively. Maybank expects demand for financing to remain strong, driven mainly by consumer finance in Malaysia, consumer and small and medium enterprises in Indonesia and broad based growth in Singapore. The Group targets financing growth rate to be 24% at PT Bank Internasional Indonesia Tbk ("BII") in Indonesia, 12% in Malaysia and 5% in Singapore.

Maybank's strategic objectives are to grow its market share for both deposit and financing in the retail business in Malaysia, build a global wholesale banking business across its footprint in ASEAN, and derive greater contribution from its insurance business as it becomes a leader in the domestic market and explore regional expansion. To be a regional leader, Maybank expects profit before tax and zakat contribution from outside of Malaysia to further grow from the current 21.0%.

Becoming a regional ASEAN Islamic bank has been identified as a strategic differentiator. Maybank is in the midst of converting its subsidiary, Bank Maybank Indocorp in Indonesia into a Shariah bank and is awaiting Bank Indonesia to issue the Shariah Banking License.

Competition in the Malaysian financial services industry however is expected to stiffen following Bank Negara Malaysia's issuance of new commercial banking licenses, branch expansion of existing foreign banks and further consolidation of domestic banks. Whilst the increase in overnight lending rate will result in improvement in net interest income, competitive pressure for loans pricing is expected to offset the aforesaid improvement. Net interest margin is therefore expected to remain relatively stable.

BUSINESS OUTLOOK (CONT'D.)

In support of the new vision and realisation of the strategic objectives for the Group, Maybank has realigned its organisation structure, focusing on three key business pillars of Community Financial Services (CFS), Global Wholesale Banking (GWB) and Insurance and Takaful. Key to the reorganisation is to leverage on the shared distribution model where the branches will function as points of sales for all group products and services, and to penetrate the corporate customer base for wholesale banking products not only in Malaysia (where the impetus for growth will be sourced from the private and public investment under the Tenth Malaysia Plan), but in the region and beyond.

While the Group makes further investments in people, technology and processes in the immediate future to realise its vision and strategic objectives, it will continue with efforts to reduce costs through synergies and centre of excellence.

The Group will continue to focus on improving asset quality and lowering credit cost. With the expected introduction of higher capital adequacy requirement under Basel III framework, capital for growth and compliance remains a top priority. The implementation of the Dividend Reinvestment Plan to allow a significant portion of the dividend paid to be reinvested as capital is a key initiative to preserve equity capital.

Barring any unforeseen circumstances, the Group expects its financial performance for the financial year ending 30 June 2011 to be better than the last financial year. The Group has accordingly set two Key Performance Indicators (KPIs) for the financial year ending 30 June 2011; Growth in loans and debt securities of 12% and Return on Equity of 14%.

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and 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 debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; 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 Group and of the Bank which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and 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 Group and 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 of the Group and of the Bank which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONT'D.)

- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and 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 Group or 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 Group and of the Bank.
- (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 Group and 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 Group or of the Bank for the financial year in which this report is made.
- (g) Pursuant to Section 168 of the Companies Act, 1965, the financial year end of a newly acquired subsidiary is required to coincide with the financial year end of the holding company within two (2) years from date of acquisition. On 20 January 2010, approval from Companies Commission of Malaysia ("CCM") was obtained for the financial year end of a subsidiary, PT Bank Internasional Indonesia Tbk ("BII") to be non-coterminous with the financial year end of the Bank as at 30 June 2010.

For the purpose of the preparation of the consolidated financial statements of the Group for the financial year ended 30 June 2010, an audit was performed on the financial statements of BII.

SIGNIFICANT EVENTS

The significant events are as disclosed in Note 51 to the financial statements.

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 20 August 2010.



Megat Zaharuddin bin Megat Mohd Nor



Abdul Wahid bin Omar

Kuala Lumpur, Malaysia

statement by directors

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

We, Megat Zaharuddin bin Megat Mohd Nor and Abdul Wahid bin Omar, being two of the directors of Malayan Banking Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 234 to 424 are 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 so as to give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2010 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 20 August 2010.



Megat Zaharuddin bin Megat Mohd Nor



Abdul Wahid bin Omar

Kuala Lumpur, Malaysia

statutory declaration

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

I, Khairussaleh bin Ramli, being the officer primarily responsible for the financial management of Malayan Banking Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 234 to 424 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 Khairussaleh bin Ramli
at Kuala Lumpur in the Federal
Territory on 20 August 2010



Khairussaleh bin Ramli

Before me.



independent auditors' report

to the members of Malayan Banking Berhad
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Malayan Banking Berhad, which comprise the balance sheets as at 30 June 2010 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 234 to 424.

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 as modified by Bank Negara Malaysia Guidelines. 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 judgement, 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 Bank'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 Bank'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.

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 so as to give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2010 and of their financial performances and cash flows for the year then ended.

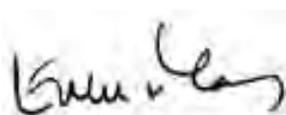
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 55 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

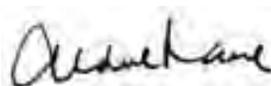
Other matters

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
20 August 2010**Abdul Rauf bin Rashid**

No. 2305/05/12(J)

Chartered Accountant

balancesheets As at 30 June 2010

| | Note | Group | | Bank | |
|--|------|--------------------|----------------|--------------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Assets | | | | | |
| Cash and short-term funds | 5 | 28,707,992 | 23,607,979 | 19,403,616 | 17,448,312 |
| Deposits and placements with financial institutions | 6 | 8,915,375 | 6,299,175 | 7,098,198 | 7,563,969 |
| Securities purchased under resale agreements | 7(i) | 371,237 | 346,462 | 371,237 | 346,462 |
| Securities portfolio | 8 | 54,170,046 | 57,727,128 | 47,544,091 | 47,020,177 |
| Loans, advances and financing | 9 | 205,555,067 | 185,783,166 | 151,469,585 | 144,431,798 |
| Derivative assets | 10 | 1,306,769 | 973,685 | 1,281,682 | 929,904 |
| Other assets | 11 | 5,319,548 | 5,249,290 | 3,832,316 | 3,818,866 |
| Investment properties | 12 | 45,324 | 26,578 | – | – |
| Statutory deposits with Central Banks | 13 | 4,471,382 | 4,050,932 | 1,932,981 | 2,110,143 |
| Investment in subsidiaries | 14 | – | – | 12,653,377 | 11,786,293 |
| Interest in associates | 15 | 2,471,438 | 2,630,123 | 418,700 | 343,049 |
| Property, plant and equipment | 16 | 1,359,852 | 1,395,562 | 1,077,597 | 1,115,140 |
| Intangible assets | 17 | 4,480,714 | 4,374,010 | 160,710 | 168,132 |
| Deferred tax assets | 23 | 1,564,963 | 1,493,132 | 1,148,176 | 1,194,897 |
| Life, general takaful and family takaful fund assets | 53 | 17,960,059 | 16,781,901 | – | – |
| Total assets | | 336,699,766 | 310,739,123 | 248,392,266 | 238,277,142 |

| | Note | Group | | Bank | |
|---|-------|--------------------|----------------|--------------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Liabilities | | | | | |
| Deposits from customers | 18 | 236,909,788 | 212,598,589 | 175,379,741 | 163,452,930 |
| Deposits and placements of banks and other financial institutions | 19 | 23,257,868 | 28,781,863 | 22,929,822 | 30,121,916 |
| Obligations on securities sold under repurchase agreements | 7(ii) | 407,056 | – | – | – |
| Bills and acceptances payable | | 3,061,586 | 1,470,063 | 2,898,997 | 1,328,279 |
| Derivative liabilities | 10 | 1,346,242 | 1,459,068 | 1,291,498 | 1,381,860 |
| Other liabilities | 20 | 6,951,520 | 5,996,250 | 3,555,869 | 3,253,358 |
| Recourse obligation on loans sold to Cagamas | 21 | 649,977 | 516,265 | 649,977 | 516,265 |
| Provision for taxation and zakat | 22 | 466,889 | 87,743 | 283,353 | – |
| Deferred tax liabilities | 23 | 151,109 | 57,430 | – | – |
| Borrowings | 24 | 2,824,864 | 2,502,060 | 2,098,317 | 1,512,310 |
| Subordinated obligations | 25 | 8,069,116 | 8,672,373 | 8,069,116 | 8,152,239 |
| Capital securities | 26 | 5,978,752 | 6,047,541 | 5,978,752 | 6,047,541 |
| Life, general takaful and family takaful fund liabilities | 53 | 5,021,911 | 4,529,995 | – | – |
| Life, general takaful and family takaful policy holders' funds | 53 | 12,938,148 | 12,251,906 | – | – |
| Total liabilities | | 308,034,826 | 284,971,146 | 223,135,442 | 215,766,698 |
| Equity attributable to equity holders of the Bank | | | | | |
| Share capital | 27 | 7,077,983 | 7,077,663 | 7,077,983 | 7,077,663 |
| Reserves | 28 | 20,799,193 | 17,821,083 | 18,178,841 | 15,432,781 |
| | | 27,877,176 | 24,898,746 | 25,256,824 | 22,510,444 |
| Minority interests | | 787,764 | 869,231 | – | – |
| | | 28,664,940 | 25,767,977 | 25,256,824 | 22,510,444 |
| Total liabilities and shareholders' equity | | 336,699,766 | 310,739,123 | 248,392,266 | 238,277,142 |
| Commitments and contingencies | 42 | 232,273,335 | 221,586,702 | 213,216,362 | 201,853,878 |

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

income statements

For the year ended 30 June 2010

| | Note | Group | | Bank | |
|---|------|--------------------|----------------|--------------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Operating revenue | 30 | 18,560,232 | 17,586,337 | 13,280,253 | 13,064,811 |
| Interest income | 31 | 10,955,220 | 11,569,863 | 8,555,239 | 9,534,332 |
| Interest expense | 32 | (4,184,347) | (5,650,357) | (3,160,604) | (4,528,635) |
| Net interest income | | 6,770,873 | 5,919,506 | 5,394,635 | 5,005,697 |
| Income from Islamic Banking Scheme operations | | | | | |
| Gross operating income | | 1,393,102 | 1,204,888 | – | – |
| Profit equalisation reserves | | 41,642 | 19,433 | – | – |
| | 52 | 1,434,744 | 1,224,321 | – | – |
| | | 8,205,617 | 7,143,827 | 5,394,635 | 5,005,697 |
| Dividends from subsidiaries and associates | | – | – | 878,425 | 647,448 |
| Other operating income | | 4,666,035 | 3,375,190 | 2,843,624 | 2,057,612 |
| Total non-interest income | 33 | 4,666,035 | 3,375,190 | 3,722,049 | 2,705,060 |
| Net income | | 12,871,652 | 10,519,017 | 9,116,684 | 7,710,757 |
| Overhead expenses | 34 | (6,412,072) | (5,559,165) | (4,004,773) | (3,736,643) |
| | | 6,459,580 | 4,959,852 | 5,111,911 | 3,974,114 |
| Allowance for losses on loans, advances and financing | 36 | (1,187,977) | (1,698,814) | (309,867) | (1,065,839) |
| Impairment losses on securities, net | 37 | (23,030) | (197,489) | (15,500) | (221,103) |
| Operating profit | | 5,248,573 | 3,063,549 | 4,786,544 | 2,687,172 |
| Impairment loss on investment in subsidiaries | | – | – | – | (2,787,917) |
| Impairment loss on interest in associates | | – | (353,067) | – | – |
| Impairment losses on goodwill | | – | (1,619,518) | – | – |
| Write-back of non-refundable deposit | | – | 483,824 | – | 483,824 |
| | | 5,248,573 | 1,574,788 | 4,786,544 | 383,079 |
| Share of profits of associates | | 121,835 | 99,504 | – | – |
| Profit before taxation and zakat carried forward | | 5,370,408 | 1,674,292 | 4,786,544 | 383,079 |

| | Note | Group | | Bank | |
|--|------|--------------------|-------------------|--------------------|--------------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Profit before taxation and zakat brought forward | | 5,370,408 | 1,674,292 | 4,786,544 | 383,079 |
| Taxation and zakat | 38 | (1,401,958) | (923,578) | (1,233,859) | (714,244) |
| Profit/(loss) for the year | | 3,968,450 | 750,714 | 3,552,685 | (331,165) |
| Attributable to: | | | | | |
| Equity holders of the Bank | | 3,818,167 | 691,875 | 3,552,685 | (331,165) |
| Minority interests | | 150,283 | 58,839 | – | – |
| | | 3,968,450 | 750,714 | 3,552,685 | (331,165) |
| Earnings/(loss) per share attributable to equity holders of the Bank | | | | | |
| Basic (sen) | 40 | 53.9 | 12.0 ¹ | 50.2 | (5.7) ¹ |
| Diluted (sen) | 40 | 53.9 | 12.0 ¹ | 50.2 | (5.7) ¹ |
| ¹ Adjusted for rights issue completed on 30 April 2009. | | | | | |
| Net dividends per ordinary share held by equity holders of the Bank in respect of financial year (sen) | | | | | |
| Paid – First Interim | 41 | | | 8.25 | – |
| Proposed – Final | 41 | | | 33.00 | 6.00 |

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

consolidated statement of changes in equity

For the year ended 30 June 2010

| Group | Non-distributable | | | | | | | | | | | |
|--|-------------------------|-------------------------|-----------------------------|----------------------------|--|--|--------------------------------|-------------------------------|--|--------------------------------------|-----------------------------|------------------------|
| | Share Capital RM'000 | Share Premium RM'000 | Statutory Reserve RM'000 | Capital Reserves RM'000 | Unrealised Holding Reserve/ (Deficit) RM'000 | Exchange Fluctuation Reserve RM'000 | Share Option Reserve RM'000 | Revaluation Reserve RM'000 | Distributable Retained Profits RM'000 | Total Shareholders' Equity RM'000 | Minority Interest RM'000 | Total Equity RM'000 |
| At 1 July 2009 | 7,077,663 | 5,901,692 | 4,664,983 | 15,250 | (148,388) | (666,885) | 63,191 | 2,742 | 7,988,498 | 24,898,746 | 869,231 | 25,767,977 |
| Currency translation differences | - | - | - | - | - | (282,549) | - | - | - | (282,549) | 769 | (281,780) |
| Effects of acquisition of interests from minority interests (Note 14(e)) | - | - | - | - | - | - | - | - | (43,047) | (43,047) | (246,325) | (289,372) |
| Effects on adoption of Risk Based Capital ("RBC") Framework for insurance subsidiaries | - | - | - | - | (4,628) | - | - | - | (3,292) | (7,920) | (3,550) | (11,470) |
| Unrealised net gain on revaluation of securities available-for-sale | - | - | - | - | 493,952 | - | - | - | - | 493,952 | 14,526 | 508,478 |
| Net gain/(loss) not recognised in the income statement | - | - | - | - | 489,324 | (282,549) | - | - | (46,339) | 160,436 | (234,580) | (74,144) |
| Net profit for the year | - | - | - | - | - | - | - | - | 3,818,167 | 3,818,167 | 150,283 | 3,968,450 |
| Total recognised income/(expense) for the year | - | - | - | - | 489,324 | (282,549) | - | - | 3,771,828 | 3,978,603 | (84,297) | 3,894,306 |
| Transfer to/(from) statutory reserves | - | - | 889,016 | - | - | - | - | - | (889,016) | - | - | - |
| Transfer (from)/to share option reserve | - | - | - | - | - | - | (63,191) | - | 63,191 | - | - | - |
| Issue of ordinary shares pursuant to ESOS (Note 27) | 320 | 1,805 | - | - | - | - | - | - | - | 2,125 | - | 2,125 |
| Revaluation reserve for investment properties (Note 12) | - | - | - | - | - | - | - | 6,315 | - | 6,315 | 2,830 | 9,145 |
| Dividends (Note 41) | - | - | - | - | - | - | - | - | (1,008,613) | (1,008,613) | - | (1,008,613) |
| At 30 June 2010 | 7,077,983 | 5,903,497 | 5,553,999 | 15,250 | 340,936 | (949,434) | - | 9,057 | 9,925,888 | 27,877,176 | 787,764 | 28,664,940 |

| Group (cont'd.) | Non-distributable | | | | | | | | | | | |
|--|-------------------------|-------------------------|-----------------------------|----------------------------|--|--|--------------------------------|-------------------------------|--|--------------------------------------|-----------------------------|------------------------|
| | Share Capital RM'000 | Share Premium RM'000 | Statutory Reserve RM'000 | Capital Reserves RM'000 | Unrealised Holding Reserve/ (Deficit) RM'000 | Exchange Fluctuation Reserve RM'000 | Share Option Reserve RM'000 | Revaluation Reserve RM'000 | Distributable Retained Profits RM'000 | Total Shareholders' Equity RM'000 | Minority Interest RM'000 | Total Equity RM'000 |
| At 1 July 2008 | 4,881,123 | 2,097,011 | 4,573,636 | 15,250 | (416,340) | (41,752) | 63,069 | - | 8,130,496 | 19,302,493 | 789,269 | 20,091,762 |
| Currency translation differences | - | - | - | - | - | (625,133) | - | - | - | (625,133) | (2,825) | (627,958) |
| Effects of acquisition/disposal of interests (from)/to minority interests | - | - | - | - | - | - | - | - | (20,116) | (20,116) | 34,129 | 14,013 |
| Share of movement in reserves of associates | - | - | - | - | (22,129) | - | - | - | - | (22,129) | - | (22,129) |
| Unrealised net gain/(loss) on revaluation of securities available-for-sale | - | - | - | - | 290,081 | - | - | - | - | 290,081 | (8,938) | 281,143 |
| Net gain/(loss) not recognised in the income statement | - | - | - | - | 267,952 | (625,133) | - | - | (20,116) | (377,297) | 22,366 | (354,931) |
| Net profit for the year | - | - | - | - | - | - | - | - | 691,875 | 691,875 | 58,839 | 750,714 |
| Total recognised income/(expense) for the year | - | - | - | - | 267,952 | (625,133) | - | - | 671,759 | 314,578 | 81,205 | 395,783 |
| Transfer to/(from) statutory reserves | - | - | 91,347 | - | - | - | - | - | (91,347) | - | - | - |
| Share-based payment under ESOS (Note 34) | - | - | - | - | - | - | 122 | - | - | 122 | - | 122 |
| Issue of ordinary shares pursuant to rights issue exercise (Note 27) | 2,196,516 | 3,804,527 | - | - | - | - | - | - | - | 6,001,043 | - | 6,001,043 |
| Issue of ordinary shares pursuant to ESOS (Note 27) | 24 | 154 | - | - | - | - | - | - | - | 178 | - | 178 |
| Revaluation reserve for investment properties (Note 12) | - | - | - | - | - | - | - | 2,742 | - | 2,742 | - | 2,742 |
| Dividend paid by a subsidiary attributable to minority interest | - | - | - | - | - | - | - | - | - | - | (1,243) | (1,243) |
| Dividends (Note 41) | - | - | - | - | - | - | - | - | (722,410) | (722,410) | - | (722,410) |
| At 30 June 2009 | 7,077,663 | 5,901,692 | 4,664,983 | 15,250 | (148,388) | (666,885) | 63,191 | 2,742 | 7,988,498 | 24,898,746 | 869,231 | 25,767,977 |

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

statement of changes in equity For the year ended 30 June 2010

| Bank | Non-distributable | | | | | | | |
|---|-------------------------|-------------------------|-----------------------------|---|--|--------------------------------|--|------------------------|
| | Share Capital RM'000 | Share Premium RM'000 | Statutory Reserve RM'000 | Unrealised Holding (Deficit)/ Reserve RM'000 | Exchange Fluctuation Reserve RM'000 | Share Option Reserve RM'000 | Distributable Retained Profits RM'000 | Total Equity RM'000 |
| At 1 July 2009 | 7,077,663 | 5,901,692 | 4,483,770 | (83,433) | 139,771 | 63,191 | 4,927,790 | 22,510,444 |
| Currency translation differences | - | - | - | - | (152,266) | - | - | (152,266) |
| Unrealised net gain on revaluation of securities available-for-sale | - | - | - | 352,449 | - | - | - | 352,449 |
| Net gain/(loss) not recognised in the income statement | - | - | - | 352,449 | (152,266) | - | - | 200,183 |
| Net profit for the year | - | - | - | - | - | - | 3,552,685 | 3,552,685 |
| Total recognised income/ (expense) for the year | - | - | - | 352,449 | (152,266) | - | 3,552,685 | 3,752,868 |
| Transfer to/(from) statutory reserve | - | - | 889,000 | - | - | - | (889,000) | - |
| Transfer (from)/to share option reserve | - | - | - | - | - | (63,191) | 63,191 | - |
| Issue of ordinary shares pursuant to ESOS (Note 27) | 320 | 1,805 | - | - | - | - | - | 2,125 |
| Dividends (Note 41) | - | - | - | - | - | - | (1,008,613) | (1,008,613) |
| At 30 June 2010 | 7,077,983 | 5,903,497 | 5,372,770 | 269,016 | (12,495) | - | 6,646,053 | 25,256,824 |

| Bank (cont'd.) | Non-distributable | | | | | | | |
|---|-------------------------|-------------------------|-----------------------------|--|--|--------------------------------|--|------------------------|
| | Share Capital RM'000 | Share Premium RM'000 | Statutory Reserve RM'000 | Unrealised Holding Reserve/ (Deficit) RM'000 | Exchange Fluctuation Reserve RM'000 | Share Option Reserve RM'000 | Distributable Retained Profits RM'000 | Total Equity RM'000 |
| At 1 July 2008 | 4,881,123 | 2,097,011 | 4,483,770 | (400,753) | 94,730 | 63,069 | 5,981,365 | 17,200,315 |
| Currency translation differences | – | – | – | – | 45,041 | – | – | 45,041 |
| Unrealised net gain on revaluation of securities available-for-sale | – | – | – | 317,320 | – | – | – | 317,320 |
| Net gain not recognised in the income statement | – | – | – | 317,320 | 45,041 | – | – | 362,361 |
| Net loss for the year | – | – | – | – | – | – | (331,165) | (331,165) |
| Total recognised income/ (expense) for the year | – | – | – | 317,320 | 45,041 | – | (331,165) | 31,196 |
| Share-based payment under ESOS | | | | | | | | |
| – In respect of the Bank's employees (recognised in profit or loss) (Note 34) | – | – | – | – | – | 88 | – | 88 |
| – In respect of the subsidiaries' employees: | | | | | | | | |
| As capital injection (addition to costs of investment in subsidiaries) | – | – | – | – | – | 27 | – | 27 |
| Payable by certain subsidiaries (as amount due to the Bank) | – | – | – | – | – | 7 | – | 7 |
| Issue of ordinary shares pursuant to rights issue exercise | 2,196,516 | 3,804,527 | – | – | – | – | – | 6,001,043 |
| Issue of ordinary shares pursuant to ESOS (Note 27) | 24 | 154 | – | – | – | – | – | 178 |
| Dividends (Note 41) | – | – | – | – | – | – | (722,410) | (722,410) |
| At 30 June 2009 | 7,077,663 | 5,901,692 | 4,483,770 | (83,433) | 139,771 | 63,191 | 4,927,790 | 22,510,444 |

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

cashflow statements For the year ended 30 June 2010

| | Group | | Bank | |
|--|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation | 5,370,408 | 1,674,292 | 4,786,544 | 383,079 |
| Adjustments for: | | | | |
| Share of profits of associates | (121,835) | (99,504) | – | – |
| Depreciation | 181,642 | 146,167 | 130,484 | 103,312 |
| Amortisation of prepaid land lease payment | 1,367 | 1,746 | 1,208 | 1,227 |
| Amortisation of computer software | 58,742 | 58,884 | 44,429 | 44,437 |
| Amortisation of Core Deposit Intangibles | 93,037 | 71,737 | – | – |
| Gain on disposal of property, plant and equipment | (19,115) | (16,585) | (12,882) | (8,238) |
| Gain on disposal of foreclosed properties | (66) | (13,285) | – | – |
| Net (gain)/loss on disposal of held-for-trading securities | (28,612) | 27,505 | (14,320) | (18,705) |
| Net gain on disposal of available-for-sale securities | (191,045) | (141,743) | (123,752) | (133,263) |
| Net gain on redemption of held-to-maturity securities | (2,267) | (750) | (1,838) | (612) |
| Gain on liquidation of subsidiaries | (659) | – | (29) | – |
| Amortisation of premiums less accretion of discounts, net | (46,404) | (2,738) | (50,200) | (24,928) |
| Unrealised (gain)/loss on revaluation of securities held-for-trading and derivatives | (311,297) | 171,880 | (326,350) | 206,122 |
| Impairment losses on securities, net | 23,030 | 197,489 | 15,500 | 221,103 |
| Impairment losses on goodwill | – | 1,619,518 | – | – |
| Impairment losses on | | | | |
| – investment in subsidiaries | – | – | – | 2,787,917 |
| – interest in associates | – | 353,067 | – | – |
| Loan and financing loss and allowances | 1,809,637 | 1,936,222 | 729,728 | 1,148,867 |
| Allowance for other debts | 3,056 | 280,523 | 2,967 | 283,380 |
| Interest income clawed back/suspended | 38,522 | 49,159 | 38,522 | 49,159 |
| Amortisation of transaction cost in relation to issuance of Stapled Capital Securities | (3,389) | 842 | (3,389) | 842 |
| Write back of non-refundable deposit | – | (483,824) | – | (483,824) |
| Write back of prepaid land lease payment | – | (184) | – | – |
| Prepaid land lease payment written off | 342 | 8,625 | – | – |
| Dividend income | (30,427) | (29,972) | (902,804) | (662,229) |
| Share options granted under ESOS | – | 122 | – | 88 |
| Property, plant and equipment written off | 2,847 | 18,482 | 466 | 192 |
| Impairment of property, plant and equipment | – | 232 | – | – |
| Profit equalisation reserves | (41,642) | (19,433) | – | – |
| Transfer of life, general takaful and family takaful fund surplus | (191,401) | (213,696) | – | – |
| Operating profit before working capital changes carried forward | 6,594,471 | 5,594,778 | 4,314,284 | 3,897,926 |

| | Group | | Bank | |
|---|---------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cash flows from operating activities (cont'd.) | | | | |
| Operating profit before working capital changes brought forward | 6,594,471 | 5,594,778 | 4,314,284 | 3,897,926 |
| Change in securities purchased under resale agreements | (24,775) | (346,462) | (24,775) | (346,462) |
| Change in deposits and placements with banks and other financial institutions | (2,616,200) | 2,657,340 | 465,771 | 1,231,524 |
| Change in securities portfolio | 4,462,321 | (17,720,522) | 120,629 | (16,921,925) |
| Change in loans, advances and financing | (21,620,062) | (10,237,466) | (7,806,038) | (6,774,350) |
| Change in other assets | (10,714) | 2,367,475 | (8,085) | 53,960 |
| Change in statutory deposits with Central Banks | (420,450) | 1,821,482 | 177,162 | 2,829,558 |
| Change in deposits from customers | 24,311,199 | 10,561,648 | 11,926,811 | 7,130,366 |
| Change in deposits and placements of banks and other financial institutions | (5,523,995) | 5,276,157 | (7,192,094) | 5,691,846 |
| Change in obligations on securities sold under repurchase agreements | 407,056 | (322,371) | - | (322,371) |
| Change in bills and acceptances payable | 1,591,523 | (3,322,239) | 1,570,718 | (3,068,102) |
| Change in other liabilities | 443,946 | (1,015,034) | 302,513 | (674,227) |
| Change in life, general takaful and family takaful fund assets | (986,757) | (878,236) | - | - |
| Change in life, general takaful and family takaful fund liabilities and policy holders' funds | 1,178,158 | 1,091,932 | - | - |
| Exchange fluctuation | 671,135 | (1,582,830) | 658,547 | (935,544) |
| Cash generated from/(used in) operations | 8,456,856 | (6,054,348) | 4,505,443 | (8,207,801) |
| Taxes and zakat paid | (1,178,589) | (1,429,820) | (1,020,629) | (1,272,735) |
| Net cash generated from/(used in) operating activities | 7,278,267 | (7,484,168) | 3,484,814 | (9,480,536) |

| | Group | | Bank | |
|---|-------------------|--------------------|-------------------|--------------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (207,165) | (235,270) | (138,444) | (168,608) |
| Purchase of intangible assets | (28,942) | (33,282) | (11,318) | (23,814) |
| Subscription to additional ordinary shares in new and existing subsidiaries | – | – | (1,112,055) | (1,203,965) |
| Acquisition of subsidiaries | – | (6,868,422) | – | (7,419,091) |
| Purchase of non-redeemable preference shares in a subsidiary | (125,970) | – | (125,970) | – |
| Purchase of redeemable preference shares in associates | – | (1,720) | – | (1,720) |
| Acquisition of associates | (78,907) | (1,017,759) | (75,651) | (327,460) |
| Redemption of preference shares from a minority interest and the Bank by a subsidiary | (105,000) | – | 245,000 | – |
| Proceeds from disposal of property, plant and equipment | 24,949 | 27,506 | 16,649 | 16,014 |
| Dividends received | | | | |
| – from securities | 30,427 | 29,972 | 24,379 | 14,781 |
| – from associates | 67,806 | 41,721 | 8,563 | – |
| – from subsidiaries | – | – | 869,862 | 647,448 |
| Net cash used in investing activities | (422,802) | (8,057,254) | (298,985) | (8,466,415) |
| Cash flows from financing activities | | | | |
| Proceeds from issuance of shares | 14,502 | 6,011,167 | 2,125 | 6,001,221 |
| Drawdown of borrowings | 391,960 | 95,083 | 689,590 | 95,083 |
| Redemption of subordinated obligations | (520,135) | – | – | – |
| Proceeds from issuance of Innovative Tier 1 Capital Securities (SGD) | – | 1,458,960 | – | 1,458,960 |
| Proceeds from issuance of Innovative Tier 1 Capital Securities (RM) | – | 1,100,000 | – | 1,100,000 |
| Proceeds from issuance of Tier 2 Capital Subordinated Term Loan | – | 3,100,000 | – | 3,100,000 |
| Loans sold to Cagamas, net | 133,712 | (757,804) | 133,712 | (757,804) |
| Dividends paid | (1,008,613) | (722,410) | (1,008,613) | (722,410) |
| Net cash (used in)/generated from financing activities | (988,574) | 10,284,996 | (183,186) | 10,275,050 |
| Net increase/(decrease) in cash and cash equivalents | 5,866,891 | (5,256,426) | 3,002,643 | (7,671,901) |
| Cash and cash equivalents at beginning of year * | 22,549,455 | 28,755,910 | 16,400,973 | 25,120,213 |
| Cash and cash equivalents at end of year | 28,416,346 | 23,499,484 | 19,403,616 | 17,448,312 |

| | Group | | Bank | |
|--|--------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cash and cash equivalents included in the cash flow statements comprise the following Balance Sheet amounts: | | | | |
| Cash and short-term funds (Note 5) | 28,707,992 | 23,607,979 | 19,403,616 | 17,448,312 |
| Less: Monies held in trusts (Note 5) | (291,646) | (108,495) | - | - |
| | 28,416,346 | 23,499,484 | 19,403,616 | 17,448,312 |
| * Cash and cash equivalents at beginning of year: | | | | |
| – As previously reported | 23,607,979 | 27,644,359 | 17,448,312 | 24,069,617 |
| – Effects of foreign exchange rate changes | (1,058,524) | 1,111,551 | (1,047,339) | 1,050,596 |
| | 22,549,455 | 28,755,910 | 16,400,973 | 25,120,213 |

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

notes to the financial statements – 30 June 2010

1. CORPORATE INFORMATION

The Bank is principally engaged in the business of banking and finance in all its aspects.

The subsidiaries are principally engaged in the businesses of banking and finance, Islamic banking, investment banking including stock broking, general and life insurance, general and family takaful, trustee and nominee services, asset management and venture capital.

There were no significant changes in these activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 August 2010.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of accounting

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

(ii) Changes in accounting policies and effects arising from adoption of new and revised FRS, amendments to FRS and interpretations

The significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the previous year except for adoption of the following:

(a) Financial Reporting Standards ("FRSs") effective from the financial period beginning 1 July 2009

- (i) FRS 8 Operating Segments
- (ii) Amendments to FRS 8 Operating Segments

FRS 8 does not have impact on the financial position or results of the Group and the Bank. Details of the operating segments are disclosed in Note 50.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(ii) Changes in accounting policies and effects arising from adoption of new and revised FRS, amendments to FRS and interpretations (cont'd.)****(b) Risk-Based Capital Framework**

BNM has issued detailed guidelines under the Risk-Based Capital Framework for insurers (“the RBC Framework”) which became effective for the annual period beginning on or after 1 January 2009. The insurance subsidiaries conducting conventional businesses of the Group have adopted the accounting policies in investments, receivables, unexpired risks and general and life insurance liabilities as specified in the RBC Framework for the annual period beginning on 1 July 2009. The effect of the RBC Framework to the unrealised holding reserves and retained profits of the Group as at 1 July 2009 is reflected in the statement of changes in equity and does not have any significant impact on the financial statements of the Group other than those disclosed in the statement of changes in equity.

(iii) Subsidiaries and basis of consolidation**(a) Subsidiaries**

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(xxx) below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(iv) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Bank's separate financial statements, investments in associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(xxx) below.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(v) Intangible assets****(a) Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent entity and are recorded in RM at the rates prevailing at the date of acquisition.

(b) Other intangible assets

Other intangible assets include core deposits and computer software. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Intangible assets are amortised over their finite useful lives as follows:

| | |
|--------------------------|-------------|
| Computer softwares | 3 – 5 years |
| Core Deposit Intangibles | 8 years |

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(vi) Securities portfolio

The holdings of the securities portfolio of the Group and the Bank are recognised based on the following categories and measurement 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 are measured 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 statements.

On 20 October 2008, BNM has issued a circular setting out the limited circumstances in which banking institutions are allowed to reclassify financial instruments currently held in the security held-for-trading portfolios. The concession is only effective for the period from 1 July 2008 to 31 December 2009. The Group has as at 30 June 2009 reclassified RM78.1 million of its securities held-for-trading portfolio to securities held-to-maturity portfolio. The reclassification was made at its market value at the date of reclassification. This reclassification is disclosed in Note 8(iv)(c).

(b) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group and the Bank have 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.

(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 financial asset is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(vi) Securities portfolio (cont'd.)

(d) Impairment of securities portfolio

The Group and 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 are 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 interest 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 at the reversal date. The reversal is recognised in the income statement.

For unquoted equity 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.

(ii) Securities available-for-sale

For securities available-for-sale in which there are 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.

(vii) Allowance for doubtful debts

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 loans 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 doubtful debts and financing of the Group and the Bank are computed based on the requirements of BNM/GP3, which is consistent with the adoption made in the previous audited annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(viii) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, in accordance with Note 3(xxx).

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use. Leasehold land is depreciated over the period of the respective leases which ranges from 35 to 999 years. The remaining period of respective leases ranges from 6 to 906 years.

Depreciation of other property, plant and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

| | |
|---|---|
| Buildings on freehold land | 50 years |
| Buildings on leasehold land | 50 years or remaining life of the lease, whichever is shorter |
| Office furniture, fittings, equipment and renovations | 10% – 25% |
| Computers and peripherals | 14% – 25% |
| Electrical and security equipment | 8% – 25% |
| Motor vehicles | 20% – 25% |

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(ix) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(ix) Investment properties (cont'd.)

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

Where investment properties are transferred from self-occupied properties, any gains arising from the change in the fair value of those investment properties are credited directly to equity in revaluation surplus. Any losses arising from the change in fair value are recognised in the income statement, to the extent that the losses offset any earlier gains already recognised in the revaluation surplus.

(x) Other assets

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

(xi) Repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at future dates. The commitments to resell the securities are reflected as assets on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and corresponding obligations to purchase the securities are reflected as liabilities on the balance sheet.

(xii) Bills and acceptances payable

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

(xiii) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Bank have 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.

(xiv) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xv) Profit equalisation reserves (“PER”) on IBS operations

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. The amount appropriated is shared by the depositors and the Group. 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 Islamic banking capital fund.

(xvi) Income tax and zakat

(a) 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 period 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 period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised 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 the amount of any excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(b) Zakat

This represents business zakat payable by the Group in compliance with Shariah principles and as approved by the Group’s Shariah Committee.

(xvii) Leases

(a) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 3(xvii)(b)); and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xvii) Leases (cont'd.)

(b) Finance lease – the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Bank's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3(viii).

(c) Operating lease – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(d) Operating lease – the Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 3(viii)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(xviii) Life fund

The Life fund consists of long-term liabilities to policyholders, determined by an annual actuarial valuation, as well as accumulated surplus. The distributable surplus is transferable from the Life fund to the income statement based on the surplus determined by the actuarial valuation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xix) Takaful funds

The Group's Takaful funds are operated under the Mudharabah and Wakalah models and are maintained in accordance with the requirements of the Takaful Act, 1984 and comply with the principles of Shariah.

(a) Family Takaful fund

The Family Takaful fund consists of the amounts attributable to participants as determined by the annual actuarial valuation and accumulated surplus attributable to participants. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the respective Takaful operators.

(b) General Takaful fund

The General Takaful fund consists of unearned contribution reserves and accumulated surplus attributable to participants which represents the participants share in the net surplus of the general takaful revenue accounts. Any deficit in the general takaful fund will be made good by the shareholder's funds via a benevolent loan or Qardhul Hassan. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the respective Takaful operators.

(xx) Premium liabilities, unearned premium reserves and unearned contribution reserves and unexpired risk reserves

(a) Premium liabilities

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserves ("UPR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR") with a provision of risk margin for adverse deviation calculated at 75% confidence level at the overall subsidiary level. The URR requirement was established pursuant to the Framework which became effective on 1 January 2009.

(b) Unearned premium reserves and unearned contribution reserves

Unearned Premium Reserves ("UPR") and Unearned Contribution Reserves ("UCR") represent the portion of the net premiums and contribution of insurance policies and takaful certificates written that relate to the unexpired periods of policies and certificates at the end of the financial year. In determining the UPR and UCR at the balance sheet date, the method that most accurately reflect the actual unearned premium is used as follows:

- 25% method for marine cargo and aviation cargo, and transit business.
- 1/24th method for other classes of Malaysian general policies and 1/365th method for all classes of general takaful within Malaysia, reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding limits specified by Bank Negara Malaysia as follows:

| | |
|---|-----|
| Motor | 10% |
| Fire, engineering, aviation and marine hull | 15% |
| Medical health | |
| – Standalone individuals | 15% |
| – Group of 3 or more | 10% |
| Workmen compensation and employers' liability | |
| – Foreign workers | 10% |
| – Others | 25% |
| Other classes | 20% |
- 1/8th method for all classes of overseas inward treaty business with a deduction of 20% for commissions.
- Bond policies and non-annual certificates are time-apportioned over the periods of the risks.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(xx) Premium liabilities, unearned premium reserves and unearned contribution reserves and unexpired risk reserves (cont'd.)****(c) Unexpired risk reserves**

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

(xxi) Claims liabilities/provision for outstanding claims

For general insurance and general takaful businesses, a liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the balance sheet date. Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at balance sheet date based on an actuarial valuation by a qualified actuary, based on a mathematical method of estimation based on actual claims development pattern.

For life assurance and family takaful businesses, claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified.

Claims and provisions for claims arising on life insurance and family takaful policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- (i) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- (ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of the contingency covered.

(xxii) Borrowings

Interest-bearing borrowings are recognised initially at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds net of transaction costs and the redemption value being recognised in the income statement over the period of the borrowings on an effective interest method.

(xxiii) Interest and financing income recognition

Interest income is recognised on an accrual basis based on effective interest method. Interest income includes the amortisation of premiums or accretion of discounts.

Interest income on overdrafts, term loans and housing loans is accounted for on an accrual basis by reference to the rest periods as stipulated in the loan agreements, which are either daily or monthly. Interest income from hire purchase, instalment sale financing, block discounting and leasing transactions is accounted for on the "sum-of-the-digits" method, whereby the income recognised for each month is obtained by multiplying the total income by a fraction whose numerator is the digit representing the remaining number of months and whose denominator is the sum of the digits representing the total number of months.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxiii) Interest and financing income recognition (cont'd.)

Where an account has turned non-performing, interest accrued and recognised as income prior to the date the loan is classified as non-performing is reversed out of income, and set-off against the accrued interest receivable in the balance sheet. Thereafter, interest on these accounts are recognised on a cash basis until such time as the accounts are no longer classified as non-performing. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three months and one month after maturity date for trade bills, bankers' acceptances and trust receipts. Credit card holders are deemed non-performing where repayments are in arrears for more than ninety (90) days from first day of default.

Income from the Islamic Banking Scheme ("IBS") business is recognised on accrual basis in compliance with Bank Negara Malaysia Guidelines.

Handling fees paid to motor vehicle dealers for hire purchase loans are amortised in the income statement over the tenor of the loan in accordance with Bank Negara Malaysia Circular on Handling Fees dated 16 October 2006 and is set off against interest income recognised on the hire purchase loans.

(xxiv) Fee and other income recognition

Loan arrangement, management and participation fees, factoring commissions, underwriting commissions, brokerage fees and guarantee fees are recognised as income based on accrual on time apportionment method. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income is recognised when the shareholder's right to receive payment is established.

Premiums and contributions from general insurance and general takaful businesses, respectively, are recognised as income in a financial period in respect of risks assumed during that particular financial period. Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Premiums and contributions for life assurance and family takaful businesses, respectively, are recognised as income on assumption of risks and subsequent premiums are recognised on due dates. Premiums outstanding at balance sheet date are recognised as income for the period, provided they are still within the grace period allowed for payment. Contribution income on long term policies is recognised as earned based on the time-apportionment method.

Gross contributions for takaful business are accounted for on accrual basis in accordance with the Principles of Shariah as advised by Etiqa Takaful Berhad's Shariah Committee. Unrealised income is deferred and receipts in advance are treated as liabilities in the balance sheet.

Rollover fees on margin accounts and management fees from asset management are recognised on an accrual basis.

(xxv) Interest, financing and related expense recognition

Interest expense and attributable profit (on activities relating to IBS business) on deposits and borrowings of the Group and the Bank are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxvi) 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 Group and 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"). Certain foreign branches of the Bank and subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement when incurred.

(c) Share-based compensation

The ESOS is an equity-settled share-based compensation plan that allows the Group's Directors and employees to acquire shares of the Bank. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve 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 Group 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 share option reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. The share option reserve is transferred to retained earnings upon expiry of the share option.

(xxvii) Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxvii) Foreign currencies (cont'd.)

(b) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Bank's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in profit or loss in the Bank's separate financial statements or the individual financial statements of the foreign operations, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent entity and are recorded in RM at the rates prevailing at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxviii) 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.

The gain or loss for derivatives that qualify for hedge accounting is recognised as follows:

(a) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(b) Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in a separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

(xxix) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash and bank balances and short-term funds with remaining maturity of less than one month.

(xxx) Impairment of assets

The carrying amounts of assets, other than securities portfolio, goodwill, intangible assets with indefinite useful life, investment properties 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 goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

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. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxx) 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.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill 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 other than goodwill 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 other than goodwill 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.

(xxxi) Non-current assets held-for-sale and discontinued operation

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held-for-sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held-for-sale, non-current assets (other than the investment properties, deferred tax assets, employees' benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Bank is classified as a discontinued operation when the criteria to be classified as held-for-sale have been met or it has been disposed off and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**(xxxii) Standards and interpretations issued but not yet effective**

At the date of authorisation of these financial statements, the following new FRSs, amendments to FRS and Interpretations of the Issues Committee (“IC Interpretations”) have been issued but are not yet effective and have not been adopted by the Group and the Bank:

Effective for financial periods beginning on or after 1 January 2010

- (i) FRS 4: Insurance Contracts
- (ii) FRS 7: Financial Instruments-Disclosures
- (iii) FRS 101: Presentation of Financial Statements (revised 2009)
- (iv) FRS 123: Borrowing Costs
- (v) FRS 139: Financial Instruments – Recognition and Measurement
- (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
- (vii) Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations
- (viii) Amendments to FRS 132: Financial Instruments: Presentation
- (ix) Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosure and IC Interpretation 9: Reassessment of Embedded Derivatives
- (x) Amendments to FRSs contained in the document entitled ‘Improvements to FRSs (2009)’
- (xi) IC Interpretation 9: Reassessment of Embedded Derivatives
- (xii) IC Interpretation 10: Interim Financial Reporting and Impairment
- (xiii) IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
- (xiv) IC Interpretation 13: Customer Loyalty Programmes
- (xv) IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- (xvi) TR i – 3: Presentation of Financial Statements of Islamic Financial Institutions
- (xvii) SOP i – 1: Financial Reporting from an Islamic Perspective

Effective for financial periods ending on or after 31 December 2010

TR – 3: Guidance on Disclosures of Transition to IFRSs

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132: Financial Instruments: Presentation (Classification of Rights Issues)

Effective for financial periods beginning on or after 1 July 2010

- (i) FRS 1: First-time Adoption of Financial Reporting Standards
- (ii) FRS 3: Business Combinations (revised)
- (iii) FRS 127: Consolidated and Separate Financial Statements (amended)
- (iv) Amendments to FRS 2: Share-based Payment
- (v) Amendment to FRS 5: Non-current Assets Held-for-Sale and Discontinued Operations
- (vi) Amendments to FRS 138: Intangible Assets
- (vii) Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- (viii) IC Interpretation 12: Service Concession Arrangements
- (ix) IC Interpretation 15: Agreements for the Construction of Real Estate
- (x) IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- (xi) IC Interpretation 17: Distributions of Non-cash Assets to Owners

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Effective for financial periods beginning on or after 1 January 2011

- (i) Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- (ii) Additional Exemptions for First-time Adopters (Amendments to FRS 1)
- (iii) Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)
- (iv) Amendments to FRS 7: Improving Disclosures about Financial Instruments
- (v) TR i – 4: Shariah Compliant Sale Contracts

The Group and the Bank plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Bank upon their initial application:

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Bank's exposure to risks, enhanced disclosure regarding components of the Group's and Bank's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Bank are exempted from disclosing the possible impact to the financial statements upon the initial application.

FRS 4: Insurance Contracts

FRS 4 specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts, including disclosures to assist users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts.

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Bank.

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 judgement and complexity, are as follows:

(i) Fair value estimation of securities held-for-trading (Note 8(i)), securities available-for-sale (Note 8(ii)) and derivative financial instruments (Note 10)

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) Valuation of investment properties (Note 12)

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties and is performed by independent professional valuers.

(iii) Impairment of goodwill (Note 17)

The Group tests annually whether the goodwill that has an indefinite life has suffered any impairment by measuring the recoverable amount of the goodwill based on the value-in-use method, which requires the use of estimates of cash flow projections, growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment.

(iv) Impairment of other intangible assets (Note 17)

The Group's and the Bank's intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful life.

The determination of the estimated useful life of these intangible assets requires the Bank's management to analyse the circumstances, the industry and market practice and also to use judgement. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

(v) Liabilities of insurance business (Note 20)

(a) Life fund

With effect from 1 January 2009, liabilities of insurance business are determined in accordance with BNM's Risk-Based Capital Framework for insurers and valued using an actuarial valuation methodology, which is defined by the Framework as the Gross Premium Valuation method. The expected future cash flows are determined using best estimate assumptions with an appropriate allowance for provision of risk margin for adverse deviation from expected experience with at least 75% confidence level is secured in respect of guaranteed benefits.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(v) Liabilities of insurance business (Note 20) (cont'd.)

(b) Family Takaful fund

Family Takaful fund is valued by annual actuarial valuation whereby estimates are made for future deaths, disabilities, maturities, instrument returns, voluntary terminations and expenses in accordance with contractual and regulatory requirements.

(c) General Insurance and General Takaful Businesses

The establishment of technical provisions for general insurance and general takaful businesses, including unearned premium/contribution reserves, unexpired risk reserves and claim liabilities/provision for outstanding claims, are based on specific methodologies as described in Note 3(xx) and Note 3(xxi). The eventual settlement of contribution and claim liabilities may vary from initial estimates due to uncertainties including but not restricted to inflation, economic conditions, judicial interpretations and legislative changes.

(vi) Deferred tax (Note 23) and income taxes (Note 38)

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

(vii) Allowances for bad and doubtful debts (Note 9(vii) and Note 36)

The Group and the Bank review the doubtful loans, advances and financing 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 loans and the estimation of realisable amount from the doubtful loans when determining the level of allowance required.

The Group and the Bank have adopted certain criteria in the identification of doubtful loans, which include classifying loans as non-performing when repayments are in arrears for more than three (3) months. Specific allowances for doubtful loans 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 sales value, as appropriate and conforms with BNM guidelines. In addition to the specific allowances made, the Group and the Bank also make general allowance 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.

(viii) Impairment of investment in subsidiaries (Note 14) and interest in associates (Note 15)

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(viii) Impairment of investment in subsidiaries (Note 14) and interest in associates (Note 15) (cont'd.)

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

- (i) The Bank determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and fundamentals.
- (ii) Depending on their nature and the industries in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted cash flow, realisable net asset value and sector average price-earning ratio methods.

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

Sensitivity to changes in assumptions

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

(ix) Impairment of securities portfolio (Note 8)

The Group and the Bank review the Securities Portfolio and assess at each reporting date whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the assets are subject to impairment review.

The impairment review comprises the following judgement made by management:

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

5. CASH AND SHORT-TERM FUNDS

| | Group | | Bank | |
|--|-------------------|----------------|-------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Cash balances and deposits with banks and other financial institutions | 28,629,055 | 23,525,521 | 19,403,616 | 17,446,195 |
| Money at call | 78,937 | 82,458 | – | 2,117 |
| | 28,707,992 | 23,607,979 | 19,403,616 | 17,448,312 |

Included in cash and short-term funds of the Group are monies held in trust of RM291,646,343 (2009: RM108,495,259) in respect of the stockbroking business.

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

| | Group | | Bank | |
|--------------------------------|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Licensed banks* | 7,901,083 | 4,958,051 | 6,164,976 | 6,248,449 |
| Bank Negara Malaysia | 393,648 | 665,948 | 313,178 | 640,344 |
| Other financial institutions** | 620,644 | 675,176 | 620,044 | 675,176 |
| | 8,915,375 | 6,299,175 | 7,098,198 | 7,563,969 |

* Included in deposits and placements with licensed banks of the Group are monies held in trusts of RM8,733,000 (2009: RM9,334,000) in respect of the stockbroking business.

** Included in deposits and placements with other financial institutions are USD10.0 million (2009: USD10.0 million) or Ringgit Malaysia equivalent of RM32.4 million (2009: RM35.2 million) pledged with the New York State Banking Department in satisfaction of capital equivalency deposit requirements, SGD69.9 million (2009: SGD103.4 million) or Ringgit Malaysia equivalent of RM161.8 million (2009: RM233.0 million) placed with Monetary Authority of Singapore and USD57.0 million (2009: USD46.3 million) or Ringgit Malaysia equivalent of RM184.6 million (2009: RM162.8 million) placed with National Bank of Cambodia.

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

(i) The underlying securities purchased under resale agreements are as follows:

| | Group | | Bank | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Malaysian Government Securities | 371,237 | 249,257 | 371,237 | 249,257 |
| Foreign Government Treasury Bills | - | 97,205 | - | 97,205 |
| | 371,237 | 346,462 | 371,237 | 346,462 |

(ii) The securities sold under repurchase agreements are as follows:

| | Group | | Bank | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Securities (Note 8(iv)(b)) | 407,056 | - | - | - |

8. SECURITIES PORTFOLIO

| | | Group | | Bank | |
|-------------------------------|-------|-------------------|----------------|-------------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Securities held-for-trading | (i) | 2,651,103 | 1,489,272 | 2,241,928 | 838,721 |
| Securities available-for-sale | (ii) | 42,576,235 | 47,877,105 | 37,446,841 | 39,349,558 |
| Securities held-to-maturity | (iii) | 8,942,708 | 8,360,751 | 7,855,322 | 6,831,898 |
| | | 54,170,046 | 57,727,128 | 47,544,091 | 47,020,177 |

8. SECURITIES PORTFOLIO (CONT'D.)

(i) Securities held-for-trading

| | Group | | Bank | |
|---|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| At fair value | | | | |
| Money market instruments: | | | | |
| Malaysian Government Securities | 267,762 | 63,813 | 267,762 | 4,940 |
| Malaysian Government Treasury Bills | 25,727 | 73,227 | 25,727 | 73,227 |
| Malaysian Government Investment Issues | 50,818 | 29,946 | 25,453 | – |
| Khazanah Bonds | – | 4,978 | – | – |
| Bank Negara Malaysia Monetary Notes | 605,006 | 444,031 | 581,545 | 444,031 |
| Foreign Government Treasury Bills | 509,037 | – | 509,037 | – |
| Foreign Government Securities | 90,780 | 4,738 | – | – |
| Foreign Certificates of Deposits | 228,598 | 219,426 | – | – |
| Sukuk Ijarah Bonds | 69,902 | – | 49,930 | – |
| | 1,847,630 | 840,159 | 1,459,454 | 522,198 |
| Quoted securities: | | | | |
| Shares | 22,802 | 27,939 | 22,802 | 27,939 |
| | 22,802 | 27,939 | 22,802 | 27,939 |
| Unquoted securities: | | | | |
| Foreign private debt securities | 185,855 | 288,584 | 164,856 | 288,584 |
| Islamic private debt securities in Malaysia | 594,816 | 332,590 | 594,816 | – |
| | 780,671 | 621,174 | 759,672 | 288,584 |
| Total securities held-for-trading | 2,651,103 | 1,489,272 | 2,241,928 | 838,721 |

8. SECURITIES PORTFOLIO (CONT'D.)**(ii) Securities available-for-sale**

| | Group | | Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| At fair value, or at cost less impairment losses for certain unquoted equity instruments | | | | |
| Money market instruments: | | | | |
| Malaysian Government Securities | 5,284,696 | 8,000,877 | 5,195,698 | 7,462,815 |
| Cagamas Bonds | 1,978,555 | 289,075 | 1,746,559 | 289,075 |
| Foreign Government Securities | 7,357,037 | 7,601,976 | 5,012,151 | 4,889,677 |
| Malaysian Government Treasury Bills | – | 9,902 | – | 9,902 |
| Malaysian Government Investment Issues | 5,655,221 | 8,128,186 | 3,153,796 | 5,156,329 |
| Foreign Government Treasury Bills | 2,489,382 | 556,106 | 2,352,420 | 405,546 |
| Negotiable instruments of deposits | 1,304,946 | 1,776,469 | 5,021,821 | 4,691,967 |
| Bankers' acceptances and Islamic accepted bills | 1,104,706 | 3,070,391 | 1,026,207 | 3,024,272 |
| Khazanah Bonds | 830,758 | 828,797 | 578,002 | 359,850 |
| Bank Negara Malaysia Monetary Notes | 99,890 | 50,005 | 99,890 | 50,005 |
| | 26,105,191 | 30,311,784 | 24,186,544 | 26,339,438 |
| Quoted securities: | | | | |
| In Malaysia: | | | | |
| Shares, warrants, trust units and loan stocks | 407,559 | 386,243 | 182,936 | 181,936 |
| Outside Malaysia: | | | | |
| Shares, warrants, trust units and loan stocks | 82,056 | 97,811 | 35,387 | 48,518 |
| | 489,615 | 484,054 | 218,323 | 230,454 |
| Unquoted securities: | | | | |
| Shares, trust units and loan stocks in Malaysia | 701,289 | 691,283 | 447,159 | 441,733 |
| Shares, trust units and loan stocks outside Malaysia | 27,449 | 39,358 | 17,024 | 18,864 |
| Islamic private debt securities in Malaysia | 9,925,149 | 11,015,939 | 8,156,657 | 7,792,927 |
| Malaysian Government Bonds | 144,475 | 162,297 | 144,475 | 162,297 |
| Foreign Government Bonds | 110,006 | 80,671 | – | – |
| Credit linked notes (Note 8(iv)(b)) | 151,784 | 225,735 | 151,784 | 225,735 |
| Foreign Islamic private debt securities | 4,713,610 | 4,865,984 | 4,091,929 | 4,138,110 |
| Malaysia Global Sukuk | 207,667 | – | 32,946 | – |
| | 15,981,429 | 17,081,267 | 13,041,974 | 12,779,666 |
| Total securities available-for-sale | 42,576,235 | 47,877,105 | 37,446,841 | 39,349,558 |

8. SECURITIES PORTFOLIO (CONT'D.)**(iii) Securities held-to-maturity**

| | Group | | Bank | |
|---|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| At amortised cost | | | | |
| Money market instruments: | | | | |
| Malaysian Government Securities | 6,237,200 | 6,263,488 | 6,237,092 | 6,032,944 |
| Cagamas Bonds | 11,794 | 13,390 | 11,794 | 1,670 |
| Foreign Government Securities | 824,404 | 443,637 | – | – |
| Malaysian Government Investment Issues/Certificates | 527,466 | 512,691 | 377,000 | 275,248 |
| Khazanah Bonds | 16,603 | – | 16,603 | – |
| | 7,617,467 | 7,233,206 | 6,642,489 | 6,309,862 |
| Unquoted securities: | | | | |
| Islamic private debt securities in Malaysia | 953,988 | 494,853 | 923,955 | 100,262 |
| Malaysian Government Bonds | 6,761 | 7,638 | 6,761 | 7,638 |
| Foreign Islamic private debt securities | 394,513 | 640,842 | 312,135 | 424,915 |
| Others | 2,044 | 2,044 | 2,044 | 2,044 |
| | 1,357,306 | 1,145,377 | 1,244,895 | 534,859 |
| Accumulated impairment losses | (32,065) | (17,832) | (32,062) | (12,823) |
| Total securities held-to-maturity | 8,942,708 | 8,360,751 | 7,855,322 | 6,831,898 |
| Indicative value of unquoted securities held-to-maturity: | | | | |
| Malaysian Government Securities | 6,356,914 | 6,244,726 | 6,356,809 | 6,013,698 |
| Cagamas Bonds | 11,829 | 13,505 | 11,829 | 1,674 |
| Malaysian Government Investment Issues | 530,545 | 512,755 | 378,808 | 275,691 |
| Foreign Government Securities | 827,187 | 495,508 | – | – |
| Khazanah Bonds | 16,960 | – | 16,960 | – |
| Islamic private debt securities in Malaysia | 956,182 | 480,971 | 926,026 | 88,129 |
| Malaysian Government Bonds | 6,875 | 7,689 | 6,875 | 7,689 |
| Foreign Islamic private debt securities | 409,800 | 661,650 | 330,204 | 445,723 |
| Others | 2,013 | 2,044 | 2,013 | 2,044 |

8. SECURITIES PORTFOLIO (CONT'D.)

(iv) Other disclosures

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

| | Group | | Bank | |
|---------------------------|-------------------|----------------|-------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Maturing within one year | 6,308,634 | 7,804,762 | 5,636,559 | 5,789,992 |
| One year to three years | 7,623,572 | 3,499,277 | 9,759,516 | 4,268,177 |
| Three years to five years | 5,532,927 | 12,780,339 | 5,127,400 | 13,170,029 |
| After five years | 14,257,525 | 13,460,612 | 10,305,558 | 9,421,102 |
| | 33,722,658 | 37,544,990 | 30,829,033 | 32,649,300 |

(b) Included in securities available-for-sale are credit linked notes with a face value of USD50,000,000 (2009: USD90,000,000) or Ringgit Malaysia equivalent to RM161,825,000 (2009: RM316,530,000) with embedded credit default swaps. The notes would be redeemed at face values on their respective maturity dates provided there is no occurrence of a specified credit event affecting the reference entities or their obligations. If there is an occurrence of a credit event, the underlying asset (the reference obligation of the reference entity), or a cash settlement amount to be determined with reference to the market value of the underlying asset in accordance with the terms of the contract, would be delivered by the issuer of the note.

(c) Reclassification of securities

In the previous financial year, the Group reclassified its securities held-for-trading to securities held-to-maturity pursuant to a circular issued by BNM as disclosed in Note 3(vi)(a).

Disclosures of the reclassification from securities held-for-trading to securities held-to-maturity category in the financial statements of the Group are as follows:

(i) Carrying amount and fair value of securities held-for-trading reclassified to securities held-to-maturity are as follows:

| | Group | |
|-----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Carrying amount | 71,781 | 73,093 |
| Fair value | 71,436 | 77,199 |

8. SECURITIES PORTFOLIO (CONT'D.)**(iv) Other disclosures (cont'd.)**

(c) Reclassification of securities (cont'd.)

(ii) The effective interest rate of the securities held-for-trading reclassified to securities held-to-maturity as at 23 January 2009 was at 5.97% per annum.

As at 30 June 2010, there is no significant change in the estimated amount of cash flows that the Group expects to recover from the securities held-for-trading reclassified to securities held-to-maturity category.

9. LOANS, ADVANCES AND FINANCING

| | Group | | Bank | |
|---|--------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Overdrafts | 15,393,797 | 14,493,359 | 11,442,783 | 11,349,807 |
| Term loans | | | | |
| – Housing loans/financing | 36,293,612 | 33,537,779 | 28,805,714 | 26,945,169 |
| – Syndicated loans/financing | 13,053,818 | 12,407,057 | 10,487,792 | 9,722,422 |
| – Hire purchase receivables* | 40,748,909 | 38,050,669 | 21,414,413 | 22,366,959 |
| – Lease receivables | 3,462 | 3,381 | 3,272 | 3,277 |
| – Other loans/financing | 74,264,535 | 56,782,224 | 44,827,809 | 39,278,820 |
| Credit card receivables | 4,973,369 | 4,283,414 | 4,233,074 | 3,796,899 |
| Bills receivable | 2,289,004 | 2,293,815 | 2,256,164 | 2,223,077 |
| Trust receipts | 2,250,995 | 2,082,258 | 1,826,866 | 1,742,023 |
| Claims on customers under acceptance credits | 10,316,581 | 11,129,121 | 7,434,317 | 7,754,168 |
| Loans/financing to banks and other financial institutions | 10,406,605 | 10,170,957 | 10,232,000 | 9,967,406 |
| Revolving credits | 20,853,403 | 20,228,361 | 15,930,021 | 17,131,926 |
| Staff loans | 1,636,344 | 1,460,468 | 959,607 | 950,028 |
| | 232,484,434 | 206,922,863 | 159,853,832 | 153,231,981 |

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

| | Group | | Bank | |
|---|---------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Loans to: | | | | |
| – Executive directors of the Bank | – | 193 | – | 193 |
| – Executive directors of subsidiaries | 839 | 2,104 | 435 | 2,104 |
| Others | 348,403 | 488,514 | – | – |
| | 232,833,676 | 207,413,674 | 159,854,267 | 153,234,278 |
| Unearned interest and income | (19,575,236) | (14,050,883) | (2,775,394) | (3,018,394) |
| Gross loans, advances and financing | 213,258,440 | 193,362,791 | 157,078,873 | 150,215,884 |
| Allowances for bad and doubtful debts/financing | | | | |
| – Specific | (3,864,832) | (3,854,026) | (2,842,531) | (2,847,031) |
| – General | (3,838,541) | (3,725,599) | (2,766,757) | (2,937,055) |
| Net loans, advances and financing | 205,555,067 | 185,783,166 | 151,469,585 | 144,431,798 |

* The hire purchase receivables of a subsidiary of RM221,346,000 (2009: RM320,162,000) are pledged as collateral to the secured borrowing as disclosed in Note 24(i).

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

| | Group | | Bank | |
|--|--------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Domestic operations: | | | | |
| Domestic non-bank financial institutions | | | | |
| – Stockbroking companies | 149,044 | 96,725 | 148,864 | 96,546 |
| – Others | 12,723,851 | 11,364,670 | 9,802,446 | 9,566,429 |
| Domestic business enterprise | | | | |
| – Small and medium enterprise | 13,894,525 | 20,725,182 | 11,475,852 | 16,956,711 |
| – Others | 42,315,555 | 31,940,124 | 35,588,951 | 27,972,236 |
| Government and statutory bodies | 2,238,690 | 2,282,784 | 2,217,251 | 2,213,320 |
| Individuals | 72,201,991 | 62,811,592 | 49,683,456 | 45,902,511 |
| Other domestic entities | 125,319 | 148,302 | 53,514 | 25,925 |
| Foreign entities | 622,790 | 574,944 | 538,335 | 468,954 |
| Total domestic operations | 144,271,765 | 129,944,323 | 109,508,669 | 103,202,632 |

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(i) Loans, advances and financing analysed by type of customer are as follows (cont'd.):

| | Group | | Bank | |
|-------------------------------------|--------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Overseas operations: | | | | |
| Singapore | 40,588,966 | 39,269,681 | 40,588,966 | 39,269,681 |
| Indonesia | 17,102,481 | 12,417,737 | – | – |
| Labuan offshore | 3,268,810 | 3,127,625 | – | – |
| Hong Kong SAR | 3,068,938 | 2,892,352 | 3,068,938 | 2,892,352 |
| United States of America | 753,244 | 1,339,147 | 753,244 | 1,339,147 |
| People's Republic of China | 1,017,861 | 969,266 | 1,017,861 | 969,266 |
| Vietnam | 480,568 | 548,044 | 480,568 | 548,044 |
| United Kingdom | 994,784 | 1,280,950 | 994,784 | 1,280,950 |
| Philippines | 969,478 | 793,490 | – | – |
| Brunei | 158,352 | 130,655 | 158,352 | 130,655 |
| Cambodia | 270,905 | 302,508 | 270,905 | 302,508 |
| Bahrain | 236,586 | 280,649 | 236,586 | 280,649 |
| Papua New Guinea | 75,702 | 66,364 | – | – |
| Total overseas operations | 68,986,675 | 63,418,468 | 47,570,204 | 47,013,252 |
| Gross loans, advances and financing | 213,258,440 | 193,362,791 | 157,078,873 | 150,215,884 |

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

| | Group | | Bank | |
|-------------------------------------|--------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Fixed rate | | | | |
| – Housing loans/financing | 12,681,639 | 11,235,546 | 9,534,313 | 7,724,707 |
| – Hire purchase receivables | 30,943,085 | 29,790,106 | 18,263,418 | 19,005,757 |
| – Other fixed rate loans/financing | 22,327,061 | 19,021,173 | 14,004,422 | 13,285,625 |
| Variable rate | | | | |
| – Base lending rate plus | 75,881,193 | 64,648,964 | 65,916,914 | 59,291,964 |
| – Cost plus | 22,753,403 | 20,795,087 | 19,510,888 | 17,128,290 |
| – Other variable rates | 48,672,059 | 47,871,915 | 29,848,918 | 33,779,541 |
| Gross loans, advances and financing | 213,258,440 | 193,362,791 | 157,078,873 | 150,215,884 |

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

| | Group | | Bank | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Domestic operations: | | | | |
| Purchase of securities | 14,705,379 | 11,437,474 | 10,553,240 | 9,891,754 |
| Purchase of transport vehicles | 22,456,973 | 19,844,339 | 8,863,247 | 8,912,826 |
| – Less: Islamic transport vehicles sold to Cagamas | (1,137,321) | (268,304) | – | – |
| Purchase of landed properties | | | | |
| – Residential | 26,284,395 | 24,649,453 | 20,673,808 | 19,241,121 |
| – Non-residential | 7,308,932 | 6,493,344 | 6,557,672 | 5,797,391 |
| – Less: Islamic housing loans sold to Cagamas | – | (315,069) | – | – |
| Purchase of fixed assets (exclude landed properties) | 2,273 | 3,264 | 2,273 | 3,264 |
| Personal use | 4,585,420 | 3,782,771 | 3,883,845 | 3,348,353 |
| Credit card | 4,124,726 | 3,556,878 | 3,930,697 | 3,510,535 |
| Purchase of consumer durables | 7,144 | 15,709 | 6,023 | 14,838 |
| Construction | 6,707,287 | 6,300,230 | 5,936,640 | 5,426,053 |
| Working capital | 56,857,184 | 51,005,722 | 46,766,725 | 43,706,947 |
| Others | 2,369,373 | 3,438,512 | 2,334,499 | 3,349,550 |
| Total domestic operations | 144,271,765 | 129,944,323 | 109,508,669 | 103,202,632 |
| Overseas operations: | | | | |
| Singapore | 40,588,966 | 39,269,681 | 40,588,966 | 39,269,681 |
| Indonesia | 17,102,481 | 12,417,737 | – | – |
| Labuan offshore | 3,268,810 | 3,127,625 | – | – |
| Hong Kong SAR | 3,068,938 | 2,892,352 | 3,068,938 | 2,892,352 |
| United States of America | 753,244 | 1,339,147 | 753,244 | 1,339,147 |
| People's Republic of China | 1,017,861 | 969,266 | 1,017,861 | 969,266 |
| Vietnam | 480,568 | 548,044 | 480,568 | 548,044 |
| United Kingdom | 994,784 | 1,280,950 | 994,784 | 1,280,950 |
| Philippines | 969,478 | 793,490 | – | – |
| Brunei | 158,352 | 130,655 | 158,352 | 130,655 |
| Cambodia | 270,905 | 302,508 | 270,905 | 302,508 |
| Bahrain | 236,586 | 280,649 | 236,586 | 280,649 |
| Papua New Guinea | 75,702 | 66,364 | – | – |
| Total overseas operations | 68,986,675 | 63,418,468 | 47,570,204 | 47,013,252 |
| Gross loans, advances and financing | 213,258,440 | 193,362,791 | 157,078,873 | 150,215,884 |

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iv) The maturity structure of loans, advances and financing is as follows:

| | Group | | Bank | |
|-------------------------------------|--------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Maturing within one year | 69,370,810 | 63,415,716 | 56,025,479 | 52,037,995 |
| One year to three years | 18,691,972 | 20,379,413 | 10,608,438 | 14,293,730 |
| Three years to five years | 18,941,903 | 19,353,216 | 9,460,481 | 13,057,766 |
| After five years | 106,253,755 | 90,214,446 | 80,984,475 | 70,826,393 |
| Gross loans, advances and financing | 213,258,440 | 193,362,791 | 157,078,873 | 150,215,884 |

(v) Movements in the non-performing loans, advances and financing ("NPL") are as follows:

| | Group | | Bank | |
|--|--------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Balance at beginning of year | 6,715,232 | 6,472,448 | 5,036,313 | 5,214,212 |
| Non-performing during the year | 4,622,381 | 4,519,887 | 2,795,711 | 3,012,997 |
| Reclassified as performing | (2,190,759) | (1,870,449) | (1,525,988) | (1,513,811) |
| Recovered during the year | (1,430,570) | (1,398,790) | (874,761) | (959,732) |
| Amount written off | (1,682,059) | (1,439,402) | (925,144) | (797,628) |
| Converted to securities | – | (931) | – | (931) |
| Amount transferred from other debts | 97,095 | – | 97,095 | – |
| Exchange differences and expenses debited to customers' accounts | 55,000 | 35,781 | 36,505 | 81,206 |
| Acquisition of subsidiaries | – | 396,688 | – | – |
| Balance at end of year | 6,186,320 | 6,715,232 | 4,639,731 | 5,036,313 |
| Less: | | | | |
| – Specific allowance | (3,864,832) | (3,854,026) | (2,842,531) | (2,847,031) |
| on non-performing loans | (3,619,792) | (3,589,888) | (2,602,091) | (2,586,136) |
| on performing loans | (245,040) | (264,138) | (240,440) | (260,895) |
| Net balance | 2,321,488 | 2,861,206 | 1,797,200 | 2,189,282 |

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(v) Movements in the non-performing loans, advances and financing ("NPL") are as follows: (cont'd.)

| | Group | | Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Gross loans, advances and financing | 213,258,440 | 193,362,791 | 157,078,873 | 150,215,884 |
| Add: Islamic loans sold to Cagamas | 1,137,321 | 583,373 | – | – |
| | 214,395,761 | 193,946,164 | 157,078,873 | 150,215,884 |
| Less: | | | | |
| – Specific allowance | (3,864,832) | (3,854,026) | (2,842,531) | (2,847,031) |
| Net loans, advances and financing (including Islamic loans sold to Cagamas) | 210,530,929 | 190,092,138 | 154,236,342 | 147,368,853 |
| Ratio of net non-performing loans: | | | | |
| – Including specific allowance on performing loans | 1.10% | 1.51% | 1.17% | 1.49% |
| – Excluding specific allowance on performing loans | 1.22% | 1.64% | 1.32% | 1.66% |

(vi) Non-performing loans analysed by economic purpose are as follows:

| | Group | | Bank | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Domestic operations: | | | | |
| Purchase of securities | 46,731 | 131,940 | 38,677 | 74,889 |
| Purchase of transport vehicles | 123,561 | 122,873 | 81,785 | 90,420 |
| Purchase of landed properties | | | | |
| – Residential | 1,726,239 | 1,957,069 | 1,380,860 | 1,480,025 |
| – Non-residential | 313,602 | 332,185 | 285,946 | 294,607 |
| Personal use | 160,203 | 212,615 | 133,629 | 174,808 |
| Credit card | 46,872 | 53,267 | 44,039 | 52,733 |
| Purchase of consumer durables | 1,635 | 1,571 | 1,632 | 1,567 |
| Construction | 483,573 | 462,533 | 397,406 | 365,212 |
| Working capital | 2,204,582 | 2,391,994 | 1,800,178 | 2,026,305 |
| Others | 22,138 | 19,492 | 19,489 | 16,845 |
| Total domestic operations | 5,129,136 | 5,685,539 | 4,183,641 | 4,577,411 |

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vi) Non-performing loans analysed by economic purpose are as follows: (cont'd.)

| | Group | | Bank | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Overseas operations: | | | | |
| Singapore | 209,550 | 296,279 | 209,550 | 296,279 |
| Indonesia | 483,397 | 426,994 | – | – |
| Labuan offshore | 79,900 | 107,238 | – | – |
| Hong Kong SAR | 114,136 | 74,170 | 114,136 | 74,170 |
| Brunei | 2,056 | 2,789 | 2,056 | 2,789 |
| Vietnam | 17,500 | 20,859 | 17,500 | 20,859 |
| People's Republic of China | 20,290 | 22,176 | 20,290 | 22,176 |
| United Kingdom | 68,511 | 42,629 | 68,511 | 42,629 |
| Philippines | 35,888 | 33,922 | – | – |
| Cambodia | 24,047 | – | 24,047 | – |
| Papua New Guinea | 1,909 | 2,637 | – | – |
| Total overseas operations | 1,057,184 | 1,029,693 | 456,090 | 458,902 |
| | 6,186,320 | 6,715,232 | 4,639,731 | 5,036,313 |

(vii) Movements in the allowance for bad and doubtful debts are as follows:

| | Group | | Bank | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Specific allowance: | | | | |
| Balance at beginning of year | 3,854,026 | 3,353,676 | 2,847,031 | 2,698,146 |
| Allowance made during the year | 2,148,300 | 2,088,853 | 1,307,829 | 1,337,489 |
| Amount written back in respect of recoveries | (516,138) | (475,569) | (452,438) | (396,612) |
| Amount written off | (1,682,059) | (1,439,402) | (925,144) | (797,628) |
| Transferred to general allowance | (1,278) | (143) | – | – |
| Transferred to impairment losses of securities | – | (931) | – | (931) |
| Amount transferred from other debts | 97,095 | – | 97,095 | – |
| Exchange differences | (35,114) | (29,441) | (31,842) | 6,567 |
| Acquisition of subsidiaries | – | 356,983 | – | – |
| Balance at end of year | 3,864,832 | 3,854,026 | 2,842,531 | 2,847,031 |

9. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vii) Movements in the allowance for bad and doubtful debts are as follows: (cont'd.)

| | Group | | Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| General allowance: | | | | |
| Balance at beginning of year | 3,725,599 | 3,187,611 | 2,937,055 | 2,728,516 |
| Allowance made during the year | 477,569 | 358,818 | – | 202,599 |
| Amount written back | (331,891) | (41,574) | (155,815) | – |
| Transferred from specific allowance | 1,278 | 143 | – | – |
| Exchange differences | (34,014) | (20,059) | (14,483) | 5,940 |
| Acquisition of subsidiaries | – | 240,660 | – | – |
| Balance at end of year | 3,838,541 | 3,725,599 | 2,766,757 | 2,937,055 |
| As a percentage of total loans (including Islamic loans sold to Cagamas, less specific allowance) | 1.82% | 1.96% | 1.79% | 1.99% |
| As a percentage of total risk-weighted assets for credit risk excluding deferred tax assets | 1.76% | 1.93% | 1.68% | 1.83% |

10. DERIVATIVE FINANCIAL INSTRUMENTS

| Group | 2010 | | | 2009 | | |
|------------------------------------|---|------------------|-----------------------|---|------------------|-----------------------|
| | Contract/ Notional Amount RM'000 | Fair Value | | Contract/ Notional Amount RM'000 | Fair Value | |
| | | Assets RM'000 | Liabilities RM'000 | | Assets RM'000 | Liabilities RM'000 |
| Foreign exchange contracts: | | | | | | |
| Currency forward | 34,437,062 | 159,723 | (216,705) | 12,570,470 | 82,533 | (150,556) |
| Currency swaps | 18,958,547 | 281,407 | (117,288) | 21,750,058 | 147,261 | (110,723) |
| Options | 1,282,235 | 2,110 | (4,328) | 1,920,053 | 6,096 | (17,066) |
| | 54,677,844 | 443,240 | (338,321) | 36,240,581 | 235,890 | (278,345) |

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

| Group (cont'd.) | 2010 | | | 2009 | | |
|--|---|------------------|-----------------------|---|------------------|-----------------------|
| | Contract/ Notional Amount RM'000 | Fair Value | | Contract/ Notional Amount RM'000 | Fair Value | |
| | | Assets RM'000 | Liabilities RM'000 | | Assets RM'000 | Liabilities RM'000 |
| Interest rate related contracts: | | | | | | |
| Interest rate swaps | 57,310,984 | 833,906 | (947,496) | 53,782,693 | 640,375 | (1,076,784) |
| Options | 3,769,972 | 29,623 | (60,425) | 2,110,202 | 97,420 | (103,939) |
| | 61,080,956 | 863,529 | (1,007,921) | 55,892,895 | 737,795 | (1,180,723) |
| Total derivative assets/(liabilities) | | 1,306,769 | (1,346,242) | | 973,685 | (1,459,068) |

| Bank | 2010 | | | 2009 | | |
|--|---|------------------|-----------------------|---|------------------|-----------------------|
| | Contract/ Notional Amount RM'000 | Fair Value | | Contract/ Notional Amount RM'000 | Fair Value | |
| | | Assets RM'000 | Liabilities RM'000 | | Assets RM'000 | Liabilities RM'000 |
| Foreign exchange contracts: | | | | | | |
| Currency forward | 31,618,224 | 149,031 | (206,016) | 11,052,406 | 63,224 | (127,822) |
| Currency swaps | 18,958,547 | 281,407 | (117,288) | 21,750,058 | 147,261 | (110,723) |
| Options | 1,282,235 | 2,110 | (4,328) | 1,920,053 | 6,095 | (17,066) |
| | 51,859,006 | 432,548 | (327,632) | 34,722,517 | 216,580 | (255,611) |
| Interest rate related contracts: | | | | | | |
| Interest rate swaps | 56,699,631 | 833,260 | (918,832) | 52,783,100 | 638,046 | (1,049,448) |
| Options | 2,412,091 | 15,874 | (45,034) | 1,528,640 | 75,278 | (76,801) |
| | 59,111,722 | 849,134 | (963,866) | 54,311,740 | 713,324 | (1,126,249) |
| Total derivative assets/(liabilities) | | 1,281,682 | (1,291,498) | | 929,904 | (1,381,860) |

11. OTHER ASSETS

| | Group | | Bank | |
|--|------------------|------------------|------------------|------------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Interest receivables | 1,265,281 | 1,274,972 | 962,790 | 945,287 |
| Prepayments and deposits | 390,089 | 462,836 | 250,400 | 352,005 |
| Other debtors | 3,211,371 | 2,959,679 | 2,494,749 | 2,349,390 |
| Amount due from related companies | – | – | – | 57 |
| Tax recoverable | 113,029 | 194,935 | – | 24,222 |
| Foreclosed properties | 131,592 | 147,186 | 41,709 | 62,568 |
| Prepaid land lease payments (Note (a)) | 208,186 | 209,682 | 82,668 | 85,337 |
| | 5,319,548 | 5,249,290 | 3,832,316 | 3,818,866 |

(a) Prepaid land lease payments

| Group | Leasehold Land | | Total RM'000 |
|---|---------------------------------|-------------------------------|-----------------|
| | Less Than 50 Years RM'000 | 50 Years or More RM'000 | |
| As at 30 June 2010 | | | |
| Cost | | | |
| Balance at 1 July 2009 | 116,121 | 121,454 | 237,575 |
| Additions | 280 | – | 280 |
| Disposals | – | (941) | (941) |
| Write-offs (Note 34) | (342) | – | (342) |
| Transfers | 2,933 | (2,933) | – |
| Exchange differences | 1,348 | (1,030) | 318 |
| Balance at 30 June 2010 | 120,340 | 116,550 | 236,890 |
| Accumulated depreciation and impairment losses | | | |
| Balance at 1 July 2009 | 2,801 | 25,092 | 27,893 |
| Charge for the year (Note 34) | 194 | 1,173 | 1,367 |
| Disposals | – | (213) | (213) |
| Exchange differences | – | (343) | (343) |
| Balance at 30 June 2010 | 2,995 | 25,709 | 28,704 |
| Net carrying amount | | | |
| At 30 June 2010 | 117,345 | 90,841 | 208,186 |

11. OTHER ASSETS (CONT'D.)

(a) Prepaid land lease payments (cont'd.)

| Group (cont'd.) | Leasehold Land | | Total RM'000 |
|---|---------------------------------|-------------------------------|-----------------|
| | Less Than 50 Years RM'000 | 50 Years or More RM'000 | |
| As at 30 June 2009 | | | |
| Cost | | | |
| Balance at 1 July 2008 | 6,413 | 135,810 | 142,223 |
| Acquisition of subsidiaries | 117,959 | – | 117,959 |
| Additions | – | 1,026 | 1,026 |
| Disposals | (196) | (1,140) | (1,336) |
| Write-offs (Note 34) | (8,625) | – | (8,625) |
| Transfers | 570 | (570) | – |
| Reclassification from property, plant and equipment (Note 16) | – | 4,877 | 4,877 |
| Reclassification to investment properties (Note 12) | – | (18,787) | (18,787) |
| Exchange differences | – | 238 | 238 |
| Balance at 30 June 2009 | 116,121 | 121,454 | 237,575 |
| Accumulated depreciation and impairment losses | | | |
| Balance at 1 July 2008 | 2,546 | 23,120 | 25,666 |
| Charge for the year (Note 34) | 139 | 1,607 | 1,746 |
| Writeback of impairment losses | – | (184) | (184) |
| Disposals | (13) | (334) | (347) |
| Reclassification from property, plant and equipment (Note 16) | – | 783 | 783 |
| Transfers | 129 | (129) | – |
| Exchange differences | – | 229 | 229 |
| Balance at 30 June 2009 | 2,801 | 25,092 | 27,893 |
| Net carrying amount | | | |
| At 30 June 2009 | 113,320 | 96,362 | 209,682 |

11. OTHER ASSETS (CONT'D.)

(a) Prepaid land lease payments (cont'd.)

| Bank | Leasehold Land | | Total RM'000 |
|---|---------------------------------|-------------------------------|-----------------|
| | Less Than 50 Years RM'000 | 50 Years or More RM'000 | |
| As at 30 June 2010 | | | |
| Cost | | | |
| Balance at 1 July 2009 | 6,948 | 98,852 | 105,800 |
| Disposals | – | (941) | (941) |
| Transfers | 2,933 | (2,933) | – |
| Exchange differences | – | (1,030) | (1,030) |
| Balance at 30 June 2010 | 9,881 | 93,948 | 103,829 |
| Accumulated depreciation and impairment losses | | | |
| Balance at 1 July 2009 | 2,801 | 17,662 | 20,463 |
| Charge for the year (Note 34) | 194 | 1,014 | 1,208 |
| Disposals | – | (213) | (213) |
| Exchange differences | – | (297) | (297) |
| Balance at 30 June 2010 | 2,995 | 18,166 | 21,161 |
| Net carrying amount | | | |
| At 30 June 2010 | 6,886 | 75,782 | 82,668 |

11. OTHER ASSETS (CONT'D.)

(a) Prepaid land lease payments (cont'd.)

| Bank (cont'd.) | Leasehold Land | | Total RM'000 |
|---|---------------------------------|-------------------------------|-----------------|
| | Less Than 50 Years RM'000 | 50 Years or More RM'000 | |
| As at 30 June 2009 | | | |
| Cost | | | |
| Balance at 1 July 2008 | 6,413 | 99,299 | 105,712 |
| Additions | – | 1,026 | 1,026 |
| Disposals | (35) | (1,140) | (1,175) |
| Transfers | 570 | (570) | – |
| Exchange differences | – | 237 | 237 |
| Balance at 30 June 2009 | 6,948 | 98,852 | 105,800 |
| Accumulated depreciation and impairment losses | | | |
| Balance at 1 July 2008 | 2,545 | 16,809 | 19,354 |
| Charge for the year (Note 34) | 140 | 1,087 | 1,227 |
| Disposals | (13) | (334) | (347) |
| Transfers | 129 | (129) | – |
| Exchange differences | – | 229 | 229 |
| Balance at 30 June 2009 | 2,801 | 17,662 | 20,463 |
| Net carrying amount | | | |
| At 30 June 2009 | 4,147 | 81,190 | 85,337 |

12. INVESTMENT PROPERTIES

| | Group | |
|---|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| At 1 July 2009/2008 | 26,578 | 3,885 |
| Fair value adjustment (Note 34) | (209) | (136) |
| Revaluation reserve (Note 28(iii)) | 9,057 | 2,742 |
| Reclassification from prepaid land lease payments (Note 11) | – | 18,787 |
| Reclassification from property, plant and equipment (Note 16) | 11,028 | 1,572 |
| Disposal | (1,063) | (330) |
| Exchange differences | (67) | 58 |
| At 30 June | 45,324 | 26,578 |

12. INVESTMENT PROPERTIES (CONT'D.)

The following investment properties are held under lease terms:

| | Group | |
|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Leasehold land | 31,000 | 17,211 |
| Buildings | 6,764 | 5,497 |
| | 37,764 | 22,708 |

13. STATUTORY DEPOSITS WITH CENTRAL BANKS

| | Group | | Bank | |
|---------------------------|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| With Bank Negara Malaysia | 676,053 | 1,038,808 | 522,948 | 822,590 |
| With other Central Banks | 3,795,329 | 3,012,124 | 1,410,033 | 1,287,553 |
| | 4,471,382 | 4,050,932 | 1,932,981 | 2,110,143 |

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. The statutory deposits of the foreign branches and subsidiaries are denominated in foreign currencies and maintained with the Central Banks of respective countries, in compliance with the applicable legislations.

14. INVESTMENT IN SUBSIDIARIES

| | Bank | |
|-------------------------------------|---|---------------------------|
| | 2010 RM'000 | 2009 RM'000 |
| Unquoted shares, at cost | | |
| – In Malaysia | 14,887,252 | 14,020,168 |
| – Outside Malaysia | 896,844 | 896,844 |
| Less: Accumulated impairment losses | 15,784,096 (3,130,719) | 14,917,012 (3,130,719) |
| | 12,653,377 | 11,786,293 |

- (a) On 14 April 2010, the Bank subscribed to 5,001 ordinary shares of RM1.00 each issued by Mayban Offshore Corporate Services (Labuan) Sdn. Bhd., a wholly owned subsidiary of the Bank, at an issue price of RM97,209 per ordinary share for a total consideration of RM486,143,609, to facilitate the subscription of the rights issue of ordinary shares in PT Bank Internasional Indonesia Tbk (“BII”). Details of the rights issue are disclosed in Note 51(b).
- (b) On 31 May 2010, the Bank subscribed to 100,000 ordinary shares of RM1.00 each issued by Maybank Islamic Bank Berhad, a wholly owned subsidiary of the Bank, at an issue price of RM5,000 per ordinary share for a total consideration of RM500,000,000.
- (c) Mayban Fortis Holdings Berhad (“Mayban Fortis”), a 69.05% subsidiary of the Bank, had on 26 June 2010 redeemed 350 million Redeemable Convertible Preference Shares (“RCPS”) of RM0.01 each at RM1.00 per RCPS. The Bank received RM245,000,000 from the redemption. The remaining balance of RM105,000,000 was paid by Mayban Fortis to the minority shareholders.
- (d) On 28 June 2010, the Bank acquired 8,682,815 Non-Redeemable Preference Shares (“NRPS”) held by Employees Provident Fund (“EPF”) in Mayban Fortis for a total cash consideration of RM125,969,815. Details of the acquisition are disclosed in Note 51(e).
- (e) The effects of the changes in minority interests mainly relate to the redemption of RCPS by Mayban Fortis (as disclosed in Note 14(c) above) and the acquisitions of NRPS held by EPF by the Bank (as disclosed in Note 14(d) above).

Details of the subsidiaries are disclosed in Note 55.

15. INTEREST IN ASSOCIATES

| | Group | | Bank | |
|-------------------------------------|------------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Unquoted shares, at cost | 476,036 | 397,129 | 468,700 | 393,049 |
| Quoted shares, at cost | 2,864,864 | 2,864,864 | – | – |
| Exchange differences | (580,523) | (288,993) | – | – |
| | 2,760,377 | 2,973,000 | 468,700 | 393,049 |
| Share of post-acquisition reserves | 64,208 | 10,190 | – | – |
| | 2,824,585 | 2,983,190 | 468,700 | 393,049 |
| Less: Accumulated impairment losses | (353,147) | (353,067) | (50,000) | (50,000) |
| | 2,471,438 | 2,630,123 | 418,700 | 343,049 |
| Market value of quoted shares | 922,358 | 925,706 | | |

(a) The summarised financial information of the associates are as follows:

| | Group | |
|-------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Total assets | 26,307,746 | 24,400,445 |
| Total liabilities | (22,356,472) | (20,673,965) |
| Operating revenue | 2,899,032 | 2,314,369 |
| Profit after tax | 604,285 | 512,865 |

15. INTEREST IN ASSOCIATES (CONT'D.)

(b) Details of the associates are as follows:

| Name | Principal activities | Country of incorporation | 2010 % | 2009 % |
|--|--------------------------------------|--------------------------|-------------|-----------|
| Held by the Bank: | | | | |
| UzbekLeasing International A. O. | Leasing | Uzbekistan | 35.0 | 35.0 |
| Philmay Holding, Inc. | Investment holding | Philippines | 33.0 | 33.0 |
| Pelaburan Hartanah Nasional Berhad | Property trust | Malaysia | 30.0 | 30.0 |
| Mayban Agro Fund Sdn. Bhd. | Fund specific purpose vehicle | Malaysia | 33.3 | 33.3 |
| Mayban Venture Capital Company Sdn. Bhd. | Venture capital | Malaysia | 33.3 | 33.3 |
| An Binh Commercial Joint Stock Bank | Banking | Vietnam | 20.0 | 15.0 |
| Held through subsidiaries: | | | | |
| Baiduri Securities Sdn. Bhd. | Under members' voluntary liquidation | Brunei | 39.0 | 39.0 |
| Pak-Kuwait Takaful Company Limited | Investment holding | Pakistan | 22.4 | 17.3 |
| MCB Bank Limited | Banking | Pakistan | 20.0 | 20.0 |
| Maybank JAIC Management Ltd. | Fund management | Malaysia | 50.0 | 50.0 |
| Asian Forum Inc. | Offshore captive insurance | Malaysia | 23.0 | – |
| Maybank MEACP Pte. Ltd. | Fund management | Singapore | 50.0 | – |

The financial year ends of the above associates are coterminous with those of the Group, except for UzbekLeasing International A.O., Pelaburan Hartanah Nasional Berhad, An Binh Commercial Joint Stock Bank, Asian Forum Inc. and MCB Bank Limited, which all have a financial year end of 31 December to conform with their holding companies' financial year end and/or regulatory requirement. For the purpose of applying the equity method of accounting, the financial statements of UzbekLeasing International A.O., Pelaburan Hartanah Nasional Berhad, An Binh Commercial Joint Stock Bank, Asian Forum Inc. and MCB Bank Limited for the year ended 31 December 2009 have been used and appropriate adjustments have been made for the effects of significant transactions between 31 December 2009 and 30 June 2010.

15. INTEREST IN ASSOCIATES (CONT'D.)

(c) The details of goodwill included within the Group's carrying amount of interest in associates are as follow:

| | 2010 RM'000 | 2009 RM'000 |
|-------------------------------------|----------------|----------------|
| As at 1 July 2009/2008 | 2,060,601 | 2,060,104 |
| Arising from interest in associates | 15,909 | 209,474 |
| Exchange differences | (291,203) | (208,977) |
| As at 30 June | 1,785,307 | 2,060,601 |

16. PROPERTY, PLANT AND EQUIPMENT

| Group | *Properties RM'000 | Office Furniture, Fittings, Equipment and Renovations RM'000 | Computers and Peripherals RM'000 | Electrical and Security Equipment RM'000 | Motor Vehicles RM'000 | Buildings- in-Progress RM'000 | Total RM'000 |
|--|-----------------------|--|---|--|-----------------------------|-------------------------------------|-----------------|
| As at 30 June 2010 | | | | | | | |
| Cost | | | | | | | |
| Balance at 1 July 2009 | 1,229,202 | 731,883 | 1,145,977 | 147,119 | 25,288 | 30,548 | 3,310,017 |
| Additions | 1,188 | 53,190 | 68,916 | 1,796 | 9,063 | 73,012 | 207,165 |
| Disposals | (7,742) | (7,383) | (12,627) | (3,140) | (5,163) | - | (36,055) |
| Write-offs (Note 34) | (1,351) | (38,836) | (2,956) | (451) | (99) | - | (43,693) |
| Transfers | - | 38,226 | (1,531) | 197 | 6 | (36,898) | - |
| Reclassification to investment properties (Note 12) | (11,004) | (24) | - | - | - | - | (11,028) |
| Reclassification to intangible assets (Note 17) | - | - | (26,266) | - | - | (2,375) | (28,641) |
| Exchange differences | (18,039) | 2,792 | (4,220) | (504) | (134) | - | (20,105) |
| Balance at 30 June 2010 | 1,192,254 | 779,848 | 1,167,293 | 145,017 | 28,961 | 64,287 | 3,377,660 |

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Group (cont'd.) | *Properties RM'000 | Office Furniture, Fittings, Equipment and Renovations RM'000 | Computers and Peripherals RM'000 | Electrical and Security Equipment RM'000 | Motor Vehicles RM'000 | Buildings- in-Progress RM'000 | Total RM'000 |
|---|-----------------------|--|---|--|-----------------------------|-------------------------------------|------------------|
| As at 30 June 2010 (cont'd.) | | | | | | | |
| Accumulated depreciation and impairment losses | | | | | | | |
| Balance at 1 July 2009 | | | | | | | |
| Accumulated depreciation | 306,402 | 507,437 | 954,653 | 125,091 | 13,560 | – | 1,907,143 |
| Accumulated impairment losses | 7,308 | 4 | – | – | – | – | 7,312 |
| | 313,710 | 507,441 | 954,653 | 125,091 | 13,560 | – | 1,914,455 |
| Charge for the year (Note 34) | 27,251 | 92,583 | 48,504 | 7,470 | 5,834 | – | 181,642 |
| Disposals | (2,665) | (7,337) | (12,624) | (3,140) | (4,455) | – | (30,221) |
| Write-offs (Note 34) | (408) | (36,972) | (2,955) | (448) | (63) | – | (40,846) |
| Transfers | – | (112) | 82 | 30 | – | – | – |
| Exchange differences | (6,955) | 2,622 | (2,406) | (255) | (228) | – | (7,222) |
| Balance at 30 June 2010 | 330,933 | 558,225 | 985,254 | 128,748 | 14,648 | – | 2,017,808 |
| Analysed as: | | | | | | | |
| Accumulated depreciation | 323,625 | 558,221 | 985,254 | 128,748 | 14,648 | – | 2,010,496 |
| Accumulated impairment losses | 7,308 | 4 | – | – | – | – | 7,312 |
| | 330,933 | 558,225 | 985,254 | 128,748 | 14,648 | – | 2,017,808 |
| Net carrying amount | | | | | | | |
| At 30 June 2010 | 861,321 | 221,623 | 182,039 | 16,269 | 14,313 | 64,287 | 1,359,852 |

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Group (cont'd.) | *Properties RM'000 | Office Furniture, Fittings, Equipment and Renovations RM'000 | Computers and Peripherals RM'000 | Electrical and Security Equipment RM'000 | Motor Vehicles RM'000 | Buildings- in-Progress RM'000 | Total RM'000 |
|--|-----------------------|--|---|--|-----------------------------|-------------------------------------|-----------------|
| As at 30 June 2009 | | | | | | | |
| Cost | | | | | | | |
| Balance at 1 July 2008 | 1,156,318 | 623,950 | 1,078,406 | 145,358 | 17,328 | 57,270 | 3,078,630 |
| Additions | 33,935 | 71,810 | 82,844 | 5,008 | 5,382 | 36,291 | 235,270 |
| Acquisition of subsidiaries (Note 14) | 80,063 | 47,946 | 2,849 | – | 6,591 | 207 | 137,656 |
| Disposals | (10,199) | (14,719) | (3,508) | (1,850) | (3,878) | – | (34,154) |
| Write-offs (Note 34) | (27,781) | (57,622) | (6,691) | (3,816) | (228) | (131) | (96,269) |
| Transfers | 1,261 | 59,400 | (2,818) | 2,292 | – | (60,135) | – |
| Reclassification to prepaid land lease payments (Note 11(a)) | (4,877) | – | – | – | – | – | (4,877) |
| Reclassification to investment properties (Note 12) | (1,572) | – | – | – | – | – | (1,572) |
| Reclassification to intangible assets (Note 17) | – | – | (6,120) | – | – | (3,033) | (9,153) |
| Exchange differences | 2,054 | 1,118 | 1,015 | 127 | 93 | 79 | 4,486 |
| Balance at 30 June 2009 | 1,229,202 | 731,883 | 1,145,977 | 147,119 | 25,288 | 30,548 | 3,310,017 |

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Group (cont'd.) | *Properties RM'000 | Office Furniture, Fittings, Equipment and Renovations RM'000 | Computers and Peripherals RM'000 | Electrical and Security Equipment RM'000 | Motor Vehicles RM'000 | Buildings- in-Progress RM'000 | Total RM'000 |
|---|-----------------------|--|---|--|-----------------------------|-------------------------------------|-----------------|
| As at 30 June 2009 (cont'd.) | | | | | | | |
| Accumulated depreciation and impairment losses | | | | | | | |
| Balance at 1 July 2008 | | | | | | | |
| Accumulated depreciation | 292,507 | 492,686 | 940,217 | 122,962 | 12,345 | – | 1,860,717 |
| Accumulated impairment losses | 7,076 | 4 | – | – | – | – | 7,080 |
| Charge for the year (Note 34) | 299,583 | 492,690 | 940,217 | 122,962 | 12,345 | – | 1,867,797 |
| Impairment losses | 25,814 | 85,095 | 24,111 | 7,530 | 3,617 | – | 146,167 |
| Disposals | 232 | – | – | – | – | – | 232 |
| Write-offs (Note 34) | (3,192) | (13,116) | (3,499) | (1,832) | (2,247) | – | (23,886) |
| Transfers | (9,779) | (57,369) | (6,684) | (3,730) | (225) | – | (77,787) |
| Reclassification to prepaid land lease payment (Note 11(a)) | 446 | (509) | – | 63 | – | – | – |
| Exchange differences | (783) | – | – | – | – | – | (783) |
| Balance at 30 June 2009 | 1,389 | 650 | 508 | 98 | 70 | – | 2,715 |
| Analysed as: | | | | | | | |
| Accumulated depreciation | 313,710 | 507,441 | 954,653 | 125,091 | 13,560 | – | 1,914,455 |
| Accumulated impairment losses | 306,402 | 507,437 | 954,653 | 125,091 | 13,560 | – | 1,907,143 |
| | 7,308 | 4 | – | – | – | – | 7,312 |
| | 313,710 | 507,441 | 954,653 | 125,091 | 13,560 | – | 1,914,455 |
| Net carrying amount | | | | | | | |
| At 30 June 2009 | 915,492 | 224,442 | 191,324 | 22,028 | 11,728 | 30,548 | 1,395,562 |

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Group (cont'd.) | Buildings on | | Buildings on Leasehold Land | | Total RM'000 |
|---|----------------------------|----------------------------|---------------------------------|-------------------------------|-----------------|
| | Freehold Land RM'000 | Freehold Land RM'000 | Less Than 50 Years RM'000 | 50 Years or More RM'000 | |
| * Properties consist of: | | | | | |
| Cost | | | | | |
| Balance at 1 July 2009 | 112,756 | 449,077 | 152,501 | 514,868 | 1,229,202 |
| Additions | 69 | 111 | 964 | 44 | 1,188 |
| Disposals | (1,140) | (4,833) | - | (1,769) | (7,742) |
| Write-offs | - | - | (1,351) | - | (1,351) |
| Transfers | - | (3,599) | - | 3,599 | - |
| Reclassification to investment properties | - | (6,171) | - | (4,833) | (11,004) |
| Exchange differences | (669) | (2,723) | (26) | (14,621) | (18,039) |
| Balance at 30 June 2010 | 111,016 | 431,862 | 152,088 | 497,288 | 1,192,254 |
| Accumulated depreciation and impairment losses | | | | | |
| Balance at 1 July 2009 | | | | | |
| Accumulated depreciation | - | 154,352 | 28,316 | 123,734 | 306,402 |
| Accumulated impairment losses | - | 6,014 | 322 | 972 | 7,308 |
| Charge for the year | - | 160,366 | 28,638 | 124,706 | 313,710 |
| Disposals | - | (1,980) | - | (685) | (2,665) |
| Write-offs | - | - | (408) | - | (408) |
| Transfers | - | (278) | - | 278 | - |
| Exchange differences | - | (1,407) | 191 | (5,739) | (6,955) |
| Balance at 30 June 2010 | - | 165,867 | 36,045 | 129,021 | 330,933 |
| Analysed as: | | | | | |
| Accumulated depreciation | - | 159,853 | 35,723 | 128,049 | 323,625 |
| Accumulated impairment losses | - | 6,014 | 322 | 972 | 7,308 |
| | - | 165,867 | 36,045 | 129,021 | 330,933 |
| Net carrying amount | | | | | |
| At 30 June 2010 | 111,016 | 265,995 | 116,043 | 368,267 | 861,321 |

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Group (cont'd.) | Freehold Land RM'000 | Buildings on Freehold Land RM'000 | Buildings on Leasehold Land | | Total RM'000 |
|--|-------------------------|--------------------------------------|------------------------------|----------------------------|-----------------|
| | | | Less Than 50 Years RM'000 | 50 Years or More RM'000 | |
| * Properties consist of: (cont'd.) | | | | | |
| Cost | | | | | |
| Balance at 1 July 2008 | 111,150 | 454,296 | 70,247 | 520,625 | 1,156,318 |
| Additions | 6,376 | 22,517 | 5,042 | – | 33,935 |
| Acquisition of subsidiaries | – | – | 80,063 | – | 80,063 |
| Disposals | (5,028) | (2,106) | (105) | (2,960) | (10,199) |
| Write-offs | – | (25,493) | (2,288) | – | (27,781) |
| Transfers | 600 | 585 | (317) | 393 | 1,261 |
| Reclassification to prepaid land lease payments (Note 11(a)) | – | – | – | (4,877) | (4,877) |
| Reclassification to investment properties (Note 12) | (493) | (1,355) | (391) | 667 | (1,572) |
| Exchange differences | 151 | 633 | 250 | 1,020 | 2,054 |
| Balance at 30 June 2009 | 112,756 | 449,077 | 152,501 | 514,868 | 1,229,202 |
| Accumulated depreciation and impairment losses | | | | | |
| Balance at 1 July 2008 | | | | | |
| Accumulated depreciation | – | 144,984 | 32,280 | 115,243 | 292,507 |
| Accumulated impairment losses | – | 6,132 | 335 | 609 | 7,076 |
| | | 151,116 | 32,615 | 115,852 | 299,583 |
| Charge for the year | – | 9,346 | 5,765 | 10,703 | 25,814 |
| Impairment losses | – | (118) | (13) | 363 | 232 |
| Disposals | – | (877) | (27) | (2,288) | (3,192) |
| Write-offs | – | (9,166) | (613) | – | (9,779) |
| Transfers | – | 9,610 | (9,214) | 50 | 446 |
| Reclassification to prepaid land lease payments (Note 11(a)) | – | – | – | (783) | (783) |
| Exchange differences | – | 455 | 125 | 809 | 1,389 |
| Balance at 30 June 2009 | – | 160,366 | 28,638 | 124,706 | 313,710 |
| Analysed as: | | | | | |
| Accumulated depreciation | – | 154,352 | 28,316 | 123,734 | 306,402 |
| Accumulated impairment losses | – | 6,014 | 322 | 972 | 7,308 |
| | – | 160,366 | 28,638 | 124,706 | 313,710 |
| Net carrying amount | | | | | |
| At 30 June 2009 | 112,756 | 288,711 | 123,863 | 390,162 | 915,492 |

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Bank | *Properties RM'000 | Office Furniture, Fittings, Equipment and Renovations RM'000 | Computers and Peripherals RM'000 | Electrical and Security Equipment RM'000 | Motor Vehicles RM'000 | Buildings- in-Progress RM'000 | Total RM'000 |
|--|-----------------------|--|---|--|-----------------------------|-------------------------------------|-----------------|
| As at 30 June 2010 | | | | | | | |
| Cost | | | | | | | |
| Balance at 1 July 2009 | 1,012,556 | 531,274 | 1,011,840 | 125,936 | 10,820 | 29,764 | 2,722,190 |
| Additions | 224 | 16,389 | 61,075 | 1,738 | 2,003 | 57,015 | 138,444 |
| Disposals | (6,250) | (5,203) | (8,633) | (3,140) | (1,410) | - | (24,636) |
| Write-offs (Note 34) | - | (28,578) | (2,912) | (451) | (8) | - | (31,949) |
| Transfers | - | 26,958 | - | 204 | - | (27,162) | - |
| Reclassification to intangible assets (Note 17) | - | - | (26,266) | - | - | - | (26,266) |
| Exchange differences | (16,894) | (4,252) | (3,140) | (468) | (320) | - | (25,074) |
| Balance at 30 June 2010 | 989,636 | 536,588 | 1,031,964 | 123,819 | 11,085 | 59,617 | 2,752,709 |
| Accumulated depreciation | | | | | | | |
| Balance at 1 July 2009 | 281,000 | 382,162 | 827,089 | 108,916 | 7,883 | - | 1,607,050 |
| Charge for the year (Note 34) | 19,249 | 58,363 | 46,189 | 5,363 | 1,320 | - | 130,484 |
| Disposals | (2,665) | (5,182) | (8,633) | (3,140) | (1,249) | - | (20,869) |
| Write-offs (Note 34) | - | (28,119) | (2,912) | (448) | (4) | - | (31,483) |
| Exchange differences | (3,847) | (3,291) | (2,414) | (297) | (221) | - | (10,070) |
| Balance at 30 June 2010 | 293,737 | 403,933 | 859,319 | 110,394 | 7,729 | - | 1,675,112 |
| Net carrying amount | | | | | | | |
| At 30 June 2010 | 695,899 | 132,655 | 172,645 | 13,425 | 3,356 | 59,617 | 1,077,597 |

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Bank (cont'd.) | *Properties RM'000 | Office Furniture, Fittings, Equipment and Renovations RM'000 | Computers and Peripherals RM'000 | Electrical and Security Equipment RM'000 | Motor Vehicles RM'000 | Buildings- in-Progress RM'000 | Total RM'000 |
|--|-----------------------|--|---|--|-----------------------------|-------------------------------------|------------------|
| As at 30 June 2009 | | | | | | | |
| Cost | | | | | | | |
| Balance at 1 July 2008 | 1,006,710 | 510,487 | 945,947 | 124,313 | 10,264 | 52,390 | 2,650,111 |
| Additions | 13,093 | 38,167 | 80,915 | 4,951 | 1,427 | 30,055 | 168,608 |
| Disposals | (8,662) | (13,771) | (3,363) | (1,850) | (837) | – | (28,483) |
| Write-offs (Note 34) | – | (54,732) | (6,421) | (3,816) | (135) | – | (65,104) |
| Transfers | – | 50,519 | – | 2,241 | – | (52,760) | – |
| Reclassification to intangible assets (Note 17) | – | – | (6,120) | – | – | – | (6,120) |
| Exchange differences | 1,415 | 604 | 882 | 97 | 101 | 79 | 3,178 |
| Balance at 30 June 2009 | 1,012,556 | 531,274 | 1,011,840 | 125,936 | 10,820 | 29,764 | 2,722,190 |
| Accumulated depreciation | | | | | | | |
| Balance at 1 July 2008 | 263,359 | 393,091 | 814,805 | 108,861 | 7,612 | – | 1,587,728 |
| Charge for the year (Note 34) | 18,875 | 56,511 | 21,342 | 5,425 | 1,159 | – | 103,312 |
| Disposals | (1,526) | (13,198) | (3,355) | (1,832) | (801) | – | (20,712) |
| Write-offs (Note 34) | – | (54,649) | (6,417) | (3,713) | (133) | – | (64,912) |
| Exchange differences | 292 | 407 | 714 | 175 | 46 | – | 1,634 |
| Balance at 30 June 2009 | 281,000 | 382,162 | 827,089 | 108,916 | 7,883 | – | 1,607,050 |
| Net carrying amount | | | | | | | |
| At 30 June 2009 | 731,556 | 149,112 | 184,751 | 17,020 | 2,937 | 29,764 | 1,115,140 |

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Bank (cont'd.) | Buildings on | | Buildings on Leasehold Land | | Total RM'000 |
|---------------------------------|----------------------------|----------------------------|---------------------------------|-------------------------------|-----------------|
| | Freehold Land RM'000 | Freehold Land RM'000 | Less Than 50 Years RM'000 | 50 Years or More RM'000 | |
| * Properties consist of: | | | | | |
| Cost | | | | | |
| Balance at 1 July 2009 | 109,195 | 390,708 | 73,264 | 439,389 | 1,012,556 |
| Additions | 69 | 111 | - | 44 | 224 |
| Disposals | (1,005) | (3,476) | - | (1,769) | (6,250) |
| Exchange differences | (662) | (417) | (2,365) | (13,450) | (16,894) |
| Balance at 30 June 2010 | 107,597 | 386,926 | 70,899 | 424,214 | 989,636 |
| Accumulated depreciation | | | | | |
| Balance at 1 July 2009 | - | 150,144 | 24,440 | 106,416 | 281,000 |
| Charge for the year | - | 7,745 | 2,464 | 9,040 | 19,249 |
| Disposals | - | (1,980) | - | (685) | (2,665) |
| Exchange differences | - | (172) | (80) | (3,595) | (3,847) |
| Balance at 30 June 2010 | - | 155,737 | 26,824 | 111,176 | 293,737 |
| Net carrying amount | | | | | |
| At 30 June 2010 | 107,597 | 231,189 | 44,075 | 313,038 | 695,899 |

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Bank (cont'd.) | Buildings on | | Buildings on Leasehold Land | | Total RM'000 |
|---|----------------------------|----------------------------|---------------------------------|-------------------------------|-----------------|
| | Freehold Land RM'000 | Freehold Land RM'000 | Less Than 50 Years RM'000 | 50 Years or More RM'000 | |
| * Properties consist of: (cont'd.) | | | | | |
| Cost | | | | | |
| Balance at 1 July 2008 | 107,454 | 390,181 | 68,369 | 440,706 | 1,006,710 |
| Additions | 6,235 | 1,816 | 5,042 | – | 13,093 |
| Disposals | (4,644) | (1,383) | – | (2,635) | (8,662) |
| Transfers | – | – | (393) | 393 | – |
| Exchange differences | 150 | 94 | 246 | 925 | 1,415 |
| Balance at 30 June 2009 | 109,195 | 390,708 | 73,264 | 439,389 | 1,012,556 |
| Accumulated depreciation | | | | | |
| Balance at 1 July 2008 | – | 142,779 | 22,188 | 98,392 | 263,359 |
| Charge for the year | – | 7,787 | 1,877 | 9,211 | 18,875 |
| Disposals | – | (460) | – | (1,066) | (1,526) |
| Exchange differences | – | 38 | 375 | (121) | 292 |
| Balance at 30 June 2009 | – | 150,144 | 24,440 | 106,416 | 281,000 |
| Net carrying amount | | | | | |
| At 30 June 2009 | 109,195 | 240,564 | 48,824 | 332,973 | 731,556 |

17. INTANGIBLE ASSETS

| | Group | | Bank | |
|--------------------------------------|------------------|------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| (a) Goodwill | | | | |
| Cost: | | | | |
| At 1 July 2009/2008 | 5,582,728 | 81,015 | 81,015 | 81,015 |
| Acquisition of subsidiaries | – | 5,804,567 | – | – |
| Exchange differences | 191,275 | (302,854) | – | – |
| At 30 June | 5,774,003 | 5,582,728 | 81,015 | 81,015 |
| Impairment loss: | | | | |
| At 1 July 2009/2008 | 1,619,518 | – | – | – |
| Charge for the year | – | 1,619,518 | – | – |
| At 30 June | 1,619,518 | 1,619,518 | – | – |
| Net carrying amount | 4,154,485 | 3,963,210 | 81,015 | 81,015 |
| (b) Core Deposits Intangibles | | | | |
| Cost: | | | | |
| At 1 July 2009/2008 | 367,770 | – | – | – |
| Acquisition of subsidiaries | – | 388,024 | – | – |
| Exchange differences | 12,792 | (20,254) | – | – |
| At 30 June | 380,562 | 367,770 | – | – |
| Accumulated amortisation: | | | | |
| At 1 July 2009/2008 | 73,140 | – | – | – |
| Amortisation charged (Note 34) | 93,037 | 71,737 | – | – |
| Exchange differences | 2,256 | 1,403 | – | – |
| At 30 June | 168,433 | 73,140 | – | – |
| Net carrying amount | 212,129 | 294,630 | – | – |

17. INTANGIBLE ASSETS (CONT'D.)

| | Group | | Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| (c) Computer Software | | | | |
| Cost: | | | | |
| At 1 July 2009/2008 | 420,554 | 354,151 | 322,443 | 291,667 |
| Acquisition of subsidiaries | – | 23,703 | – | – |
| Additions | 28,942 | 33,282 | 11,318 | 23,814 |
| Disposals | (298) | (386) | – | – |
| Write-offs | (1,288) | (187) | (1,272) | (187) |
| Reclassification from property, plant and equipment (Note 16) | 28,641 | 9,153 | 26,266 | 6,120 |
| Exchange differences | (2,527) | 838 | (3,802) | 1,029 |
| At 30 June | 474,024 | 420,554 | 354,953 | 322,443 |
| Accumulated amortisation: | | | | |
| At 1 July 2009/2008 | 304,384 | 245,437 | 235,326 | 190,227 |
| Amortisation charged (Note 34) | 58,742 | 58,884 | 44,429 | 44,437 |
| Disposals | (298) | (46) | – | – |
| Write-offs | (1,288) | (187) | (1,272) | (187) |
| Exchange differences | (1,616) | 296 | (3,225) | 849 |
| At 30 June | 359,924 | 304,384 | 275,258 | 235,326 |
| Net carrying amount | 114,100 | 116,170 | 79,695 | 87,117 |
| (d) Total intangible assets | | | | |
| Goodwill | 4,154,485 | 3,963,210 | 81,015 | 81,015 |
| Core Deposits Intangible | 212,129 | 294,630 | – | – |
| Computer Software | 114,100 | 116,170 | 79,695 | 87,117 |
| At 30 June | 4,480,714 | 4,374,010 | 160,710 | 168,132 |

17. INTANGIBLE ASSETS (CONT'D.)**(a) Goodwill**

Goodwill has been allocated to the Group's Cash-Generating Units ("CGU") identified according to the following business segments:

| Cash Generating Unit | 2010 | | 2009 | |
|---|------------------|----------------|------------------|----------------|
| | Group RM'000 | Bank RM'000 | Group RM'000 | Bank RM'000 |
| American Express ("AMEX") card services business in Malaysia (i) | 81,015 | 81,015 | 81,015 | 81,015 |
| Acquisition of subsidiaries | 5,807,085 | – | 5,807,085 | – |
| Impairment loss (ii) | (1,619,518) | – | (1,619,518) | – |
| | 4,187,567 | – | 4,187,567 | – |

Goodwill is allocated to the Group's CGUs expected to benefit from the synergies of the acquisitions. The recoverable amount of the CGUs are assessed based on value-in-use and compared to the carrying value of the CGU to determine whether any impairment exists. Impairment is recognised in the income statement when the carrying amount of the CGU exceeds its recoverable amount.

- (i) The value-in-use calculations apply discounted cash flow projections prepared and approved by management, covering a 10 year period.

The other key assumptions for the computation of value-in-use are as follows:

- The Bank expects the AMEX card services business to be a going concern;
- The growth in business volume is expected to be equivalent to the current industry growth rate of 13% per annum;
- The discount rate applied is the internal weighted average cost of capital of the Bank at the time of assessment, which is estimated to be 7.98% per annum.

17. INTANGIBLE ASSETS (CONT'D.)**(a) Goodwill (cont'd.)**

- (ii) The value-in-use calculations discounted cash flow model using free cash flow to equity (“FCFE”) projections prepared and approved by management covering a 10 year period. The compounded annual growth rate (“CAGR”) of BII’s FCFE projections was 20.1%.

The other key assumptions for the computation of value-in-use are as follows:

- (a) The Bank expects the BII banking business operations to be a going concern;
- (b) The discount rate applied is based on current specific country risks which is estimated to be approximately 16.5% per annum;
- (c) Terminal value whereby cash flow growth rate of 6%, consistent with the Gross Domestic Product rates of Indonesia.

Management believes that any reasonably possible changes in any of the above key assumptions would not cause the carrying value of the CGU to exceed its recoverable amount. Based on the above review, there is no evidence of impairment on the Group and Bank’s goodwill, other than an impairment loss incurred in the previous financial year.

(b) Core Deposits Intangible (“CDI”)

The intangible assets consist mainly of the core deposits intangible arising from the acquisition of BII banking business operations. The CDI is deemed to have a finite useful life of 8 years and the CDI is amortised based on reducing balance method over the deemed finite useful life.

18. DEPOSITS FROM CUSTOMERS

| | Group | | Bank | |
|---|--------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Fixed deposits and negotiable instruments of deposits | | | | |
| – One year or less | 126,868,356 | 115,657,191 | 87,694,148 | 86,308,707 |
| – More than one year | 3,777,611 | 3,075,955 | 2,485,808 | 1,585,090 |
| | 130,645,967 | 118,733,146 | 90,179,956 | 87,893,797 |
| Money market deposits | 16,175,570 | 11,118,846 | 16,175,570 | 11,118,846 |
| Savings deposits | 38,779,000 | 35,290,821 | 28,860,081 | 26,554,841 |
| Demand deposits | 48,779,470 | 44,730,963 | 38,084,642 | 35,708,559 |
| Structured deposits* | 2,529,781 | 2,724,813 | 2,079,492 | 2,176,887 |
| | 236,909,788 | 212,598,589 | 175,379,741 | 163,452,930 |

* Structured deposits represent time deposits with embedded foreign exchange, and commodity-linked time deposits.

18. DEPOSITS FROM CUSTOMERS (CONT'D.)

The maturity structure of fixed deposits and negotiable instruments of deposits are as follows:

| | Group | | Bank | |
|---------------------------|--------------------|----------------|-------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Due within six months | 102,449,544 | 91,290,183 | 65,061,280 | 64,109,316 |
| Six months to one year | 24,418,812 | 24,367,008 | 22,632,868 | 22,199,391 |
| One year to three years | 3,298,907 | 2,781,981 | 2,377,628 | 1,535,744 |
| Three years to five years | 343,318 | 165,084 | 91,880 | 33,046 |
| After five years | 135,386 | 128,890 | 16,300 | 16,300 |
| | 130,645,967 | 118,733,146 | 90,179,956 | 87,893,797 |

The deposits are sourced from the following types of customers:

| | Group | | Bank | |
|---------------------------------|--------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Business enterprises | 102,732,216 | 87,716,456 | 74,625,538 | 66,714,862 |
| Individuals | 111,773,287 | 105,097,914 | 91,052,361 | 87,781,338 |
| Government and statutory bodies | 10,566,271 | 8,314,519 | 3,770,907 | 3,896,913 |
| Others | 11,838,014 | 11,469,700 | 5,930,935 | 5,059,817 |
| | 236,909,788 | 212,598,589 | 175,379,741 | 163,452,930 |

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Group | | Bank | |
|------------------------------|-------------------|----------------|-------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Licensed banks | 13,116,287 | 21,450,131 | 14,072,624 | 23,327,742 |
| Licensed finance companies | 347,957 | 368,538 | 214,524 | 368,538 |
| Licensed investment banks | 990,017 | 650,255 | 990,017 | 650,255 |
| Other financial institutions | 8,803,607 | 6,312,939 | 7,652,657 | 5,775,381 |
| | 23,257,868 | 28,781,863 | 22,929,822 | 30,121,916 |

The maturity structure of deposits and placements of banks and other financial institutions are as follows:

| | Group | | Bank | |
|--------------------|-------------------|----------------|-------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| One year or less | 17,429,944 | 26,704,881 | 17,331,142 | 28,280,565 |
| More than one year | 5,827,924 | 2,076,982 | 5,598,680 | 1,841,351 |
| | 23,257,868 | 28,781,863 | 22,929,822 | 30,121,916 |

20. OTHER LIABILITIES

| | Group | | Bank | |
|--|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Interest/profit payable | 994,634 | 1,120,462 | 857,311 | 893,331 |
| Provision for outstanding claims | 437,200 | 441,712 | – | – |
| Unearned premium reserves | 317,570 | 286,294 | – | – |
| Profit equalisation reserves (IBS operations) (Note 52(k)) | 4,228 | 46,477 | – | – |
| Provisions and accruals | 2,006,024 | 1,598,404 | 1,563,740 | 1,265,610 |
| Due to brokers and clients | 511,829 | 500,058 | – | – |
| Deposits and other creditors | 2,680,035 | 2,002,843 | 1,134,818 | 1,094,417 |
| | 6,951,520 | 5,996,250 | 3,555,869 | 3,253,358 |

20. OTHER LIABILITIES (CONT'D.)

Movements in provision for outstanding claims are as follows:

| | Group | |
|---|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Balance at beginning of year | 441,712 | 421,234 |
| Net provision/(utilisation) during the year | (650) | 17,472 |
| Exchange differences | (3,862) | 3,006 |
| Balance at end of year | 437,200 | 441,712 |

21. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

| | Group and Bank | |
|-----------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| At 1 July 2009/2008 | 516,265 | 1,274,069 |
| Amount sold during the year | 250,000 | – |
| Repayment forwarded | (116,288) | (757,804) |
| At 30 June | 649,977 | 516,265 |

This relates to proceeds received from conventional housing loans and hire purchase loans sold directly to Cagamas Berhad with recourse to the Bank. Under the agreement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria.

22. PROVISION FOR TAXATION AND ZAKAT

| | Group | | Bank | |
|----------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Taxation | 462,572 | 83,085 | 283,353 | – |
| Zakat | 4,317 | 4,658 | – | – |
| | 466,889 | 87,743 | 283,353 | – |

23. DEFERRED TAX

| | Group | | Bank | |
|--|--------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| At 1 July 2009/2008 | (1,435,702) | (1,165,628) | (1,194,897) | (1,122,138) |
| Acquisition of subsidiaries | – | (151,329) | – | – |
| Recognised in the income statement (net) (Note 38) | (166,355) | (157,644) | (70,122) | (106,154) |
| Recognised in equity (net) | 193,595 | 110,503 | 116,843 | 112,993 |
| Transferred from provision for taxation | – | (79,598) | – | (79,598) |
| Exchange differences | (5,392) | 7,994 | – | – |
| At 30 June | (1,413,854) | (1,435,702) | (1,148,176) | (1,194,897) |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | (1,564,963) | (1,493,132) | (1,148,176) | (1,194,897) |
| Deferred tax liabilities | 151,109 | 57,430 | – | – |
| | (1,413,854) | (1,435,702) | (1,148,176) | (1,194,897) |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relates to the same fiscal authority.

23. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

| | Loan loss and allowances RM'000 | Unrealised holding reserve, impairment loss on securities and amortisation of premium RM'000 | Provision for liabilities RM'000 | Other temporary differences RM'000 | Total RM'000 |
|---|--|---|---|---|-----------------|
| At 1 July 2009 | (896,973) | (24,485) | (330,041) | (241,633) | (1,493,132) |
| Recognised in the income statement | (7,907) | (15,666) | (98,486) | (25,288) | (147,347) |
| Recognised in equity | – | 40,248 | 2,090 | 37,782 | 80,120 |
| Exchange differences | (1,039) | (97) | (715) | (2,753) | (4,604) |
| At 30 June 2010 | (905,919) | – | (427,152) | (231,892) | (1,564,963) |
| At 1 July 2008 | (792,428) | (140,870) | (152,376) | (131,816) | (1,217,490) |
| Acquisition of subsidiaries | (39,196) | (2,214) | (32,656) | (77,263) | (151,329) |
| Recognised in the income statement | (67,534) | 1,441 | (67,206) | (29,071) | (162,370) |
| Recognised in equity | (134) | 117,075 | (71) | (6,884) | 109,986 |
| Transferred from provision for taxation | – | – | (79,598) | – | (79,598) |
| Exchange differences | 2,319 | 83 | 1,866 | 3,401 | 7,669 |
| At 30 June 2009 | (896,973) | (24,485) | (330,041) | (241,633) | (1,493,132) |

23. DEFERRED TAX (CONT'D.)

Deferred tax liabilities of the Group:

| | Accelerated capital allowance RM'000 | Unrealised holding reserve and accretion of discounts RM'000 | Other temporary differences RM'000 | Total RM'000 |
|------------------------------------|---|---|---------------------------------------|-----------------|
| At 1 July 2009 | 44,344 | (16,434) | 29,520 | 57,430 |
| Recognised in the income statement | 3,102 | 1,259 | (23,369) | (19,008) |
| Recognised in equity | (3,982) | 87,207 | 30,250 | 113,475 |
| Exchange differences | 1 | (13) | (776) | (788) |
| At 30 June 2010 | 43,465 | 72,019 | 35,625 | 151,109 |
| At 1 July 2008 | 35,255 | (17,126) | 33,733 | 51,862 |
| Recognised in the income statement | 5,527 | (251) | (550) | 4,726 |
| Recognised in equity | 3,561 | 938 | (3,982) | 517 |
| Exchange differences | 1 | 5 | 319 | 325 |
| At 30 June 2009 | 44,344 | (16,434) | 29,520 | 57,430 |

Deferred tax assets of the Bank:

| | Loan loss and allowances RM'000 | Unrealised holding reserve, impairment loss on securities and amortisation of premium RM'000 | Provision for liabilities RM'000 | Other temporary differences RM'000 | Total RM'000 |
|--------------------------------|------------------------------------|---|-------------------------------------|---------------------------------------|-----------------|
| At 1 July 2009 | (806,815) | (53,634) | (300,800) | (71,564) | (1,232,813) |
| Recognised in income statement | 25,091 | (2,435) | (86,260) | (5,894) | (69,498) |
| Recognised in equity | - | 27,812 | - | - | 27,812 |
| At 30 June 2010 | (781,724) | (28,257) | (387,060) | (77,458) | (1,274,499) |

23. DEFERRED TAX (CONT'D.)

Deferred tax assets of the Bank: (cont'd.)

| | Loan loss and allowances RM'000 | Unrealised holding reserve, impairment loss on securities and amortisation of premium RM'000 | Provision for liabilities RM'000 | Other temporary differences RM'000 | Total RM'000 |
|---|--|---|---|---|-----------------|
| At 1 July 2008 | (767,082) | (167,659) | (144,908) | (74,417) | (1,154,066) |
| Recognised in income statement | (39,733) | 1,032 | (76,294) | 2,853 | (112,142) |
| Recognised in equity | – | 112,993 | – | – | 112,993 |
| Transferred from provision for taxation | – | – | (79,598) | – | (79,598) |
| At 30 June 2009 | (806,815) | (53,634) | (300,800) | (71,564) | (1,232,813) |

Deferred tax liabilities of the Bank:

| | Accelerated capital allowance RM'000 | Unrealised holding reserves RM'000 | Total RM'000 |
|------------------------------------|---|---|-----------------|
| At 1 July 2009 | 37,916 | – | 37,916 |
| Recognised in the income statement | (624) | – | (624) |
| Recognised in the equity | – | 89,031 | 89,031 |
| At 30 June 2010 | 37,292 | 89,031 | 126,323 |
| At 1 July 2008 | 31,928 | – | 31,928 |
| Recognised in the income statement | 5,988 | – | 5,988 |
| At 30 June 2009 | 37,916 | – | 37,916 |

23. DEFERRED TAX (CONT'D.)

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|---|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Unutilised tax losses | 49,053 | 52,153 |
| Unabsorbed capital allowances | 992 | 992 |
| Loan loss and provisions and interest suspended | 53,464 | 73,783 |
| Others | 81,076 | 63,523 |
| | 184,585 | 190,451 |

The unutilised tax losses and unabsorbed capital allowances are available for offset against future taxable profits of the respective subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of those items as they may not be used to offset taxable profits of other subsidiaries of the Group. They have arisen in subsidiaries that have past losses of which the deferred tax assets are recognised to the extent that future taxable profits will be available.

24. BORROWINGS

| | | Group | | Bank | |
|----------------------|------|------------------|----------------|------------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Secured: | (i) | | | | |
| – less than one year | | 65,899 | 132,372 | – | – |
| – more than one year | | 210,164 | 266,463 | – | – |
| | | 276,063 | 398,835 | – | – |
| Unsecured: | (ii) | | | | |
| – less than one year | | 1,395,658 | 460,442 | 1,289,192 | 281,360 |
| – more than one year | | 1,153,143 | 1,642,783 | 809,125 | 1,230,950 |
| | | 2,548,801 | 2,103,225 | 2,098,317 | 1,512,310 |
| | | 2,824,864 | 2,502,060 | 2,098,317 | 1,512,310 |

24. BORROWINGS (CONT'D.)

- (i) The secured borrowings relate to bonds issued by a subsidiary under PT Bank Internasional Indonesia Tbk which are secured by fiduciary transfers of the subsidiary's receivables from third parties in connection with the financing of the purchases of motor vehicles with an aggregate amount of not less than 80% of the principal amount of bonds issued.

The bonds are listed on the Indonesian Stock Exchange.

The interest rate of these bonds range from 11.63% to 12.00% per annum (2009: 11.25% to 15.35% per annum) and have a maturity of 11 months to 17 months (2009: 11 months to 29 months).

- (ii) The unsecured borrowings are term loans denominated in US Dollar and IDR Rupiah. The borrowings are unsecured and bear interest rates ranging between 0.52% and 5.45% (2009: ranging between 0.50% and 5.45%) per annum.

25. SUBORDINATED OBLIGATIONS

| | | Group | | Bank | |
|--|-------|------------------|------------------|------------------|------------------|
| | | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| RM1,000 million subordinated Islamic bonds due in 2015 | (i) | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| RM1,500 million subordinated Islamic bonds due in 2018 | (ii) | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| RM1,500 million subordinated bonds due in 2017 | (iii) | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| USD300 million subordinated certificates due in 2017 | (iv) | 969,116 | 1,052,239 | 969,116 | 1,052,239 |
| RM3,100 million subordinated Term Loan due in 2019 | (v) | 3,100,000 | 3,100,000 | 3,100,000 | 3,100,000 |
| USD150 million subordinated notes due in 2015 | (vi) | - | 520,134 | - | - |
| | | 8,069,116 | 8,672,373 | 8,069,116 | 8,152,239 |

- (i) On 24 November 2005, the Bank issued RM1.0 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 10 non-callable 5 basis feature, payable semi-annually in arrears in May and November each year, and are due in November 2015. Under the 10 non-callable 5 basis feature, the Bank has the option to redeem the Bonds on the 5th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to an annual incremental step-up profit rate ranging from 10 to 40 basis points from the beginning of the 6th year to the final maturity date.
- (ii) On 15 May 2006, the Bank issued RM1.5 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 12 non-callable 7 basis feature, payable semi-annually in arrears in May and November each year, and are due in May 2018. Under the 12 non-callable 7 basis feature, the Bank has the option to redeem the Bonds on the 7th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to a permissible step-up profit rate ranging from 0 to 70 basis points from the beginning of the 8th year to the final maturity date.

25. SUBORDINATED OBLIGATIONS (CONT'D.)

- (iii) On 11 April 2007, the Bank issued RM1.5 billion nominal value Subordinated Bonds payable semi-annually in arrears in April and October each year, subject to the revision of interest explained below and are due in 2017. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Notes, in whole but not in part, any time on or after the 5th anniversary of the issue date and on every semi-annual date thereafter at par together with accrued interest due on the redemption date. Should the Bank decide not to exercise its call option, the holders of the Bonds are entitled to a step-up in the coupon rate of 100 basis points from the beginning of the 6th year to the final maturity date.
- (iv) On 25 April 2007, MBB Sukuk, the Issuer (a Special Purpose Vehicle ("SPV") formed solely for the purpose of participating in this transaction and issuing the subordinated certificates), issued USD300 million Subordinated Certificates with a distribution rate based on 6 months LIBOR plus a margin of 0.33% per annum payable semi-annually in arrears in April and October each year. The proceeds from the Subordinated Certificates are paid to Premier Sukuk, another SPV incorporated for this transaction, and ultimately paid to the Bank. In return, the Bank transfers the beneficial ownership of a portfolio of assets (comprising hire purchase contracts and cash) by way of an equitable assignment to Premier Sukuk and subsequently to the Issuer. The portfolio assets are managed by the Bank pursuant to a Management Agreement.

The Subordinated Certificates are due in 2017. The Issuer may, subject to the prior consent of Bank Negara Malaysia, redeem the Certificates, in whole but not in part, on the 5th anniversary of the issue date or at any semi-annual distribution payment date thereafter.

Should the Issuer decide not to exercise its call option, the Certificate holders are entitled to a step-up margin of 1.33% per annum from the beginning of the 6th year to the final maturity date.

The Certificate holders will have recourse on a subordinated basis to the Bank pursuant to the Sale and Purchase Undertaking Deeds.

- (v) On 28 November 2008, the Bank ("Borrower") secured RM3.1 billion Tier 2 Capital Subordinated Term Loan Facility ("the Facility") for a term of fifteen (15) years from the drawdown date, with an option by the Borrower to redeem the Facility on the Optional Redemption Date or such other period as may be agreed between the Lender and Borrower. The Optional Redemption Date is the tenth (10th) anniversary from the drawdown date or any semi-annual interest payment date thereafter.

The Facility bears a fixed interest rate payment, payable semi-annually in arrears. On the 10th anniversary of the issue date, there will be a one-time step-up in the interest rate which shall be equivalent to the aggregate of one hundred (100) basis points and the then prevailing market rate to be agreed between the Lender and the Borrower based on the then Borrower's prevailing credit rating for a Tier 2 subordinated bond and upon having considered amongst others, the yield for a five (5) year bond maturity and last traded yields for Tier 2 subordinated bonds and other comparables of equivalent ratings.

The Facility qualifies as Tier 2 Capital of the Bank in accordance with the capital adequacy requirements issued by BNM.

The coupon rates for all the Bonds and Subordinated Notes range between 4.00% and 6.13% per annum.

All the Bonds and Term Loan above constitute unsecured liabilities of the Bank and are subordinated to the senior indebtedness of the Bank in accordance with the respective terms and conditions of their issues.

25. SUBORDINATED OBLIGATIONS (CONT'D.)

- (vi) On 28 April 2005, a subsidiary, BII, through its Cayman Island branch, issued USD150,000,000 subordinated notes (the Subordinated Notes) which is listed on the Singapore Stock Exchange. The Subordinated Notes are unsecured and subordinated to all other obligations of BII. The Subordinated Notes will mature on 28 April 2015, with an option to call by BII on 28 April 2010 subject to an approval from Bank Indonesia.

The Subordinated Notes bear interest at the rate of 7.75% per annum, payable semi-annually in arrears on 28 April and 28 October. Unless previously redeemed, on 28 April 2010, the interest rate will be reset at the U.S. Treasury Rate plus 7.424% per annum from that date. The trustee of the Subordinated Notes issuance is The Bank of New York.

On 28 April 2010, BII exercised the option to call the Subordinated Notes.

26. CAPITAL SECURITIES

| | Group and Bank | |
|--|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| RM3,500 million 6.85% Stapled Capital Securities ("NCPCS") | 3,500,000 | 3,500,000 |
| Less: Transaction cost | (2,686) | (2,686) |
| Add: Accumulated amortisation of transaction cost | 407 | 198 |
| | 3,497,721 | 3,497,512 |
| (i) | 3,497,721 | 3,497,512 |
| SGD600 million 6.00% Innovative Tier 1 Capital Securities ("SGD600 million IT1CS") | 1,389,180 | 1,458,960 |
| Less: Transaction cost | (8,514) | (8,514) |
| Add: Accumulated amortisation of transaction cost | 1,282 | 584 |
| | 1,381,948 | 1,451,030 |
| (ii) | 1,381,948 | 1,451,030 |
| RM1,100 million 6.30% Innovative Tier 1 Capital Securities ("RM1.1 billion IT1CS") | 1,100,000 | 1,100,000 |
| Less: Transaction cost | (1,063) | (1,063) |
| Add: Accumulated amortisation of transaction cost | 146 | 62 |
| | 1,099,083 | 1,098,999 |
| (iii) | 1,099,083 | 1,098,999 |
| | 5,978,752 | 6,047,541 |

26. CAPITAL SECURITIES (CONT'D.)**(i) NCPCS**

On 27 June 2008, the Group issued RM3,500 million in nominal value comprising:

- (a) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and
- (b) Subordinated Notes ("Sub-Notes"), which are issued by Cepak Mentari Berhad ("CMB"), a wholly-owned subsidiary of the Bank.

(collectively known as "Stapled Capital Securities").

Until an assignment event occurs, the Stapled Capital Securities cannot be transferred, dealt with or traded separately. Upon occurrence of an assignment event, the Stapled Capital Securities will unstaple, leaving the investors to hold only the NCPCS while ownership of the Sub-Notes will be re-assigned to the Bank pursuant to a forward purchase contract entered into by the Bank. Unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities, the assignment event would occur on the 20th interest payment date or 10 years from the issuance date of the Sub-Notes.

Each of the NCPCS and Sub-Notes has a fixed interest rate of 6.85% per annum. However, the NCPCS distribution will not begin to accrue until the Sub-Notes are re-assigned to the Bank as referred to above. Thus effectively, the Stapled Capital Securities are issued by the Bank at a fixed rate of 6.85% per annum. Interest is payable semi-annually in arrears.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of Maybank on the 20th interest payment date or 10 years from the issuance date of the Sub-Notes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The Sub-Notes have a tenure of 30 years unless redeemed earlier under the terms of the Sub-Notes. The Sub-Notes are redeemable at the option of CMB on any interest payment date, which cannot be earlier than the occurrence of an assignment event, subject to redemption conditions being satisfied.

The Stapled Capital Securities comply with Bank Negara Malaysia's Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of the Group. Claims in respect of the NCPCS rank pari passu and without preference among themselves, other Tier 1 capital securities of the Bank and with the most junior class of preference shares of the Bank but in priority to the rights and claims of the ordinary shareholders of the Bank. The Sub-Notes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of CMB.

26. CAPITAL SECURITIES (CONT'D.)**(i) NCPCS (cont'd.)**

An "assignment event" means the occurrence of any of the following events:

- (a) The Bank is in breach of Bank Negara Malaysia's minimum capital adequacy ratio requirements applicable to the NCPCS Issuer; or
- (b) Commencement of a winding up proceeding in respect of the Bank or CMB; or
- (c) Appointment of an administrator in connection with a restructuring of the Bank; or
- (d) Occurrence of a default of the NCPCS distribution payments or Sub-Notes interest payments; or
- (e) CMB ceases to be, directly or indirectly, a wholly-owned subsidiary of the Bank; or
- (f) Bank Negara Malaysia requires that an assignment event occur; or
- (g) The Bank elects that an assignment event occurs; or
- (h) The 20th Interest Payment Date of the Sub-Notes; or
- (i) 60 days after a regulatory event (means at any time there is more than an insubstantial risk, as determined by the Bank, that the NCPCS will no longer qualify as Non-Innovative Tier 1 capital of the Bank for the purposes of Bank Negara Malaysia's capital adequacy requirements under any applicable regulations) has occurred, subject to such regulatory event continuing to exist at the end of such 60 days; or
- (j) Any deferral of interest payment of the Sub-Notes; or
- (k) 30 years from the issue date of the Sub-Notes.

In addition to the modes of redemption, the NCPCS and the Sub-Notes can be redeemed in the following circumstances:

- (a) If the NCPCS and the Sub-Notes were issued for the purpose of funding a merger or acquisition which is subsequently aborted, at the option of the Bank and CMB subject to Bank Negara Malaysia's prior approval;
- (b) At any time if there is more than an insubstantial risk in relation to changes in applicable tax regulations, as determined by the Bank or CMB, that could result in the Bank or CMB paying additional amounts or will no longer be able to deduct interest in respect of the Sub-Notes or the inter-company loan (between the Bank and CMB) for taxation purposes;
- (c) At any time if there is more than an insubstantial risk in relation to changes in applicable regulatory capital requirements, as determined by the Bank or CMB, that could disqualify the NCPCS to be regarded as part of Non-Innovative Tier 1 capital for the purpose of regulatory capital requirements.

26. CAPITAL SECURITIES (CONT'D.)**(ii) SGD600 million IT1CS**

On 11 August 2008, the Bank issued SGD600 million IT1CS callable with step-up in 2018 at a fixed rate of 6.00%.

The SGD IT1CS bears a fixed interest rate payment from and including 11 August 2008 to (but excluding) 11 August 2018 (the First Reset Date), payable semi-annually in arrears on 11 February and 11 August in each year commencing on 11 February 2009. The SGD IT1CS has a principal stock settlement mechanism to redeem the IT1CS on the 60th year from the date of issuance. The Bank, however, has the option to redeem the IT1CS on the 10th anniversary of the issue date and on any interest payment date thereafter. On the 10th anniversary of the issue date, there will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus 100 basis points above the three month SGD Swap Offer Rate.

The IT1CS will constitute direct, unsecured and subordinated obligations of the Bank and will rank pari passu and without any preference among themselves, and will rank pari passu with other Tier 1 securities.

(iii) RM1.1 billion IT1CS

On 25 September 2008, the Bank issued RM1.1 billion IT1CS callable with step-up in 2018 at a fixed rate of 6.30% under its RM4.0 billion Innovative Tier 1 Capital Securities. The RM1.1 billion IT1CS which matures on 25 September 2068 also bears a fixed interest rate and is callable on 25 September 2018 and on every interest payment date thereafter. On the 10th anniversary of the issue date, there will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus 100 basis points above the Kuala Lumpur Inter-Bank Offer Rate for 3-month RM deposits.

The IT1CS will constitute direct, unsecured and subordinated obligations of the Bank and will rank pari passu and without any preference among themselves, and will rank pari passu with other Tier 1 securities.

27. SHARE CAPITAL

| | Number of ordinary shares of RM1 each | | Amount | |
|--|---------------------------------------|--------------|----------------|----------------|
| | 2010 '000 | 2009 '000 | 2010 RM'000 | 2009 RM'000 |
| Authorised: | | | | |
| At 1 July 2009/2008 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Created during the year | – | – | – | – |
| At 30 June | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Issued and fully paid: | | | | |
| At 1 July 2009/2008 | 7,077,663 | 4,881,123 | 7,077,663 | 4,881,123 |
| Shares issued under the: | | | | |
| – Rights Issue Exercise | – | 2,196,516 | – | 2,196,516 |
| – Maybank Group Employee Share Option Scheme | 320 | 24 | 320 | 24 |
| At 30 June | 7,077,983 | 7,077,663 | 7,077,983 | 7,077,663 |

27. SHARE CAPITAL (CONT'D.)**(a) Increase in issued and paid-up capital**

During the year, the Bank increased its issued and paid-up capital from RM7,077,663,368 to RM7,077,982,768 via the issuance of 319,400 new ordinary shares of RM1 each for cash consisting of 255,520 new ordinary shares of RM1 each to eligible persons who exercised their options plus 63,880 bonus shares granted upon exercise of the options after bonus declaration, to eligible persons who exercised their options under the current ESOS which commenced on 26 August 2004, for a period of 5 years.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing shares of the Bank.

(b) ESOS

The terms of the current ESOS include provision for the participation of non-executive directors. The maximum number of ordinary shares of RM1.00 each in the Bank available under the ESOS should not exceed 15% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme. Other principal features of the ESOS are as follows:

- (i) The employees eligible to participate in the ESOS must be employed and on the payroll of the Bank and its subsidiaries for a continuous period of at least twenty four (24) months including service during the probation period and is confirmed in service;
- (ii) The non-executive directors eligible to participate in the ESOS must have been a Non-Executive Director of the Group for a continuous period of at least twenty four (24) months;
- (iii) The entitlement under the ESOS for the Executive Directors and Non-Executive Directors, including any persons connected to the directors is subject to the approval of the shareholders of the Bank in a general meeting;
- (iv) The ESOS shall be in force for a period of five (5) years from its commencement and no further options under the scheme will be granted thereafter unless the shareholders of the Bank in a general meeting agree to continue with the ESOS for a further period of five (5) years with or without variations, and subject to the approvals of relevant authorities, provided that the duration of the ESOS including any extension, if any, shall not exceed a total period of ten (10) years from its commencement;
- (v) The new ordinary shares in the Bank allotted upon any exercise of options under the scheme will upon allotment, rank *pari passu* in all aspects with the then existing ordinary shares in the Bank, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Article of Association of the Bank relating to transfer, transmission and otherwise;
- (vi) The subscription price shall be at a discount, within the limit allowed by the relevant authorities from time to time and shall be decided by the ESOS Committee at its discretion, to the weighted average market price of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer, but shall in no event be less than the par value of the shares;

27. SHARE CAPITAL (CONT'D.)**(b) ESOS (cont'd.)**

(vii) Pursuant to the bonus issue exercise of 1 new ordinary share for every 4 ordinary shares held during financial year ended 2008, the ESOS Committee has approved the corresponding adjustments be made to the unexercised options under the ESOS, which is in accordance with the Maybank Group ESOS By-Laws. The additional shares were allocated at no cost to the option holder.

Additional shares, calculated in the same ratio as the bonus issue (1 share for every 4 shares) would be allocated and kept in reserve until such time the option holders exercised the options, subject to the expiry of the option period on 26 August 2009;

(viii) Pursuant to the rights issue exercise, the ESOS Committee has approved the corresponding adjustments be made to the unexercised option under the ESOS, which is in accordance with the Maybank Group ESOS By-Laws; and

(ix) The ESOS expired on 26 August 2009.

(c) Movements of ESOS

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options during the year:

| Grant date | Number of Share Options | | | | | | | |
|-------------|---|---|-------------------|-------------------|-----------------|--|--|--|
| | <----- Movement During the Year -----> | | | | | | Outstanding at 30 June 2010/2009 '000 | Exercisable at 30 June 2010/2009 '000 |
| | Outstanding at 1 July 2009/2008 '000 | Granted (Adjusted for Rights issues) '000 | Exercised '000 | Forfeited '000 | Expired '000 | Outstanding at 30 June 2010/2009 '000 | | |
| 2010 | | | | | | | | |
| 1.9.2004 | 16,984 | – | (299) | – | (16,685) | – | – | |
| 15.10.2004 | 4,926 | – | (3) | – | (4,923) | – | – | |
| 30.6.2005 | 210 | – | – | – | (210) | – | – | |
| 14.11.2005 | 10,379 | – | (6) | – | (10,373) | – | – | |
| 14.11.2006 | 17,890 | – | (12) | – | (17,878) | – | – | |
| | 50,389 | – | (320) | – | (50,069) | – | – | |
| WAEP | 7.00 | – | 6.65 | – | 7.01 | – | – | |

27. SHARE CAPITAL (CONT'D.)

(c) Movements of ESOS (cont'd.)

| Grant date | Number of Share Options | | | | | | |
|-------------|---|---|-------------------|-------------------|-----------------|--|--|
| | ←----- Movement During the Year -----> | | | | | | |
| | Outstanding at 1 July 2009/2008 '000 | Granted (Adjusted for Rights issues) '000 | Exercised '000 | Forfeited '000 | Expired '000 | Outstanding at 30 June 2010/2009 '000 | Exercisable at 30 June 2010/2009 '000 |
| 2009 | | | | | | | |
| 1.9.2004 | 12,247 | 4,858 | (16) | (105) | – | 16,984 | 16,984 |
| 15.10.2004 | 3,402 | 1,600 | (1) | (75) | – | 4,926 | 4,926 |
| 30.6.2005 | 150 | 60 | – | – | – | 210 | 210 |
| 14.11.2005 | 7,824 | 2,724 | (1) | (168) | – | 10,379 | 10,379 |
| 14.11.2006 | 13,262 | 5,109 | (1) | (480) | – | 17,890 | 17,890 |
| | 36,885 | 14,351 | (19) | (828) | – | 50,389 | 50,389 |
| WAEP | 7.01 | 7.00 | 6.70 | 7.15 | – | 7.00 | 7.00 |

(d) Details of share options

(i) Details of share options outstanding at the end of the financial year ended 2009:

| Grant date | Exercise price RM | Exercise period |
|------------|----------------------|------------------------|
| 1.9.2004 | 6.61 | 1.9.2004 – 25.8.2009 |
| 15.10.2004 | 7.07 | 15.10.2004 – 25.8.2009 |
| 30.6.2005 | 7.58 | 6.1.2005 – 25.8.2009 |
| 14.11.2005 | 7.10 | 14.11.2005 – 25.8.2009 |
| 14.11.2006 | 7.30 | 14.11.2006 – 25.8.2009 |

(ii) Share options exercised during the year

As disclosed above, options exercised during the year resulted in the issuance of approximately 319,400 (2009: 23,750) ordinary shares at an average price of RM6.65 (2009: RM6.70) each. The related weighted average share price at the date of exercise was RM6.54 (2009: RM6.59).

27. SHARE CAPITAL (CONT'D.)

(d) Details of share options (cont'd.)

(iii) Fair value of share options granted on 14.11.2006

The fair value of share options granted on 14.11.2006 was estimated by an external valuer using a trinomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured and the assumptions were as follows:

| | |
|---|---------|
| Fair value of share options at 14.11.2006 at (RM) | 1.38 |
| Weighted average share price (RM) | 11.50 |
| Weighted average exercise price (RM) | 10.19 |
| Expected volatility (%) | 14.26% |
| Expected life (years) | 1 – 2.8 |
| Risk free rate (%) | 3.63% |
| Expected dividend yield (%) | 5.50% |

The expected life of the options was based on historical data and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility were indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

28. RESERVES

| | Group | | Bank | |
|------------------------------|-------------------|----------------|-------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Non-distributable: | | | | |
| Share premium | 5,903,497 | 5,901,692 | 5,903,497 | 5,901,692 |
| Statutory reserves (i) | 5,553,999 | 4,664,983 | 5,372,770 | 4,483,770 |
| Capital reserve (ii) | 15,250 | 15,250 | – | – |
| Unrealised holding reserve | 340,936 | (148,388) | 269,016 | (83,433) |
| Exchange fluctuation reserve | (949,434) | (666,885) | (12,495) | 139,771 |
| Share option reserve | – | 63,191 | – | 63,191 |
| Revaluation reserve (iii) | 9,057 | 2,742 | – | – |
| | 10,873,305 | 9,832,585 | 11,532,788 | 10,504,991 |
| Distributable: | | | | |
| Retained profits (Note 29) | 9,925,888 | 7,988,498 | 6,646,053 | 4,927,790 |
| Total reserves | 20,799,193 | 17,821,083 | 18,178,841 | 15,432,781 |

28. RESERVES (CONT'D.)

- (i) The statutory reserves are maintained in compliance with the requirements of Bank Negara Malaysia and certain Central Banks of the respective countries in which the Group and the Bank operate and are not distributable as cash dividends.
- (ii) The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous years.
- (iii) Revaluation reserve relates to the transfer of self-occupied properties to investment properties subsequent to the change on occupation intention.

29. RETAINED PROFITS

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Bank did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the Section 108 balance as at 30 June 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 30 June 2010, the Bank has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

30. OPERATING REVENUE

Operating revenue of the Group comprises all types of revenue derived from the business of banking, income from Islamic Banking Scheme operations, finance, general and life insurance (including takaful), stock broking, discount house, leasing and factoring, trustee and nominee services, asset management and venture capital but excluding all transactions between related companies.

Operating revenue of the Bank comprises gross interest income, fee and commission income, investment income, gross dividends and other income derived from banking and finance operations.

31. INTEREST INCOME

| | Group | | Bank | |
|---|-------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Loans, advances and financing | | | | |
| – Interest income other than recoveries from NPL | 8,400,087 | 8,619,354 | 6,371,212 | 7,002,039 |
| – Recoveries from NPL | 199,805 | 234,581 | 197,721 | 232,954 |
| Money at call and deposits and placements with financial institutions | 411,668 | 798,125 | 344,712 | 855,066 |
| Securities purchased under resale agreements | 5,817 | 4,830 | 600 | 375 |
| Securities held-for-trading | 59,930 | 30,502 | 52,671 | 11,219 |
| Securities available-for-sale | 1,543,461 | 1,771,858 | 1,336,057 | 1,427,633 |
| Securities held-to-maturity | 419,378 | 162,510 | 340,988 | 79,133 |
| | 11,040,146 | 11,621,760 | 8,643,961 | 9,608,419 |
| Amortisation of premiums less accretion of discounts | (46,404) | (2,738) | (50,200) | (24,928) |
| Net interest income clawed back/suspended | (38,522) | (49,159) | (38,522) | (49,159) |
| | 10,955,220 | 11,569,863 | 8,555,239 | 9,534,332 |

32. INTEREST EXPENSE

| | Group | | Bank | |
|---|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Deposits and placements of banks and other financial institutions | 191,008 | 816,055 | 193,627 | 826,609 |
| Deposits from other customers | 3,066,145 | 3,930,812 | 2,224,190 | 2,969,183 |
| Loans sold to Cagamas | 5,100 | 28,584 | 5,100 | 28,584 |
| Floating rate certificates of deposits | 1,075 | 9,364 | 1,075 | 9,364 |
| Borrowings | 164,984 | 163,056 | 20,890 | 32,794 |
| Subordinated notes | 137,995 | 110,687 | 137,995 | 110,687 |
| Subordinated bonds | 220,113 | 217,027 | 179,800 | 179,800 |
| Capital securities | 397,927 | 371,578 | 397,927 | 371,578 |
| Others | – | 3,194 | – | 36 |
| | 4,184,347 | 5,650,357 | 3,160,604 | 4,528,635 |

33. NON-INTEREST INCOME

| | Group | | Bank | |
|--|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Fee income: | | | | |
| Commission | 869,807 | 806,543 | 775,781 | 730,599 |
| Service charges and fees | 984,891 | 866,374 | 750,250 | 694,547 |
| Guarantee fees | 134,090 | 127,171 | 113,546 | 116,409 |
| Underwriting fees | 41,508 | 38,363 | 30,134 | 12,953 |
| Brokerage income | 89,060 | 53,974 | – | – |
| Fee on loans, advances and financing | 487,584 | 165,090 | 135,647 | 79,381 |
| | 2,606,940 | 2,057,515 | 1,805,358 | 1,633,889 |
| Investment income: | | | | |
| Net gain/(loss) from sale of held-for-trading securities | 28,612 | (27,505) | 14,320 | 18,705 |
| Net gain from sale of available-for-sale securities | 191,045 | 141,743 | 123,752 | 133,263 |
| Net gain from redemption of held-to-maturity securities | 2,267 | 750 | 1,838 | 612 |
| Gain from liquidation of subsidiaries | 659 | – | 29 | – |
| | 222,583 | 114,988 | 139,939 | 152,580 |
| Gross dividends from: | | | | |
| Securities available-for-sale | | | | |
| – Quoted outside Malaysia | 1,408 | 1,880 | – | 39 |
| – Quoted in Malaysia | 14,002 | 19,704 | 10,919 | 8,165 |
| – Unquoted outside Malaysia | 1,096 | 2,430 | 909 | 1,067 |
| – Unquoted in Malaysia | 13,921 | 5,958 | 12,551 | 5,510 |
| Subsidiaries in Malaysia | – | – | 869,862 | 647,448 |
| Associates | – | – | 8,563 | – |
| | 30,427 | 29,972 | 902,804 | 662,229 |
| Unrealised gain/(loss) on revaluation of: | | | | |
| – Securities held-for-trading | 5,060 | 76,327 | 11,322 | 26,747 |
| – Derivatives | 306,237 | (248,207) | 315,028 | (232,869) |
| | 311,297 | (171,880) | 326,350 | (206,122) |

33. NON-INTEREST INCOME (CONT'D.)

| | Group | | Bank | |
|---|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Other income: | | | | |
| Foreign exchange gain | 517,220 | 437,143 | 442,345 | 342,734 |
| Net General Insurance premiums written | 530,080 | 505,267 | – | – |
| Rental income | 24,175 | 24,891 | 23,449 | 24,459 |
| Gain on disposal of property, plant and equipment | 19,115 | 16,585 | 12,883 | 8,238 |
| Gain on disposal of foreclosed properties | 66 | 13,285 | – | – |
| Actuarial surplus on Life Insurance business | 191,401 | 213,696 | – | – |
| Other operating income | 176,836 | 92,534 | 30,984 | 40,543 |
| Other non-operating income | 35,895 | 41,194 | 37,937 | 46,510 |
| | 1,494,788 | 1,344,595 | 547,598 | 462,484 |
| | 4,666,035 | 3,375,190 | 3,722,049 | 2,705,060 |

34. OVERHEAD EXPENSES

| | Group | | Bank | |
|---|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Personnel expenses | | | | |
| – Salaries, allowances and bonuses | 2,265,710 | 2,062,684 | 1,703,243 | 1,636,271 |
| – Social security cost | 12,427 | 13,522 | 11,652 | 12,577 |
| – Pension costs – Defined contribution plan | 278,299 | 242,585 | 257,950 | 222,531 |
| – Share options granted under ESOS | – | 122 | – | 88 |
| – Other remuneration paid and payable to former directors | – | 1,853 | – | 1,728 |
| – Other staff related expenses | 361,985 | 233,192 | 211,457 | 163,850 |
| Sub-total | 2,918,421 | 2,553,958 | 2,184,302 | 2,037,045 |

34. OVERHEAD EXPENSES (CONT'D.)

| | Group | | Bank | |
|--|------------------|------------------|------------------|------------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Establishment costs | | | | |
| – Depreciation of property, plant and equipment (Note 16) | 181,642 | 146,167 | 130,484 | 103,312 |
| – Amortisation of core deposit intangibles (Note 17(b)) | 93,037 | 71,737 | – | – |
| – Amortisation of computer software (Note 17(c)) | 58,742 | 58,884 | 44,429 | 44,437 |
| – Amortisation of prepaid land lease payments (Note 11(a)) | 1,367 | 1,746 | 1,208 | 1,227 |
| – Rental of leasehold land and premises | 158,538 | 131,417 | 81,454 | 76,629 |
| – Repairs and maintenance of property, plant and equipment | 111,533 | 108,446 | 68,916 | 68,930 |
| – Information technology expenses | 479,322 | 480,027 | 443,473 | 436,449 |
| – Fair value adjustment on investment properties (Note 12) | 209 | 136 | – | – |
| – Others | 24,102 | 43,750 | 15,907 | 11,296 |
| Sub-total | 1,108,492 | 1,042,310 | 785,871 | 742,280 |
| Marketing costs | | | | |
| – Advertisement and publicity | 363,459 | 347,211 | 221,396 | 249,867 |
| – Others | 75,000 | 85,732 | 56,891 | 80,257 |
| Sub-total | 438,459 | 432,943 | 278,287 | 330,124 |
| Administration and general expenses | | | | |
| – Fees and brokerage | 656,329 | 509,763 | 616,139 | 491,416 |
| – Administrative expenses | 410,525 | 358,959 | 224,967 | 219,991 |
| – General expenses | 516,980 | 306,004 | 228,055 | 180,913 |
| – Others | 66,292 | 46,608 | 64,243 | 41,580 |
| Sub-total | 1,650,126 | 1,221,334 | 1,133,404 | 933,900 |
| Insurance claims incurred | 296,574 | 308,620 | – | – |
| Overhead expenses allocated to subsidiary company | – | – | (377,091) | (306,706) |
| Total | 6,412,072 | 5,559,165 | 4,004,773 | 3,736,643 |

34. OVERHEAD EXPENSES (CONT'D.)

| | Group | | Bank | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Included in overhead expenses are: | | | | |
| Directors' fees and remuneration (Note 35) | 15,247 | 11,960 | 8,403 | 6,337 |
| Rental of equipment | 6,286 | 5,157 | 4,607 | 3,718 |
| Direct operating expenses of investment properties: | | | | |
| – Revenue generating | 198 | 13 | – | – |
| Auditors' remuneration: | | | | |
| Statutory audit: | 8,167 | 8,090 | 4,285 | 3,991 |
| – Ernst & Young Malaysia | 3,948 | 3,814 | 2,150 | 2,050 |
| – Other member firms of Ernst & Young Global | 3,321 | 2,307 | 1,365 | 1,250 |
| – Other auditors* | 898 | 1,969 | 770 | 691 |
| Non-audit services: | 3,452 | 5,043 | 2,543 | 4,738 |
| – Reporting accountants and review engagements | 2,659 | 3,245 | 2,031 | 3,075 |
| – Other services | 793 | 1,798 | 512 | 1,663 |
| Prepaid land lease payments written off (Note 11(a)) | 342 | 8,625 | – | – |
| Property, plant and equipment written off (Note 16) | 2,847 | 18,482 | 466 | 192 |

* Relates to fees paid and payable to accounting firms other than the Bank's auditors.

35. DIRECTORS' FEES AND REMUNERATION

| | Group | | Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Directors of the Bank: | | | | |
| Executive directors: | | | | |
| Salary | 1,080 | 1,340 | 1,080 | 1,340 |
| Fees | 631 | 261 | – | – |
| Bonuses | 2,160 | 2,420 | 2,160 | 2,420 |
| Pension cost – defined contribution plan | 652 | 738 | 652 | 738 |
| Other remuneration | 95 | 118 | 91 | 116 |
| Estimated money value of benefits-in-kind | 79 | 57 | 79 | 57 |
| | 4,697 | 4,934 | 4,062 | 4,671 |

35. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

| | Group | | Bank | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Directors of the Bank: (cont'd.) | | | | |
| Non-executive directors: | | | | |
| Fees | 4,381 | 2,023 | 2,892* | 993 |
| Pension cost – defined contribution plan | 15 | 59 | 15 | 59 |
| Share options granted under ESOS | – | 15 | – | 15 |
| Other remuneration | 1,618 | 864 | 1,513 | 656 |
| Estimated money value of benefits-in-kind | 36 | 56 | 36 | 56 |
| | 6,050 | 3,017 | 4,456 | 1,779 |
| Sub-total for directors of the Bank | 10,747 | 7,951 | 8,518 | 6,450 |
| Directors of the subsidiaries: | | | | |
| Executive directors: | | | | |
| Salary and other remuneration, including meeting allowance | 2,371 | 2,604 | – | – |
| Bonuses | 995 | 327 | – | – |
| Pension cost – defined contribution plan | 512 | 366 | – | – |
| Estimated money value of benefits-in-kind | 38 | 18 | – | – |
| | 3,916 | 3,315 | – | – |
| Non-executive directors: | | | | |
| Fees | 615 | 517 | – | – |
| Share options granted under ESOS | – | 5 | – | – |
| Other remuneration | 122 | 303 | – | – |
| | 737 | 825 | – | – |
| Sub-total for directors of the subsidiaries | 4,653 | 4,140 | – | – |
| Total | 15,400 | 12,091 | 8,518 | 6,450 |
| Total (excluding benefits-in-kind) | 15,247 | 11,960 | 8,403 | 6,337 |

* This amount represents the directors' fees for the current financial year which will be tabled for the shareholders' approval at the forthcoming Annual General Meeting.

35. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The remuneration attributable to the President/Chief Executive Officer of the Bank including benefits-in-kind during the year amounted to RM4,697,263 (2009: RM4,226,958).

The total directors' fees and remuneration of the Group above has excluded the amount of RM315,493 (2009: RM152,527) which has been allocated to the life, general takaful and family takaful funds.

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

| | Benefits-In-Kind | | | | | | | Benefits-In-Kind | | | | | | |
|---|------------------|--------|--------|--------------|------------------|--------|--------|------------------|--------|-----------------|--------|--------|--------------------|-------------|
| | Salary | Fees | Bonus | Pension Cost | Other Emolument* | ESOS | Others | Bank Total | Fees | Other Emolument | ESOS | Others | Subsidiaries Total | Group Total |
| 2010 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Executive Director: | | | | | | | | | | | | | | |
| Dato' Sri Abdul Wahid bin Omar | 1,080 | - | 2,160 | 652 | 91 | - | 79 | 4,062 | 631 | 4 | - | - | 635 | 4,697 |
| Existing Non-Executive Directors: | | | | | | | | | | | | | | |
| Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor | - | 231 | - | - | 384 | - | 27 | 642 | 247 | - | - | - | 247 | 889 |
| Dato' Mohd Salleh Harun | - | 203 | - | - | 41 | - | - | 244 | 44 | 6 | - | - | 50 | 294 |
| Tan Sri Hadenan A. Jalil | - | 338 | - | - | 94 | - | - | 432 | 6 | 2 | - | - | 8 | 440 |
| Dato' Seri Ismail Shahudin | - | 363 | - | - | 71 | - | - | 434 | 9 | 2 | - | - | 11 | 445 |
| Dato' Dr Tan Tat Wai | - | 280 | - | - | 44 | - | - | 324 | 15 | 3 | - | - | 18 | 342 |
| Dato' Johan Ariffin | - | 217 | - | - | 62 | - | - | 279 | 38 | 11 | - | - | 49 | 328 |
| Encik Zainal Abidin Jamal | - | 318 | - | - | 94 | - | - | 412 | 38 | 11 | - | - | 49 | 461 |
| Mr Sreesanthan Eliathamby | - | 186 | - | - | 27 | - | - | 213 | 16 | 12 | - | - | 28 | 241 |
| Mr Cheah Teik Seng | - | 209 | - | - | 37 | - | - | 246 | 24 | 2 | - | - | 26 | 272 |
| Mr Alister Maitland | - | 218 | - | - | 29 | - | - | 247 | 6 | 13 | - | - | 19 | 266 |
| | - | 2,563 | - | - | 883 | - | 27 | 3,473 | 443 | 62 | - | - | 505 | 3,978 |

35. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

| 2010 | Benefits-In-Kind | | | | | | | Benefits-In-Kind | | | | | | | Group Total RM'000 |
|--|------------------|----------------|-----------------|---------------------------|-------------------------------|----------------|------------------|-------------------------|----------------|------------------------------|----------------|------------------|---------------------------------|---------------|--------------------------|
| | Salary RM'000 | Fees RM'000 | Bonus RM'000 | Pension Cost RM'000 | Other Emolument* RM'000 | ESOS RM'000 | Others RM'000 | Bank Total RM'000 | Fees RM'000 | Other Emolument RM'000 | ESOS RM'000 | Others RM'000 | Subsidiaries Total RM'000 | | |
| Retired/Resigned Non-Executive Directors: | | | | | | | | | | | | | | | |
| Tan Sri Mohamed Basir bin Ahmad | - | 87 | - | 15 | 574 | - | 9 | 685 | 287 | 3 | - | - | 290 | 975 | |
| Tuan Hj Mohd Hashir bin Hj Abdullah | - | 16 | - | - | 3 | - | - | 19 | 75 | 4 | - | - | 79 | 98 | |
| Dato' Zainun Aishah binti Ahmad | - | 21 | - | - | 4 | - | - | 25 | 7 | 2 | - | - | 9 | 34 | |
| Datuk Syed Tamim Ansari Syed Mohamed | - | 85 | - | - | 16 | - | - | 101 | 74 | 12 | - | - | 86 | 187 | |
| Tan Sri Dato' Sri Chua Hock Chin | - | 12 | - | - | - | - | - | 12 | - | - | - | - | - | 12 | |
| Spencer Lee Tien Chye | - | 108 | - | - | 33 | - | - | 141 | 603 | 22 | - | - | 625 | 766 | |
| | - | 329 | - | 15 | 630 | - | 9 | 983 | 1,046 | 43 | - | - | 1,089 | 2,072 | |
| Total Directors Remuneration | 1,080 | 2,892 | 2,160 | 667 | 1,604 | - | 115 | 8,518 | 2,120 | 109 | - | - | 2,229 | 10,747 | |

* Includes duty allowances, social allowance, leave passage, staff mess, EPF, retention sum and retirement gratuity.

35. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

| | Benefits-In-Kind | | | | | | | | Benefits-In-Kind | | | | | Group Total RM'000 |
|---|------------------|----------------|-----------------|---------------------------|-------------------------------|----------------|------------------|-------------------------|------------------|------------------------------|----------------|------------------|---------------------------------|-----------------------|
| | Salary RM'000 | Fees RM'000 | Bonus RM'000 | Pension Cost RM'000 | Other Emolument* RM'000 | ESOS RM'000 | Others RM'000 | Bank Total RM'000 | Fees RM'000 | Other Emolument RM'000 | ESOS RM'000 | Others RM'000 | Subsidiaries Total RM'000 | |
| 2009 | | | | | | | | | | | | | | |
| Executive Directors: | | | | | | | | | | | | | | |
| Dato' Sri Abdul Wahid bin Omar | 1,080 | – | 2,160 | 652 | 18 | – | 54 | 3,964 | 261 | 2 | – | – | 263 | 4,227 |
| Dato' Aminuddin Md Desa | 260 | – | 260 | 86 | 98 | – | 3 | 707 | – | – | – | – | – | 707 |
| | 1,340 | – | 2,420 | 738 | 116 | – | 57 | 4,671 | 261 | 2 | – | – | 263 | 4,934 |
| Existing Non-Executive Directors: | | | | | | | | | | | | | | |
| Tan Sri Mohamed Basir bin Ahmad | – | 133 | – | 59 | 292 | 3 | 35 | 522 | 353 | 93 | – | – | 446 | 968 |
| Tuan Hj Mohd Hashir bin Hj Abdullah | – | 150 | – | – | 86 | 2 | – | 238 | 71 | 5 | – | – | 76 | 314 |
| Teh Soon Poh | – | 31 | – | – | 20 | 2 | – | 53 | 57 | 43 | – | – | 100 | 153 |
| Datuk Syed Tamim Ansari Syed Mohamed | – | 134 | – | – | 49 | – | – | 183 | 75 | 18 | – | – | 93 | 276 |
| Spencer Lee Tien Chye | – | 76 | – | – | 43 | – | 21 | 140 | 251 | 16 | – | – | 267 | 407 |
| | – | 524 | – | 59 | 490 | 7 | 56 | 1,136 | 807 | 175 | – | – | 982 | 2,118 |
| Retired/Resigned Non-Executive Directors: | | | | | | | | | | | | | | |
| Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor | – | 84 | – | – | 22 | – | – | 106 | 70 | 10 | – | – | 80 | 186 |
| Dato' Zainun Aishah binti Ahmad | – | 150 | – | – | 67 | – | – | 217 | 15 | 1 | – | – | 16 | 233 |
| Tan Sri Dato' Sri Chua Hock Chin | – | 131 | – | – | 32 | – | – | 163 | – | – | – | – | – | 163 |
| Datuk Haji Abdul Rahman bin Mohd Ramli | – | 104 | – | – | 45 | 2 | – | 151 | 67 | 22 | – | – | 89 | 240 |
| Dato' Richard Ho Ung Hun | – | – | – | – | – | 2 | – | 2 | 12 | – | – | – | 12 | 14 |
| YM Raja Tan Sri Muhammad Alias Raja Muhd Ali | – | – | – | – | – | 2 | – | 2 | – | – | – | – | – | 2 |
| Mohammad bin Abdullah | – | – | – | – | – | 2 | – | 2 | 59 | – | – | – | 59 | 61 |
| | – | 469 | – | – | 166 | 8 | – | 643 | 223 | 33 | – | – | 256 | 899 |
| Total Directors Remuneration | 1,340 | 993 | 2,420 | 797 | 772 | 15 | 113 | 6,450 | 1,291 | 210 | – | – | 1,501 | 7,951 |

* Includes duty allowances, social allowance, leave passage, staff mess, EPF, retention sum and retirement gratuity.

36. ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

| | Group | | Bank | |
|--|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Allowances for bad and doubtful debts and financing: | | | | |
| – Specific: | | | | |
| Made in the year | 2,148,300 | 2,088,853 | 1,307,829 | 1,337,489 |
| Written back | (516,138) | (475,569) | (452,438) | (396,612) |
| Net | 1,632,162 | 1,613,284 | 855,391 | 940,877 |
| – General | 145,678 | 317,244 | (155,815) | 202,599 |
| Bad debts and financing: | | | | |
| – Written off | 31,797 | 5,694 | 30,152 | 5,391 |
| – Recovered | (624,716) | (517,931) | (422,828) | (366,408) |
| Allowance for other debts | 1,184,921 | 1,418,291 | 306,900 | 782,459 |
| | 3,056 | 280,523 | 2,967 | 283,380 |
| | 1,187,977 | 1,698,814 | 309,867 | 1,065,839 |

37. IMPAIRMENT LOSSES/(WRITEBACK OF IMPAIRMENT LOSSES) OF SECURITIES, NET

| | Group | | Bank | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Securities available-for-sale | 8,623 | 198,832 | 1,088 | 227,446 |
| Securities held-to-maturity | 14,407 | (1,343) | 14,412 | (6,343) |
| | 23,030 | 197,489 | 15,500 | 221,103 |

38. TAXATION AND ZAKAT

| | Group | | Bank | |
|---|------------------|----------------|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Malaysian income tax | 1,597,595 | 1,033,106 | 1,406,212 | 820,507 |
| Foreign tax | 121,847 | 111,446 | 50,930 | 48,974 |
| Less: Double taxation relief | (40,064) | (49,083) | (40,064) | (49,083) |
| | 1,679,378 | 1,095,469 | 1,417,078 | 820,398 |
| Overprovision in respect of prior years: | | | | |
| Malaysian income tax | (8,546) | (25,759) | – | – |
| Foreign income tax | (113,097) | – | (113,097) | – |
| | 1,557,735 | 1,069,710 | 1,303,981 | 820,398 |
| Deferred tax (Note 23): | | | | |
| Relating to originating and reversal of temporary differences (net) | (165,611) | (198,462) | (69,378) | (146,187) |
| Relating to changes in tax rates | – | 41,621 | – | 40,836 |
| Overprovision in prior years | (744) | (803) | (744) | (803) |
| | (166,355) | (157,644) | (70,122) | (106,154) |
| Tax expense for the year | 1,391,380 | 912,066 | 1,233,859 | 714,244 |
| Zakat | 10,578 | 11,512 | – | – |
| | 1,401,958 | 923,578 | 1,233,859 | 714,244 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated chargeable profit for the year. The computation of deferred tax as at 30 June 2010 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

38. TAXATION AND ZAKAT (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 Group and of the Bank is as follows:

| | 2010 RM'000 | 2009 RM'000 |
|---|----------------|----------------|
| Group | | |
| Profit before taxation | 5,370,408 | 1,674,292 |
| Taxation at Malaysian statutory tax rate of 25% (2009: 25%) | 1,342,602 | 418,573 |
| Different tax rates in other countries | 10,866 | 173 |
| Effect of changes in tax rates on opening balance of deferred tax | – | 41,621 |
| Income not subject to tax | (115,330) | (181,696) |
| Expenses not deductible for tax purposes | 275,629 | 659,957 |
| Overprovision in deferred tax in prior years | (744) | (803) |
| Overprovision in tax expense in prior years | (121,643) | (25,759) |
| Tax expense for the year | 1,391,380 | 912,066 |
| Bank | | |
| Profit before taxation | 4,786,544 | 383,079 |
| Taxation at Malaysian statutory tax rate of 25% (2009: 25%) | 1,196,636 | 95,770 |
| Different tax rates in other countries | 10,866 | (109) |
| Effect of changes in tax rates on opening balance of deferred tax | – | 40,836 |
| Income not subject to tax | (73,063) | (218,232) |
| Expenses not deductible for tax purposes | 213,261 | 796,782 |
| Overprovision in deferred tax in prior years | (744) | (803) |
| Overprovision in tax expense in prior years | (113,097) | – |
| Tax expense for the year | 1,233,859 | 714,244 |

39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

- (a) In addition to the transactions detailed else where in the financial statements, the Bank has the following transactions with related parties during the financial year:

| | Bank | |
|---|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Transactions with subsidiaries and associates: | | |
| Income: | | |
| Interest on deposits | 128,230 | 253,088 |
| Dividend income | 878,425 | 647,448 |
| Rental of premises | 2,403 | 2,418 |
| Other income | 465,712 | 427,152 |
| | 1,474,770 | 1,330,106 |
| Expenditure: | | |
| Interest on deposits | 280,432 | 347,597 |
| Other expenses | 10,587 | 28,964 |
| | 291,019 | 376,561 |

- (b) Included in the balance sheet of the Bank are amounts due from/(to) subsidiaries represented by the following:

| | Bank | |
|---|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Amounts due from subsidiaries: | | |
| Current accounts and deposits | 321,847 | 2,636,763 |
| Negotiable Instruments Deposits | 4,236,292 | 3,250,737 |
| Interest and other receivable on deposits | 934,176 | 813,652 |
| | 5,492,315 | 6,701,152 |

39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(b) Included in the balance sheet of the Bank are amounts due from/(to) subsidiaries represented by the following: (cont'd.)

| | Bank | |
|---------------------------------|------------------|------------------|
| | 2010 RM'000 | 2009 RM'000 |
| Amounts due to subsidiaries: | | |
| Current accounts and deposits | 3,013,391 | 2,541,963 |
| Negotiable Instruments Deposits | – | 38,060 |
| Private Debt Securities | – | 19,460 |
| Interest payable on deposits | 19,259 | 11,343 |
| Deposits and other creditors | 4,270,589 | 5,133,702 |
| | 7,303,239 | 7,744,528 |

(c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly. The key management personnel of the Group and the Bank include all the directors and chief executive officers of the Group and the Bank.

The remuneration of key management personnel during the year are as follows:

| | Group | | Bank | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Short-term employee benefits | | | | |
| – Fees | 5,675 | 3,140 | 2,892 | 993 |
| – Salaries, allowances and bonuses | 13,149 | 11,019 | 4,844 | 4,532 |
| – Contribution to Employees Provident Fund (“EPF”) | 1,357 | 1,392 | 667 | 797 |
| – Other staff benefits | 538 | 374 | 115 | 113 |
| Share-based payment | | | | |
| – ESOS expense | – | 22 | – | 15 |
| Post employment benefits | | | | |
| – Retirement gratuity | 250 | – | – | – |
| | 20,969 | 15,947 | 8,518 | 6,450 |

39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(c) Key management personnel compensation (cont'd.)

Included in the total key management personnel compensation are:

| | Group | | Bank | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Directors' remuneration including benefits-in-kind (Note 35) | 15,400 | 12,091 | 8,518 | 6,450 |

The movement in share options of key management personnel is as follows:

| | Group | | Bank | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| At 1 July 2009/2008 | 2,026 | 1,451 | 1,300 | 931 |
| Granted | - | 575 | - | 369 |
| Expired | (2,026) | - | (1,300) | - |
| At 30 June | - | 2,026 | - | 1,300 |

The share options were granted on the same terms and conditions as those offered to other employees of the Group, as disclosed in Note 27 and expired on 26 August 2009.

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

| | Group | | Bank | |
|---|------------------|-----------|------------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| Outstanding credit exposure with connected parties (RM'000) | 5,020,680 | 1,364,214 | 4,814,535 | 1,149,144 |
| Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures | 2.5% | 0.7% | 3.2% | 0.8% |
| Percentage of outstanding credit exposures to connected parties which is non-performing or in default | 0.0% | 0.0% | 0.0% | 0.0% |

39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

- (d) Credit exposure arising from credit transactions with connected parties (cont'd.)

The credit exposure above are based on paragraph 9.1 of Bank Negara Malaysia's revised guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder of the Bank and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank, and his close relatives;
- (iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments.

40. EARNINGS PER SHARE ("EPS")**(a) Basic**

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

| | Group | | Bank | |
|--|------------------|-----------|------------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| Profit/(loss) for the year attributable to equity holders of the Bank (RM'000) | 3,818,167 | 691,875 | 3,552,685 | (331,165) |
| Weighted average number of ordinary shares in issue ('000) | 7,077,957 | 5,763,330 | 7,077,957 | 5,763,330 |
| Basic earnings/(loss) per share (sen) | 53.9 | 12.0 | 50.2 | (5.7) |

(b) Diluted

The diluted EPS of the Group and the Bank is calculated by dividing the net profit/(loss) for the financial year by the weighted average number of ordinary shares in issue, which has been adjusted for the number of shares that could have been issued under the ESOS.

40. EARNINGS PER SHARE (“EPS”) (CONT’D.)**(b) Diluted (cont’d.)**

In the diluted EPS calculation, it was assumed that the share options were exercised into ordinary shares. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average price of the Bank’s shares during the financial year) based on the monetary value of the subscription rights attached to the outstanding share options. This calculation serves to determine the number of dilutive shares to be added to the weighted average ordinary shares in issue for the purpose of computing the dilution. No adjustment was made to the net profit/(loss) for the financial year.

| | Group | | Bank | |
|--|------------------|-----------|------------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| Profit/(loss) for the year attributable to equity holders of the Bank (RM’000) | 3,818,167 | 691,875 | 3,552,685 | (331,165) |
| Weighted average number of ordinary shares in issue (’000) * | 7,077,957 | 5,763,330 | 7,077,957 | 5,763,330 |
| Fully diluted earnings/(loss) per share (sen) | 53.9 | 12.0 | 50.2 | (5.7) |

* No dilution effect during the current and prior years.

41. DIVIDENDS

| | Group and Bank | | Net dividend per share | |
|--|------------------|----------------|------------------------|-------------|
| | 2010 RM’000 | 2009 RM’000 | 2010 Sen | 2009 Sen |
| Final dividend of 20 sen less 26% taxation in respect of the financial year ended 30 June 2008 | – | 722,410 | – | 14.80 |
| Final dividend of 8 sen less 25% taxation in respect of the financial year ended 30 June 2009 | 424,679 | – | 6.00 | – |
| First interim dividend of 11 sen less 25% taxation in respect of the financial year ended 30 June 2010 | 583,934 | – | 8.25 | – |
| | 1,008,613 | 722,410 | 14.25 | 14.80 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2010 of 44 sen less 25% taxation on 7,077,982,768 ordinary shares, amounting to a net dividend payable of RM2,335,734,313 (33 sen net per ordinary share) will be proposed for the shareholders’ approval. The proposed gross dividend consists of an electable portion of 40 sen (30 sen net per ordinary share or 91% of total dividend) which can be elected to be reinvested in new ordinary shares and the remaining portion of 4 sen (3 sen net per ordinary share or 9% of total dividend). The electable portion will be implemented in accordance with the Dividend Reinvestment Plan (“DRP”) as disclosed in Note 51(c) to the financial statements and subject to the relevant regulatory approvals as well as shareholders’ approval for the issuance and allotment of new shares at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2011.

42. COMMITMENTS AND CONTINGENCIES

- (a) In the normal course of business, the Bank and its subsidiaries 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 and its subsidiaries as at 30 June, are as follows:

| Group | 2010 | | | 2009 | | |
|--|---------------------------|-------------------------------------|---------------------------------|---------------------------|-------------------------------------|---------------------------------|
| | 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 | 5,209,922 | 5,209,922 | 4,151,936 | 5,522,375 | 5,405,725 | 4,679,210 |
| Certain transaction-related contingent items | 11,443,670 | 5,721,837 | 5,062,677 | 10,646,667 | 5,323,022 | 4,534,832 |
| Short-term self-liquidating trade-related contingencies | 3,137,785 | 627,557 | 487,491 | 3,872,594 | 774,517 | 606,889 |
| Islamic housing and hire purchase loans sold to Cagamas Berhad | 1,137,321 | 1,137,321 | 1,137,321 | 583,373 | 583,373 | 425,839 |
| Obligations under underwriting agreements | 123,871 | 46,936 | 9,387 | 173,464 | 71,732 | 28,418 |
| Irrevocable commitments to extend credit: | | | | | | |
| – maturity within one year | 79,635,652 | – | – | 92,604,558 | – | – |
| – maturity exceeding one year | 10,950,125 | 5,475,064 | 5,296,484 | 10,591,443 | 5,292,850 | 5,058,822 |
| Foreign exchange related contracts: | | | | | | |
| – less than one year | 52,397,492 | 882,747 | 251,119 | 34,706,290 | 602,904 | 168,954 |
| – one year to less than five years | 2,280,351 | 43,330 | 15,103 | 1,534,291 | 24,257 | 7,544 |
| Interest rate related contracts: | | | | | | |
| – less than one year | 42,808,028 | 1,815,893 | 440,726 | 36,831,395 | 1,304,947 | 312,414 |
| – one year to less than five years | 15,615,090 | 459,891 | 143,487 | 16,002,460 | 413,918 | 168,113 |
| – five years and above | 2,657,835 | 433,752 | 158,705 | 3,059,040 | 482,663 | 136,188 |
| Miscellaneous | 4,876,193 | – | – | 5,458,752 | – | – |
| | 232,273,335 | 21,854,250 | 17,154,436 | 221,586,702 | 20,279,908 | 16,127,223 |

42. COMMITMENTS AND CONTINGENCIES (CONT'D.)

| Bank | 2010 | | | 2009 | | |
|---|---------------------------|-------------------------------------|---------------------------------|---------------------------|-------------------------------------|---------------------------------|
| | 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 | 3,659,767 | 3,659,767 | 3,269,184 | 4,056,691 | 4,056,691 | 3,599,815 |
| Certain transaction-related contingent items | 10,618,480 | 5,309,241 | 4,683,204 | 9,921,241 | 4,960,621 | 4,213,174 |
| Short-term self-liquidating trade-related contingencies | 2,961,992 | 592,399 | 461,530 | 3,687,521 | 737,504 | 582,565 |
| Obligations under underwriting agreements | 93,871 | 46,936 | 9,387 | 143,464 | 71,732 | 28,418 |
| Irrevocable commitments to extend credit: | | | | | | |
| – maturity within one year | 70,392,423 | – | – | 79,615,789 | – | – |
| – maturity exceeding one year | 9,663,589 | 4,831,795 | 4,684,632 | 9,956,770 | 4,978,385 | 4,892,330 |
| Foreign exchange related contracts: | | | | | | |
| – less than one year | 49,578,656 | 860,175 | 246,408 | 33,188,225 | 602,904 | 168,954 |
| – one year to less than five years | 2,280,351 | 43,330 | 15,103 | 1,534,292 | 24,257 | 7,544 |
| Interest rate related contracts: | | | | | | |
| – less than one year | 42,649,004 | 1,815,310 | 440,580 | 36,511,553 | 1,294,415 | 308,835 |
| – one year to less than five years | 14,047,226 | 419,989 | 133,449 | 14,926,617 | 387,938 | 160,141 |
| – five years and above | 2,415,491 | 418,729 | 151,194 | 2,873,570 | 474,618 | 132,166 |
| Miscellaneous | 4,855,512 | – | – | 5,438,145 | – | – |
| | 213,216,362 | 17,997,671 | 14,094,671 | 201,853,878 | 17,589,065 | 14,093,942 |

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

42. COMMITMENTS AND CONTINGENCIES (CONT'D.)

- (b) The Group is contingently liable in respect of Islamic housing and hire purchase loans sold to Cagamas Berhad on the condition that they undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria.

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. Principal amounts of the foreign exchange related contracts and interest rate related contracts are as follows:

| | Group | | Bank | |
|-------------------------------------|--------------------|----------------|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Foreign exchange related contracts: | | | | |
| – Forward contracts | 34,437,062 | 12,570,470 | 31,618,224 | 11,052,406 |
| – Swaps | 18,958,547 | 21,750,058 | 18,958,547 | 21,750,058 |
| – Options | 1,282,235 | 1,920,053 | 1,282,235 | 1,920,053 |
| | 54,677,844 | 36,240,581 | 51,859,006 | 34,722,517 |
| Interest rate related contracts: | | | | |
| – Swaps | 57,310,984 | 53,782,693 | 56,699,631 | 52,783,100 |
| – Options | 3,769,972 | 2,110,202 | 2,412,091 | 1,528,640 |
| | 61,080,956 | 55,892,895 | 59,111,722 | 54,311,740 |
| | 115,758,800 | 92,133,476 | 110,970,728 | 89,034,257 |

(c) **Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

(d) **Credit risk**

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank and certain subsidiaries have a gain position. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

42. COMMITMENTS AND CONTINGENCIES (CONT'D.)**(d) Credit risk (cont'd.)**

As at 30 June, the amounts of market risk and credit risk are as follows:

| | Group | | Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Market risk: | | | | |
| Amount of contracts which were not hedged and hence, exposed to market risk | 156,656 | 332,796 | 114,996 | 332,625 |

| | Group and Bank | |
|--|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Credit risk: | | |
| Amount of credit risk, measured in terms of cost to replace the profitable contracts | 509,192 | 346,550 |

(e) Contingent liabilities

- (i) In 2004, Etiqa Takaful Berhad ("ETB"), commenced a civil suit against a borrower ("the 1st Defendant") and three guarantors, for the sum of approximately RM25.8 million, following the recall of the relevant facility which was preceded by the 1st Defendant's failure to pay monthly instalments.

The 1st Defendant counterclaimed for loss and damage amounting to approximately RM284 million as a result of ETB's alleged failure to release the balance of the facility of RM7.5 million. ETB had filed its Defence to the counterclaim and applied to strike out the counterclaim.

On 14 May 2009, the Court allowed ETB's application for summary judgement, but directed that a rebate be given if there is early settlement. The Court has also dismissed the 1st Defendant's counterclaim against ETB with costs. The Defendants had filed two separate applications in the Kuala Lumpur High Court for stay of execution of the summary judgement. Both applications for stay of execution were dismissed by the Kuala Lumpur High Court with costs.

The Defendants then filed:-

- (i) Notice of Motion to the Court of Appeal for stay of execution of the summary judgement; and
- (ii) Notice of Motion to appeal against the summary judgement.

On 28 October 2009, the Court of Appeal dismissed the Notice of Motion with costs.

42. COMMITMENTS AND CONTINGENCIES (CONT'D.)**(e) Contingent liabilities (cont'd.)**

(i) (cont'd.)

However, on 4 March 2010, the Court allowed the Defendants' appeal against summary judgement thereby setting aside the Court's decision on 14 May 2009 and overruling the decision of striking out the 1st Defendant's counterclaim and directed that the matter be set for an early trial. The matter is now fixed for trial on 26 and 27 October 2010. ETB's solicitors are of the view that it has a good chance of succeeding in this action.

- (ii) A corporate borrower has issued a writ of summons and statement of claim against a subsidiary, Maybank Investment Bank Berhad ("Maybank IB"), in 2005 in its capacity as agent bank for three financial institutions as syndicated lenders claiming general, special and exemplary damages arising from alleged breach of duty owed by Maybank IB. Although it has not been quantified, the claim value is estimated at approximately RM450 million.

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

The Court on 6 May 2009 entered judgement against Maybank IB as agent for the syndicated lenders for an estimated RM115.5 million with interest at 6% per annum from date of disbursement to realisation. Maybank IB has filed a Notice of Appeal and an application for stay of execution of the judgement sum.

The balance of the judgement claim (including for general damages) against Maybank IB as agent for the syndicated lenders was ordered to be assessed by the Senior Assistant Registrar, at a later date. At this juncture, Maybank as one of the syndicated lenders has an exposure of RM48 million out of RM115.5 million judgement. Maybank IB has filed a Notice of Appeal and an application for stay of execution of the judgement sum.

Maybank IB had on 24 June 2009 obtained a stay order pending its appeal. The corporate borrower had on 24 June 2009 filed an appeal against the decision on the stay order ("Appeal") to the Court of Appeal. On 23 November 2009, the Court of Appeal dismissed the Appeal against the stay order.

Case management is fixed on 3 June 2010 at the Court of Appeal for Maybank IB's appeal against the judgement obtained on 6 May 2009 at the High Court. On 3 June 2010, Maybank IB's solicitor's informed the Court that the notes of proceedings and the grounds of judgement have not been issued thus far. In view of the same, the Court fixed the matter for further case management on 29 July 2010 pending issuance of the notes of proceedings and the grounds of judgement. The matter is fixed for further mention on 26 August 2010.

Maybank IB's solicitors are of the view that it has a more than even chance of succeeding in its appeal against the said judgement.

42. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(f) Crystallisation of contingent liabilities

In 2005, a subsidiary, Mayban Trustees Berhad ("MTB") and eleven other defendants were served with a writ of summons by ten plaintiffs/bondholders all of which are institutions, for an amount of approximately RM149.3 million. MTB was alleged to have acted in breach of trust and negligently in its capacity as Trustee for the bonds issued. MTB has defended the suit.

On 7 July 2008, the plaintiffs entered judgement by consent against certain defendants for the sum of RM149.3 million. The entering of the said judgement by consent is not in any way an admission of liability on the part of MTB.

On 4 August 2008, a defendant served a counterclaim on MTB for approximately RM535 million being losses allegedly incurred by it as a result of MTB unlawfully declaring an Event Of Default ("EOD") on the bonds. The defendant had however on 25 August 2009 withdrawn the counterclaim against MTB.

The High Court on 30 June 2010 awarded judgement against MTB and another defendant, being the Arranger for the bonds, for RM149.3 million. The judgement sum in favour of the plaintiffs/bondholders was apportioned at 40% against MTB and 60% against the other defendant. The High Court also dismissed MTB's other claims. MTB had on 26 July 2010 filed Notices of Appeal against the entire decision of the High Court.

The above contingent liability is covered by an existing Banker Blanket Bond Policy between the Bank and a subsidiary, Etiqa Insurance Berhad, which had entered into a facultative reinsurance contract for an insured sum of RM150 million with three (3) other re-insurers.

The net impact to the income statement of MTB and the Group is RM4.5 million.

43. FINANCIAL RISK MANAGEMENT POLICIES

Risk Management is a critical pillar of the 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 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 (e.g. insurance and stockbroking risks).

43. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The Group's approach to risk management is premised on the following Seven Broad Principles of Risk Management: (cont'd.)

- (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 Group.
- (f) The Maybank Board, through the Risk Management Committee, maintains overall responsibility for the risk oversight function within the Group.
- (g) Risk Management ensures the execution of various risk policies and related decisions of the Board.

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

(a) Credit risk management

Roles and responsibilities in credit risk management includes:

Credit Risk Management Framework

To develop, enhance and communicate an efficient, effective and consistent credit risk management framework across the Maybank Group, leveraging on people and technology.

Credit Policies

To develop and review credit policies including providing empowerment to approve loans.

Regulatory Requirements

To ensure compliance with regulatory requirements on credit risk management.

Credit Risk Rating System

To develop a credit risk rating system to objectively and consistently measure the risk of default by enterprise borrowers across the Group which sets the foundation for the development of a risk-based pricing.

Risk Limits Concentrations

To set, review and monitor risk limits and concentrations according to various categories such as single customer group, economic segments, product types, banks and countries.

Portfolio Management

Manage and control Maybank Group's portfolio, including providing analysis of the overall composition and quality of the various credit portfolios to identify any particular sensitivities and concentrations. At the same time, to safeguard and preserve the asset quality of the Maybank Group by analysing vulnerable industries where prospects have changed or are showing unfavourable signs and conducting credit stress testing for the Maybank Group.

Credit Review

To perform post-approval review of credit proposals to assess whether loan originators, pre-evaluators and approving authorities have addressed and analysed credit risks sufficiently and provided mitigating factors.

43. 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 Group: (cont'd.)

(b) Market risk management

Market Risk Management (MRM) is the independent risk control unit responsible to ensure efficient implementation of market risk management frameworks and adequate risk controls are in place to support the business growth. Its primary objective is to facilitate risk/return decisions, reduce volatility in earnings, highlight transparent market risk and liquidity risk profile to senior management, Asset and Liability Management Committee (ALCO), Risk Management Committee (RMC), Board of Directors (BOD) and regulators.

The level of risk tolerance by the Group is primarily controlled through a series of approved limits and policies. Market Risk is responsible to develop and formulate comprehensive market risk management frameworks, policies and risk limits methodologies for all treasury activities and documentation standards for regulated financial market agreements relating to treasury operations.

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.

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.

(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 BOD. In addition, the Bank reviews and enhances its Contingency Funding Plan to address probable circumstances that could cause liquidity distress to the Bank.

43. 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 Group: (cont'd.)

(d) Operational risk management

Under the Group's three lines of defence concept, risk taking units (Business/Support Sectors) constitute an integral part of the operational risk management framework and are primarily responsible for the management of day-to-day operational risks inherent in their respective business and functional areas. 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.

The Operational Risk Management team, as the second line of defence, 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 in respect of the overall effectiveness of the operational risk management process.

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

44. INTEREST RATE RISK

The Group and Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Asset and Liability Management Committee ("ALCO") to protect total net interest income from changes in market interest rates.

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

44. INTEREST RATE RISK (CONT'D.)

| Group 2010 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|-------------------------|-------------------------|--------------------------|------------------------|------------------------|----------------------------------|-------------------------|--------------------|------------------------------|
| Assets | | | | | | | | | |
| Cash and short-term funds | 25,097,194 | - | - | - | - | 3,610,798 | - | 28,707,992 | 1.65 |
| Deposits and placements with banks and other financial institutions | 867,258 | 6,426,270 | 1,141,060 | 51,331 | - | 429,456 | - | 8,915,375 | 1.20 |
| Securities purchased under resale agreements | 371,237 | - | - | - | - | - | - | 371,237 | 2.21 |
| Securities held-for-trading | - | - | - | - | - | - | 2,651,103 | 2,651,103 | 3.39 |
| Securities available-for-sale | - | - | 301,579 | 4,401,848 | 3,371,150 | 3,246,745 | 31,254,913 | 42,576,235 | 4.18 |
| Securities held-to-maturity | 67,904 | 657 | 128,141 | 5,126,154 | 3,523,210 | 96,642 | - | 8,942,708 | 4.97 |
| Loans, advances and financing | | | | | | | | | |
| – Performing | 93,071,656 | 16,915,742 | 20,496,595 | 29,631,508 | 46,956,619 | - | - | 207,072,120 | 6.22 |
| – Non-performing* | - | - | - | - | - | (1,517,053) | - | (1,517,053) | - |
| Derivative assets | - | - | - | - | - | - | 1,306,769 | 1,306,769 | - |
| Other assets | - | - | - | - | - | 5,319,548 | - | 5,319,548 | - |
| Other non-interest sensitive balances | - | - | - | - | - | 14,393,673 | - | 14,393,673 | - |
| Life, general takaful and family takaful fund assets | - | - | - | - | - | 17,960,059 | - | 17,960,059 | - |
| Total Assets | 119,475,249 | 23,342,669 | 22,067,375 | 39,210,841 | 53,850,979 | 43,539,868 | 35,212,785 | 336,699,766 | |

* This is arrived after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

44. INTEREST RATE RISK (CONT'D.)

| Group 2010 (cont'd.) | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non- interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---|----------------------------|--------------------|------------------------------------|
| Liabilities and Shareholders' Equity | | | | | | | | | |
| Deposits from customers | 92,181,901 | 35,935,301 | 53,587,986 | 51,204,076 | 209,509 | 3,791,015 | - | 236,909,788 | 1.63 |
| Deposits and placements of banks and other financial institutions | 12,820,856 | 2,495,075 | 954,840 | 1,894,099 | 3,513,079 | 1,579,919 | - | 23,257,868 | 1.24 |
| Obligation on securities sold under repurchase agreement | 54,252 | 352,804 | - | - | - | - | - | 407,056 | 7.00 |
| Bills and acceptances payable | 293,803 | 1,568,520 | 18,297 | - | - | 1,180,966 | - | 3,061,586 | 2.60 |
| Derivative liabilities | - | - | - | - | - | - | 1,346,242 | 1,346,242 | - |
| Other liabilities | - | - | - | - | - | 6,951,520 | - | 6,951,520 | - |
| Recourse obligation on loans sold to Cagamas | - | 15,952 | 114,446 | 519,579 | - | - | - | 649,977 | 4.83 |
| Borrowings | 2,636 | 43,976 | 1,300,695 | 181,096 | 809,125 | 487,336 | - | 2,824,864 | 3.19 |
| Subordinated obligations | 969,116 | - | 1,000,000 | 3,000,000 | 3,100,000 | - | - | 8,069,116 | 3.87 |
| Capital securities | - | - | - | - | - | 5,978,752 | - | 5,978,752 | - |
| Other non-interest sensitive balances | - | - | - | - | - | 617,998 | - | 617,998 | - |
| Life, general takaful and family takaful fund liabilities | - | - | - | - | - | 5,021,911 | - | 5,021,911 | - |
| Life, general takaful and family takaful policy holders' funds | - | - | - | - | - | 12,938,148 | - | 12,938,148 | - |
| Total Liabilities | 106,322,564 | 40,411,628 | 56,976,264 | 56,798,850 | 7,631,713 | 38,547,565 | 1,346,242 | 308,034,826 | |

44. INTEREST RATE RISK (CONT'D.)

| Group 2010 (cont'd.) | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non- interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|--|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---|----------------------------|--------------------|------------------------------------|
| Shareholders' equity | - | - | - | - | - | 27,877,176 | - | 27,877,176 | - |
| Minority interests | - | - | - | - | - | 787,764 | - | 787,764 | - |
| | - | - | - | - | - | 28,664,940 | - | 28,664,940 | |
| Total Liabilities and Shareholders' Equity | 106,322,564 | 40,411,628 | 56,976,264 | 56,798,850 | 7,631,713 | 67,212,505 | 1,346,242 | 336,699,766 | |
| On-balance sheet interest sensitivity gap | 13,152,685 | (17,068,959) | (34,908,889) | (17,588,009) | 46,219,266 | (23,672,637) | 33,866,543 | - | |
| Off-balance sheet interest sensitivity gap (interest rate swaps) | (2,461,179) | 6,807,288 | 558,053 | (4,593,964) | (310,198) | - | - | - | |
| Total interest sensitivity gap | 10,691,506 | (10,261,671) | (34,350,836) | (22,181,973) | 45,909,068 | (23,672,637) | 33,866,543 | - | |
| Cumulative interest rate sensitivity gap | 10,691,506 | 429,835 | (33,921,001) | (56,102,974) | (10,193,906) | (33,866,543) | - | | |

44. INTEREST RATE RISK (CONT'D.)

| Group 2009 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non- interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---|----------------------------|--------------------|------------------------------------|
| Assets | | | | | | | | | |
| Cash and short-term funds | 16,126,913 | - | - | - | - | 7,481,066 | - | 23,607,979 | 1.20 |
| Deposits and placements with banks and other financial institutions | 756,741 | 4,542,810 | 541,365 | 1,759 | - | 456,500 | - | 6,299,175 | 1.43 |
| Securities purchased under resale agreements | 346,462 | - | - | - | - | - | - | 346,462 | 2.31 |
| Securities held-for-trading | - | - | - | - | - | - | 1,489,272 | 1,489,272 | 3.09 |
| Securities available-for-sale | 150,277 | 388,816 | 754,343 | 1,415,250 | 1,228,392 | - | 43,940,027 | 47,877,105 | 4.06 |
| Securities held-to-maturity | 20,315 | 34,058 | 16,445 | 5,061,416 | 3,026,923 | 201,594 | - | 8,360,751 | 3.96 |
| Loans, advances and financing | | | | | | | | | |
| - Performing | 83,981,576 | 17,201,450 | 18,151,503 | 27,691,100 | 39,549,897 | 72,033 | - | 186,647,559 | 5.54 |
| - Non-performing* | - | - | - | - | - | (864,393) | - | (864,393) | - |
| Derivative assets | - | - | - | - | - | - | 973,685 | 973,685 | - |
| Other assets | - | - | - | - | - | 5,249,290 | - | 5,249,290 | - |
| Other non-interest sensitive balances | - | - | - | - | - | 13,970,337 | - | 13,970,337 | - |
| Life, general takaful and family takaful fund assets | - | - | - | - | - | 16,781,901 | - | 16,781,901 | - |
| Total Assets | 101,382,284 | 22,167,134 | 19,463,656 | 34,169,525 | 43,805,212 | 43,348,328 | 46,402,984 | 310,739,123 | |

* This is arrived after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

44. INTEREST RATE RISK (CONT'D.)

| Group 2009 (cont'd.) | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non- interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---|----------------------------|--------------------|------------------------------------|
| Liabilities and Shareholders' Equity | | | | | | | | | |
| Deposits from customers | 80,468,488 | 31,851,976 | 49,941,960 | 46,971,668 | 202,131 | 3,162,366 | - | 212,598,589 | 1.25 |
| Deposits and placements of banks and other financial institutions | 15,343,043 | 5,034,216 | 1,630,950 | 1,695,734 | 3,495,909 | 1,582,011 | - | 28,781,863 | 1.21 |
| Bills and acceptances payable | 451,247 | 243,942 | 15,349 | - | - | 759,525 | - | 1,470,063 | 2.32 |
| Derivative liabilities | - | - | - | - | - | - | 1,459,068 | 1,459,068 | - |
| Other liabilities | - | - | - | - | - | 5,996,250 | - | 5,996,250 | - |
| Recourse obligation on loans sold to Cagamas | - | - | 270,166 | 246,099 | - | - | - | 516,265 | 4.79 |
| Borrowings | - | - | 592,814 | 1,909,246 | - | - | - | 2,502,060 | 3.44 |
| Subordinated obligations | - | - | 1,572,373 | 4,000,000 | 3,100,000 | - | - | 8,672,373 | 4.44 |
| Capital securities | - | - | - | - | - | 6,047,541 | - | 6,047,541 | - |
| Other non-interest sensitive balances | - | - | - | - | - | 145,173 | - | 145,173 | - |
| Life, general takaful and family takaful fund liabilities | - | - | - | - | - | 4,529,995 | - | 4,529,995 | - |
| Life, general takaful and family takaful policy holders' funds | - | - | - | - | - | 12,251,906 | - | 12,251,906 | - |
| Total Liabilities | 96,262,778 | 37,130,134 | 54,023,612 | 54,822,747 | 6,798,040 | 34,474,767 | 1,459,068 | 284,971,146 | |

44. INTEREST RATE RISK (CONT'D.)

| Group 2009 (cont'd.) | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non- interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|--|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---|----------------------------|-----------------|------------------------------------|
| Shareholders' equity | - | - | - | - | - | 24,898,746 | - | 24,898,746 | - |
| Minority interests | - | - | - | - | - | 869,231 | - | 869,231 | - |
| | - | - | - | - | - | 25,767,977 | - | 25,767,977 | |
| Total Liabilities and Shareholders' Equity | 96,262,778 | 37,130,134 | 54,023,612 | 54,822,747 | 6,798,040 | 60,242,744 | 1,459,068 | 310,739,123 | |
| On-balance sheet interest sensitivity gap | 5,119,506 | (14,963,000) | (34,559,956) | (20,653,222) | 37,007,172 | (16,894,416) | 44,943,916 | - | |
| Off-balance sheet interest sensitivity gap (interest rate swaps) | 2,315,148 | 853,917 | (558,350) | (1,573,887) | (1,036,828) | - | - | - | |
| Total interest sensitivity gap | 7,434,654 | (14,109,083) | (35,118,306) | (22,227,109) | 35,970,344 | (16,894,416) | 44,943,916 | - | |
| Cumulative interest rate sensitivity gap | 7,434,654 | (6,674,429) | (41,792,735) | (64,019,844) | (28,049,500) | (44,943,916) | - | | |

44. INTEREST RATE RISK (CONT'D.)

| Bank 2010 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|-------------------------|-------------------------|--------------------------|------------------------|------------------------|----------------------------------|-------------------------|--------------------|------------------------------|
| Assets | | | | | | | | | |
| Cash and short-term funds | 16,299,554 | - | - | - | - | 3,104,062 | - | 19,403,616 | 1.35 |
| Deposits and placements with banks and other financial institutions | 736,583 | 5,486,942 | 450,177 | 1,331 | - | 423,165 | - | 7,098,198 | 1.24 |
| Securities purchased under resale agreements | 371,237 | - | - | - | - | - | - | 371,237 | 2.21 |
| Securities held-for-trading | - | - | - | - | - | - | 2,241,928 | 2,241,928 | 2.86 |
| Securities available-for-sale | - | - | - | 3,094,311 | 1,919,633 | 3,277,430 | 29,155,467 | 37,446,841 | 3.46 |
| Securities held-to-maturity | - | - | 100,254 | 4,663,816 | 2,993,839 | 97,413 | - | 7,855,322 | 4.61 |
| Loans, advances and financing | | | | | | | | | |
| – Performing | 80,324,502 | 14,651,808 | 17,403,803 | 19,000,062 | 21,058,968 | - | - | 152,439,143 | 5.72 |
| – Non-performing* | - | - | - | - | - | (969,558) | - | (969,558) | - |
| Derivative assets | - | - | - | - | - | - | 1,281,682 | 1,281,682 | - |
| Other assets | - | - | - | - | - | 3,832,316 | - | 3,832,316 | - |
| Other non-interest sensitive balances | - | - | - | - | - | 17,391,541 | - | 17,391,541 | - |
| Total Assets | 97,731,876 | 20,138,750 | 17,954,234 | 26,759,520 | 25,972,440 | 27,156,369 | 32,679,077 | 248,392,266 | |

* This is arrived after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

44. INTEREST RATE RISK (CONT'D.)

| Bank 2010 (cont'd.) | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non- interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---|----------------------------|--------------------|------------------------------------|
| Liabilities and Shareholders' Equity | | | | | | | | | |
| Deposits from customer | 62,970,728 | 24,909,776 | 45,995,966 | 37,732,497 | 85,050 | 3,685,724 | - | 175,379,741 | 1.21 |
| Deposits and placements of banks and other financial institutions | 13,358,591 | 2,421,057 | 809,502 | 1,607,321 | 3,508,079 | 1,225,272 | - | 22,929,822 | 1.17 |
| Bills and acceptances payable | 176,856 | 1,568,520 | 18,297 | - | - | 1,135,324 | - | 2,898,997 | 2.66 |
| Derivative liabilities | - | - | - | - | - | - | 1,291,498 | 1,291,498 | - |
| Other liabilities | - | - | - | - | - | 3,555,869 | - | 3,555,869 | - |
| Recourse obligation on loans sold to Cagamas | - | 15,952 | 114,446 | 519,579 | - | - | - | 649,977 | 4.83 |
| Borrowings | - | - | 1,289,192 | - | 809,125 | - | - | 2,098,317 | 0.68 |
| Subordinated obligations | 969,116 | - | 1,000,000 | 3,000,000 | 3,100,000 | - | - | 8,069,116 | 3.87 |
| Capital securities | - | - | - | - | - | 5,978,752 | - | 5,978,752 | - |
| Other non-interest sensitive balances | - | - | - | - | - | 283,353 | - | 283,353 | - |
| Total Liabilities | 77,475,291 | 28,915,305 | 49,227,403 | 42,859,397 | 7,502,254 | 15,864,294 | 1,291,498 | 223,135,442 | |
| Shareholders' equity | - | - | - | - | - | 25,256,824 | - | 25,256,824 | - |
| Total Liabilities and Shareholders' Equity | 77,475,291 | 28,915,305 | 49,227,403 | 42,859,397 | 7,502,254 | 41,121,118 | 1,291,498 | 248,392,266 | |
| On-balance sheet interest sensitivity gap | 20,256,585 | (8,776,555) | (31,273,169) | (16,099,877) | 18,470,186 | (13,964,749) | 31,387,579 | - | |
| Off-balance sheet interest sensitivity gap (interest rate swaps) | (2,640,977) | 6,768,450 | 519,710 | (4,440,554) | (206,629) | - | - | - | |
| Total interest sensitivity gap | 17,615,608 | (2,008,105) | (30,753,459) | (20,540,431) | 18,263,557 | (13,964,749) | 31,387,579 | - | |
| Cumulative interest rate sensitivity gap | 17,615,608 | 15,607,503 | (15,145,956) | (35,686,387) | (17,422,830) | (31,387,579) | - | - | |

44. INTEREST RATE RISK (CONT'D.)

| Bank 2009 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|----------------------|----------------------|-----------------------|---------------------|---------------------|-------------------------------|----------------------|--------------------|---------------------------|
| Assets | | | | | | | | | |
| Cash and short-term funds | 13,867,437 | - | - | - | - | 3,580,875 | - | 17,448,312 | 1.20 |
| Deposits and placements with banks and other financial institutions | 620,704 | 5,231,356 | 1,282,993 | 1,759 | - | 427,157 | - | 7,563,969 | 1.07 |
| Securities purchased under resale agreements | 346,462 | - | - | - | - | - | - | 346,462 | 2.31 |
| Securities held-for-trading | - | - | - | - | - | - | 838,721 | 838,721 | 2.95 |
| Securities available-for-sale | - | - | - | - | - | - | 39,349,558 | 39,349,558 | 3.59 |
| Securities held-to-maturity | - | 1,670 | 7,638 | 4,264,653 | 2,367,567 | 190,370 | - | 6,831,898 | 3.96 |
| Loans, advances and financing | | | | | | | | | |
| - Performing | 74,085,596 | 15,095,318 | 15,710,080 | 19,176,418 | 21,112,159 | - | - | 145,179,571 | 5.52 |
| - Non-performing* | - | - | - | - | - | (747,773) | - | (747,773) | - |
| Derivative assets | - | - | - | - | - | - | 929,904 | 929,904 | - |
| Other assets | - | - | - | - | - | 3,818,866 | - | 3,818,866 | - |
| Other non-interest sensitive balances | - | - | - | - | - | 16,717,654 | - | 16,717,654 | - |
| Total Assets | 88,920,199 | 20,328,344 | 17,000,711 | 23,442,830 | 23,479,726 | 23,987,149 | 41,118,183 | 238,277,142 | |

* This is arrived after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

44. INTEREST RATE RISK (CONT'D.)

| Bank 2009 (cont'd.) | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non- interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---|----------------------------|--------------------|------------------------------------|
| Liabilities and Shareholders' Equity | | | | | | | | | |
| Deposits from customer | 55,282,391 | 26,548,853 | 43,403,901 | 34,937,560 | 87,127 | 3,193,098 | - | 163,452,930 | 1.06 |
| Deposits and placements of banks and other financial institutions | 17,315,632 | 5,252,852 | 1,280,227 | 1,637,666 | 3,538,909 | 1,096,630 | - | 30,121,916 | 1.10 |
| Bills and acceptances payable | 235,334 | 243,942 | 15,349 | - | - | 833,654 | - | 1,328,279 | 2.32 |
| Derivative liabilities | - | - | - | - | - | - | 1,381,860 | 1,381,860 | - |
| Other liabilities | - | - | - | - | - | 3,253,358 | - | 3,253,358 | - |
| Recourse obligation on loans sold to Cagamas | - | - | 270,166 | 246,099 | - | - | - | 516,265 | 4.79 |
| Borrowings | - | - | 281,360 | 1,230,950 | - | - | - | 1,512,310 | 1.35 |
| Subordinated obligations | - | - | 1,052,239 | 4,000,000 | 3,100,000 | - | - | 8,152,239 | 4.23 |
| Capital securities | - | - | - | - | - | 6,047,541 | - | 6,047,541 | - |
| Other non-interest sensitive balances | - | - | - | - | - | - | - | - | - |
| Total Liabilities | 72,833,357 | 32,045,647 | 46,303,242 | 42,052,275 | 6,726,036 | 14,424,281 | 1,381,860 | 215,766,698 | |
| Shareholders' equity | - | - | - | - | - | 22,510,444 | - | 22,510,444 | - |
| Total Liabilities and Shareholders' Equity | 72,833,357 | 32,045,647 | 46,303,242 | 42,052,275 | 6,726,036 | 36,934,725 | 1,381,860 | 238,277,142 | |
| On-balance sheet interest sensitivity gap | 16,086,842 | (11,717,303) | (29,302,531) | (18,609,445) | 16,753,690 | (12,947,576) | 39,736,323 | - | |
| Off-balance sheet interest sensitivity gap (interest rate swaps) | 2,113,766 | 796,988 | (585,294) | (1,401,188) | (924,272) | - | - | - | |
| Total interest sensitivity gap | 18,200,608 | (10,920,315) | (29,887,825) | (20,010,633) | 15,829,418 | (12,947,576) | 39,736,323 | - | |
| Cumulative interest rate sensitivity gap | 18,200,608 | 7,280,293 | (22,607,532) | (42,618,165) | (26,788,747) | (39,736,323) | - | - | |

45. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO

The Group and Bank are 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 of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in profit rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the Asset and Liability Management Committee (“ALCO”) to protect the income from IBS operations.

The table below summarises the Group’s and Bank’s exposure to yield/profit rate risk for the IBS operations. 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.

| Group 2010 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-yield/ profit rate sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective yield/profit rate % |
|---|-------------------------|-------------------------|--------------------------|------------------------|------------------------|--|----------------------------|-------------------|--|
| Assets | | | | | | | | | |
| Cash and short-term funds | 5,705,840 | - | - | - | - | 112,228 | - | 5,818,068 | 2.47 |
| Deposits and placements with banks and other financial institutions | - | - | - | - | - | 707 | - | 707 | - |
| Securities held-for-trading | - | - | - | - | - | - | 68,796 | 68,796 | 2.30 |
| Securities available-for-sale | - | - | 301,579 | 1,536,648 | 1,451,518 | - | 1,161,912 | 4,451,657 | 3.45 |
| Securities held-to-maturity | - | - | 10,037 | 170,429 | - | - | - | 180,466 | 3.83 |
| Financing and advances | | | | | | | | | |
| – Performing | 2,151,192 | 1,463,529 | 613,960 | 5,042,647 | 24,480,298 | - | - | 33,751,626 | 5.18 |
| – Non-performing* | - | - | - | - | - | (235,240) | - | (235,240) | - |
| Derivative assets | - | - | - | - | - | - | 17,513 | 17,513 | - |
| Other assets | - | - | - | - | - | 222,559 | - | 222,559 | - |
| Other non-yield/profit sensitive balances | - | - | - | - | - | 232,712 | - | 232,712 | - |
| Total Assets | 7,857,032 | 1,463,529 | 925,576 | 6,749,724 | 25,931,816 | 332,966 | 1,248,221 | 44,508,864 | |

* This is arrived after deducting the general allowance and specific allowance from gross non-performing financing outstanding.

45. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

| Group 2010 (cont'd.) | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-yield/ profit rate sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective yield/profit rate % |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|--|----------------------------|-------------------|--|
| Liabilities and Islamic Banking Fund | | | | | | | | | |
| Deposits from customers | 14,500,557 | 6,521,003 | 5,281,742 | 8,261,883 | 112,976 | 15,452 | - | 34,693,613 | 1.88 |
| Deposits and placements of banks and other financial institutions | 259,500 | 552,311 | 3,656 | 3,876,232 | 5,000 | 354,647 | - | 5,051,346 | 3.27 |
| Bills and acceptances payable | - | - | - | - | - | 28,175 | - | 28,175 | - |
| Derivative liabilities | - | - | - | - | - | - | 20,775 | 20,775 | - |
| Other liabilities | - | - | - | - | - | 1,235,875 | - | 1,235,875 | - |
| Other non-yield/profit sensitive balances | - | - | - | - | - | 31,607 | - | 31,607 | - |
| Total Liabilities | 14,760,057 | 7,073,314 | 5,285,398 | 12,138,115 | 117,976 | 1,665,756 | 20,775 | 41,061,391 | |
| Islamic banking fund | - | - | - | - | - | 3,447,473 | - | 3,447,473 | - |
| Total Liabilities and Islamic Banking Fund | 14,760,057 | 7,073,314 | 5,285,398 | 12,138,115 | 117,976 | 5,113,229 | 20,775 | 44,508,864 | |
| On-balance sheet yield/profit rate sensitivity gap | (6,903,025) | (5,609,785) | (4,359,822) | (5,388,391) | 25,813,840 | (4,780,263) | 1,227,446 | - | |
| Cumulative yield/profit rate sensitivity gap | (6,903,025) | (12,512,810) | (16,872,632) | (22,261,023) | 3,552,817 | (1,227,446) | - | - | |

45. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

| Group 2009 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-yield/ profit rate sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective yield/profit rate % |
|---|-------------------------|-------------------------|--------------------------|------------------------|------------------------|--|----------------------------|-------------------|--|
| Assets | | | | | | | | | |
| Cash and short-term funds | 1,002,900 | - | - | - | - | 3,400,817 | - | 4,403,717 | 2.00 |
| Deposits and placements with banks and other financial institutions | - | 49,238 | - | - | - | 421 | - | 49,659 | - |
| Securities held-for-trading | - | - | - | - | - | - | 29,946 | 29,946 | 3.94 |
| Securities available-for-sale | 162,447 | 427,031 | 777,645 | 1,497,229 | 1,228,391 | 4,946 | - | 4,097,689 | 3.34 |
| Securities held-to-maturity | - | - | - | 85,376 | 111,538 | - | - | 196,914 | 3.78 |
| Financing and advances | | | | | | | | | |
| - Performing | 1,794,779 | 1,462,900 | 529,549 | 4,184,380 | 17,413,204 | - | - | 25,384,812 | 5.45 |
| - Non-performing* | - | - | - | - | - | 47,746 | - | 47,746 | - |
| Derivative assets | - | - | - | - | - | - | 23,641 | 23,641 | - |
| Other assets | - | - | - | - | - | 209,245 | - | 209,245 | - |
| Other non-yield/profit sensitive balances | - | - | - | - | - | 264,397 | - | 264,397 | - |
| Total Assets | 2,960,126 | 1,939,169 | 1,307,194 | 5,766,985 | 18,753,133 | 3,927,572 | 53,587 | 34,707,766 | |

* This is arrived after deducting the general allowance and specific allowance from gross non-performing financing outstanding.

45. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

| Group 2009 (cont'd.) | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-yield/ profit rate sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective yield/profit rate % |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|--|----------------------------|-------------------|--|
| Liabilities and Islamic Banking Fund | | | | | | | | | |
| Deposits from customers | 8,318,439 | 3,523,148 | 5,136,858 | 7,693,793 | 106,480 | - | - | 24,778,718 | 1.59 |
| Deposits and placements of banks and other financial institutions | 720,299 | 1,055,862 | 854,911 | 3,378,217 | 12,160 | 131,717 | - | 6,153,166 | 2.85 |
| Bills and acceptances payable | 259 | - | - | - | - | 2,672 | - | 2,931 | 3.30 |
| Derivative liabilities | - | - | - | - | - | - | 27,138 | 27,138 | - |
| Other liabilities | - | - | - | - | - | 1,020,861 | - | 1,020,861 | - |
| Other non-yield/profit sensitive balances | - | - | - | - | - | 28,597 | - | 28,597 | - |
| Total Liabilities | 9,038,997 | 4,579,010 | 5,991,769 | 11,072,010 | 118,640 | 1,183,847 | 27,138 | 32,011,411 | |
| Islamic banking fund | - | - | - | - | - | 2,696,355 | - | 2,696,355 | - |
| Total Liabilities and Islamic Banking Fund | 9,038,997 | 4,579,010 | 5,991,769 | 11,072,010 | 118,640 | 3,880,202 | 27,138 | 34,707,766 | |
| On-balance sheet yield/profit rate sensitivity gap | (6,078,871) | (2,639,841) | (4,684,575) | (5,305,025) | 18,634,493 | 47,370 | 26,449 | - | |
| Cumulative yield/profit rate sensitivity gap | (6,078,871) | (8,718,712) | (13,403,287) | (18,708,312) | (73,819) | (26,449) | - | - | |

46. FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates.

The banking activities of providing financial products and services to customers expose the Group and the Bank to foreign exchange risk. Foreign exchange risk is managed by treasury function, and monitored by Group Risk Management against delegated limits. The Group's policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures. Hedging against foreign exchange exposures is mainly to protect the real economic value, rather than to avoid the short-term accounting impact.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, the Great Britain Pound, Hong Kong Dollar, US Dollar, Indonesia Rupiah and Euro. The "others" foreign exchange risk include mainly exposure to Japanese Yen, Renminbi, Philippines Peso, Papua New Guinea Kina and Brunei Dollars.

| Group 2010 | Malaysian Ringgit RM'000 | Singapore Dollar RM'000 | Great Britain Pound RM'000 | Hong Kong Dollar RM'000 | United States Dollar RM'000 | Indonesia Rupiah RM'000 | Euro RM'000 | Others RM'000 | Total RM'000 |
|---|--------------------------------|-------------------------------|-------------------------------------|-------------------------------|--------------------------------------|-------------------------------|------------------|------------------|--------------------|
| Assets | | | | | | | | | |
| Cash and short-term funds | 11,540,501 | 1,514,710 | 296,785 | 5,004 | 11,986,850 | 423,877 | 2,155,840 | 784,425 | 28,707,992 |
| Deposits and placements with banks and other financial institutions | 3,122,675 | 2,673,408 | 996,362 | 550,269 | 427,749 | 17,850 | 902,984 | 224,078 | 8,915,375 |
| Securities purchased under resale agreements | - | 371,237 | - | - | - | - | - | - | 371,237 |
| Securities portfolio | 36,553,486 | 7,931,722 | - | 269,477 | 6,058,999 | 3,152,243 | - | 204,119 | 54,170,046 |
| Loans, advances and financing | 135,262,625 | 34,899,545 | 192,513 | 1,534,920 | 18,576,999 | 13,074,689 | 54,855 | 1,958,921 | 205,555,067 |
| Derivative assets | 200,204 | 139,703 | 5,618 | 26 | 847,153 | 7,573 | 71,143 | 35,349 | 1,306,769 |
| Other assets | 2,380,525 | 848,686 | 354,463 | 180,843 | 591,829 | 664,260 | 71,711 | 227,231 | 5,319,548 |
| Investment properties | 45,324 | - | - | - | - | - | - | - | 45,324 |
| Statutory deposits with Central Banks | 658,205 | 1,351,883 | - | - | 1,409,102 | 661,734 | - | 390,458 | 4,471,382 |
| Investment in associates | 2,056,573 | - | - | - | 6,140 | - | - | 408,725 | 2,471,438 |
| Property, plant and equipment | 883,305 | 267,133 | 5,720 | 1,310 | 10,448 | 157,737 | - | 34,199 | 1,359,852 |
| Intangible assets | 4,464,407 | 14,736 | - | 582 | 518 | - | - | 471 | 4,480,714 |
| Deferred tax assets | 1,355,855 | - | - | - | 1,227 | 205,543 | - | 2,338 | 1,564,963 |
| Life, general takaful and family takaful fund assets | 17,952,801 | - | - | - | 7,258 | - | - | - | 17,960,059 |
| Total Assets | 216,476,486 | 50,012,763 | 1,851,461 | 2,542,431 | 39,924,272 | 18,365,506 | 3,256,533 | 4,270,314 | 336,699,766 |

46. FOREIGN EXCHANGE RISK (CONT'D.)

| Group 2010 (cont'd.) | Malaysian Ringgit RM'000 | Singapore Dollar RM'000 | Great Britain Pound RM'000 | Hong Kong Dollar RM'000 | United States Dollar RM'000 | Indonesia Rupiah RM'000 | Euro RM'000 | Others RM'000 | Total RM'000 |
|---|--------------------------------|-------------------------------|-------------------------------------|-------------------------------|--------------------------------------|-------------------------------|------------------|--------------------|--------------------|
| Liabilities | | | | | | | | | |
| Deposits from customers | 153,172,813 | 43,153,539 | 1,992,349 | 189,165 | 21,655,282 | 12,536,211 | 575,645 | 3,634,784 | 236,909,788 |
| Deposits and placements of banks and other financial institutions | 8,624,963 | 559,966 | 457,022 | 872,985 | 7,135,579 | 1,197,196 | 2,958,670 | 1,451,487 | 23,257,868 |
| Obligations on securities sold under repurchase agreements | - | - | - | - | - | 407,056 | - | - | 407,056 |
| Bills and acceptances payable | 2,751,256 | 164,436 | 432 | 106 | 110,285 | 7,443 | 1,345 | 26,283 | 3,061,586 |
| Derivative liabilities | 204,112 | 187,886 | 5,853 | 48,745 | 790,561 | 7,945 | 70,114 | 31,026 | 1,346,242 |
| Other liabilities | 4,103,002 | 927,464 | 4,764 | 1,057 | 767,500 | 694,136 | 21,259 | 432,338 | 6,951,520 |
| Recourse obligation on loans sold to Cagamas | 649,977 | - | - | - | - | - | - | - | 649,977 |
| Provision for taxation and zakat | 175,053 | 190,713 | - | 10,776 | 3,150 | 75,360 | - | 11,837 | 466,889 |
| Deferred tax liabilities | 127,211 | - | - | - | - | 11,576 | - | 12,322 | 151,109 |
| Borrowings | - | - | - | - | 2,098,317 | 726,547 | - | - | 2,824,864 |
| Subordinated obligations | 7,098,167 | - | - | - | 970,949 | - | - | - | 8,069,116 |
| Capital securities | 4,596,804 | 1,381,948 | - | - | - | - | - | - | 5,978,752 |
| Life, general takaful and family takaful fund liabilities | 5,020,171 | - | - | - | 1,740 | - | - | - | 5,021,911 |
| Life, general takaful and family takaful fund policy holders' funds | 12,932,630 | - | - | - | 5,518 | - | - | - | 12,938,148 |
| Total Liabilities | 199,456,159 | 46,565,952 | 2,460,420 | 1,122,834 | 33,538,881 | 15,663,470 | 3,627,033 | 5,600,077 | 308,034,826 |
| On-balance sheet open position | 17,020,327 | 3,446,811 | (608,959) | 1,419,597 | 6,385,391 | 2,702,036 | (370,500) | (1,329,763) | 28,664,940 |
| Off-balance sheet open position | 3,363,061 | 691,428 | 1,642,887 | (45,442) | (8,524,271) | - | 1,426,804 | 1,445,533 | - |
| Net open position | 20,383,388 | 4,138,239 | 1,033,928 | 1,374,155 | (2,138,880) | 2,702,036 | 1,056,304 | 115,770 | 28,664,940 |
| Net structural position included in the above | - | - | 41,112 | 83,346 | - | 28,963,372 | - | 311,068 | 29,398,898 |

46. FOREIGN EXCHANGE RISK (CONT'D.)

| Group 2009 | Malaysian Ringgit RM'000 | Singapore Dollar RM'000 | Great Britain Pound RM'000 | Hong Kong Dollar RM'000 | United States Dollar RM'000 | Indonesia Rupiah RM'000 | Euro RM'000 | Others RM'000 | Total RM'000 |
|---|--------------------------|-------------------------|----------------------------|-------------------------|-----------------------------|-------------------------|------------------|------------------|--------------------|
| Assets | | | | | | | | | |
| Cash and short-term funds | 10,990,250 | 1,798,902 | 1,980,802 | 4,495 | 5,880,830 | 430,227 | 2,047,521 | 474,952 | 23,607,979 |
| Deposits and placements with banks and other financial institutions | 1,697,838 | 2,372,083 | 654,747 | 35,170 | 1,467,361 | 9,005 | – | 62,971 | 6,299,175 |
| Securities purchased under resale agreements | – | 346,462 | – | – | – | – | – | – | 346,462 |
| Securities portfolio | 42,543,979 | 5,539,806 | – | 370,067 | 5,921,838 | 3,140,891 | – | 210,547 | 57,727,128 |
| Loans, advances and financing | 121,088,227 | 33,405,819 | 120,295 | 1,634,361 | 18,004,394 | 9,312,722 | 47,107 | 2,170,241 | 185,783,166 |
| Derivative assets | 349,791 | 131,547 | 15,902 | 17,620 | 387,235 | – | 30,337 | 41,253 | 973,685 |
| Other assets | 2,488,045 | 463,382 | 116,556 | 159,037 | 1,234,826 | 542,937 | 110,517 | 133,990 | 5,249,290 |
| Investment properties | 26,578 | – | – | – | – | – | – | – | 26,578 |
| Statutory deposits with Central Banks | 1,022,318 | 1,232,797 | – | – | 913,651 | 561,691 | – | 320,475 | 4,050,932 |
| Investment in associates | 2,628,303 | – | – | – | 2,449 | – | – | (629) | 2,630,123 |
| Property, plant and equipment | 906,930 | 291,556 | 7,844 | 1,270 | 7,967 | 142,345 | – | 37,650 | 1,395,562 |
| Intangible assets | 4,336,170 | 15,011 | – | 898 | 1,275 | 19,454 | – | 1,202 | 4,374,010 |
| Deferred tax assets | 1,186,423 | 147,681 | – | – | 570 | 141,948 | – | 16,510 | 1,493,132 |
| Life, general takaful and family takaful fund assets | 16,448,996 | – | – | – | 332,905 | – | – | – | 16,781,901 |
| Total Assets | 205,713,848 | 45,745,046 | 2,896,146 | 2,222,918 | 34,155,301 | 14,301,220 | 2,235,482 | 3,469,162 | 310,739,123 |

46. FOREIGN EXCHANGE RISK (CONT'D.)

| Group 2009 (cont'd.) | Malaysian Ringgit RM'000 | Singapore Dollar RM'000 | Great Britain Pound RM'000 | Hong Kong Dollar RM'000 | United States Dollar RM'000 | Indonesia Rupiah RM'000 | Euro RM'000 | Others RM'000 | Total RM'000 |
|---|--------------------------------|-------------------------------|-------------------------------------|-------------------------------|--------------------------------------|-------------------------------|--------------------|------------------|--------------------|
| Liabilities | | | | | | | | | |
| Deposits from customers | 139,394,881 | 39,688,513 | 2,392,966 | 639,864 | 16,631,907 | 10,512,815 | 912,009 | 2,425,634 | 212,598,589 |
| Deposits and placements of banks and other financial institutions | 6,530,143 | 214,386 | 655,256 | 923,412 | 16,529,204 | 222,982 | 2,899,430 | 807,050 | 28,781,863 |
| Bills and acceptances payable | 1,103,857 | 132,613 | 388 | 59 | 189,853 | 3,869 | 22,568 | 16,856 | 1,470,063 |
| Derivative liabilities | 310,481 | 228,188 | 32,887 | 514 | 818,700 | – | 36,177 | 32,121 | 1,459,068 |
| Other liabilities | 2,112,345 | 1,017,160 | 28,998 | 146,170 | 1,570,004 | 468,600 | 81,353 | 571,620 | 5,996,250 |
| Recourse obligation on loans sold to Cagamas | 516,265 | – | – | – | – | – | – | – | 516,265 |
| Provision for taxation and zakat | 70,430 | (150) | – | 5 | 40 | 9,071 | – | 8,347 | 87,743 |
| Deferred tax liabilities | 23,490 | 363 | – | – | – | 132 | – | 33,445 | 57,430 |
| Borrowings | – | – | – | – | 1,512,310 | 989,750 | – | – | 2,502,060 |
| Subordinated obligations | 8,551,030 | – | – | – | 121,343 | – | – | – | 8,672,373 |
| Capital securities | 4,596,510 | – | – | – | 1,451,031 | – | – | – | 6,047,541 |
| Life, general takaful and family takaful fund liabilities | 4,528,463 | – | – | – | 1,532 | – | – | – | 4,529,995 |
| Life, general takaful and family takaful fund policy holders' funds | 12,244,167 | – | – | – | 7,739 | – | – | – | 12,251,906 |
| Total Liabilities | 179,982,062 | 41,281,073 | 3,110,495 | 1,710,024 | 38,833,663 | 12,207,219 | 3,951,537 | 3,895,073 | 284,971,146 |
| On-balance sheet open position | 24,219,477 | 4,463,973 | (214,349) | 512,894 | (3,166,049) | 2,094,000 | (1,716,055) | (425,911) | 25,767,980 |
| Off-balance sheet open position | (742,036) | 604,826 | 694,046 | (95,531) | (2,172,979) | 27 | 1,018,241 | 693,406 | – |
| Net open position | 23,477,441 | 5,068,799 | 479,697 | 417,363 | (5,339,028) | 2,094,027 | (697,814) | 267,495 | 25,767,980 |
| Net structural position included in the above | – | – | (264,622) | 19,811 | – | 310,383 | – | 1,506,567 | 1,572,139 |

46. FOREIGN EXCHANGE RISK (CONT'D.)

| Bank 2010 | Malaysian Ringgit RM'000 | Singapore Dollar RM'000 | Great Britain Pound RM'000 | Hong Kong Dollar RM'000 | United States Dollar RM'000 | Indonesia Rupiah RM'000 | Euro RM'000 | Others RM'000 | Total RM'000 |
|---|--------------------------------|-------------------------------|-------------------------------------|-------------------------------|--------------------------------------|-------------------------------|------------------|------------------|--------------------|
| Assets | | | | | | | | | |
| Cash and short-term funds | 5,986,297 | 1,490,884 | 291,080 | 3,570 | 9,324,482 | 9,655 | 1,671,013 | 626,635 | 19,403,616 |
| Deposits and placements with banks and other financial institutions | 3,081,364 | 2,673,408 | 392,755 | 550,268 | 283,853 | - | - | 116,550 | 7,098,198 |
| Securities purchased under resale agreements | - | 371,237 | - | - | - | - | - | - | 371,237 |
| Securities portfolio | 34,671,053 | 7,931,722 | - | 228,407 | 4,684,599 | - | - | 28,310 | 47,544,091 |
| Loans, advances and financing | 102,001,936 | 34,833,643 | 192,513 | 1,534,921 | 11,740,480 | - | 54,756 | 1,111,336 | 151,469,585 |
| Derivative assets | 182,691 | 139,703 | 5,618 | 26 | 847,153 | - | 71,143 | 35,348 | 1,281,682 |
| Other assets | 2,134,379 | 844,741 | 354,366 | 179,363 | 139,130 | - | 70,241 | 110,096 | 3,832,316 |
| Statutory deposits with Central Banks | 505,100 | 1,351,883 | - | - | 57,617 | - | - | 18,381 | 1,932,981 |
| Investment in subsidiaries | 11,756,533 | 146 | - | - | 47,936 | 430,641 | - | 418,121 | 12,653,377 |
| Investment in associates | 8,915 | - | - | - | 6,140 | - | - | 403,645 | 418,700 |
| Property, plant and equipment | 793,967 | 267,133 | 5,720 | 1,310 | 9,073 | - | - | 394 | 1,077,597 |
| Intangible assets | 144,998 | 14,737 | - | 582 | 393 | - | - | - | 160,710 |
| Deferred tax assets | 1,146,949 | - | - | - | 1,227 | - | - | - | 1,148,176 |
| Total Assets | 162,414,182 | 49,919,237 | 1,242,052 | 2,498,447 | 27,142,083 | 440,296 | 1,867,153 | 2,868,816 | 248,392,266 |

46. FOREIGN EXCHANGE RISK (CONT'D.)

| Bank 2010 (cont'd.) | Malaysian Ringgit RM'000 | Singapore Dollar RM'000 | Great Britain Pound RM'000 | Hong Kong Dollar RM'000 | United States Dollar RM'000 | Indonesia Rupiah RM'000 | Euro RM'000 | Others RM'000 | Total RM'000 |
|---|--------------------------------|-------------------------------|-------------------------------------|-------------------------------|--------------------------------------|-------------------------------|--------------------|------------------|--------------------|
| Liabilities | | | | | | | | | |
| Deposits from customers | 119,562,241 | 43,022,021 | 1,967,612 | 189,165 | 8,167,277 | - | 365,692 | 2,105,733 | 175,379,741 |
| Deposits and placements of banks and other financial institutions | 10,262,395 | 559,966 | 456,966 | 872,985 | 6,843,580 | 30 | 2,660,503 | 1,273,397 | 22,929,822 |
| Bills and acceptances payable | 2,722,976 | 162,264 | 432 | 106 | 2,823 | 3,039 | 921 | 6,436 | 2,898,997 |
| Derivative liabilities | 183,336 | 187,886 | 5,854 | 48,745 | 765,066 | - | 70,113 | 30,498 | 1,291,498 |
| Other liabilities | 1,717,260 | 917,158 | 4,118 | 425 | 502,135 | 9 | 9,017 | 405,747 | 3,555,869 |
| Recourse obligation on loans sold to Cagamas | 649,977 | - | - | - | - | - | - | - | 649,977 |
| Provision for taxation and zakat | 78,802 | 190,713 | - | 10,778 | 3,060 | - | - | - | 283,353 |
| Borrowings | - | - | - | - | 2,098,317 | - | - | - | 2,098,317 |
| Subordinated obligations | 7,098,167 | - | - | - | 970,949 | - | - | - | 8,069,116 |
| Capital securities | 4,596,803 | 1,381,949 | - | - | - | - | - | - | 5,978,752 |
| Total Liabilities | 146,871,957 | 46,421,957 | 2,434,982 | 1,122,204 | 19,353,207 | 3,078 | 3,106,246 | 3,821,811 | 223,135,442 |
| On-balance sheet open position | 15,542,225 | 3,497,280 | (1,192,930) | 1,376,243 | 7,788,876 | 437,218 | (1,239,093) | (952,995) | 25,256,824 |
| Off-balance sheet open position | 3,363,061 | 691,428 | 1,642,887 | (45,442) | (8,524,271) | - | 1,423,804 | 1,448,533 | - |
| Net open position | 18,905,286 | 4,188,708 | 449,957 | 1,330,801 | (735,395) | 437,218 | 184,711 | 495,538 | 25,256,824 |
| Net structural position included in the above | - | - | 41,112 | 38,180 | - | 5,741,672 | - | 470,319 | 6,291,283 |

46. FOREIGN EXCHANGE RISK (CONT'D.)

| Bank 2009 | Malaysian Ringgit RM'000 | Singapore Dollar RM'000 | Great Britain Pound RM'000 | Hong Kong Dollar RM'000 | United States Dollar RM'000 | Indonesia Rupiah RM'000 | Euro RM'000 | Others RM'000 | Total RM'000 |
|---|--------------------------|-------------------------|----------------------------|-------------------------|-----------------------------|-------------------------|------------------|------------------|--------------------|
| Assets | | | | | | | | | |
| Cash and short-term funds | 5,577,991 | 1,778,589 | 1,974,670 | 4,071 | 5,654,533 | 13,763 | 2,032,144 | 412,551 | 17,448,312 |
| Deposits and placements with banks and other financial institutions | 3,538,533 | 2,316,409 | 654,747 | 35,170 | 988,334 | – | – | 30,776 | 7,563,969 |
| Securities purchased under resale agreements | – | 346,462 | – | – | – | – | – | – | 346,462 |
| Securities portfolio | 36,462,460 | 5,425,809 | – | 325,883 | 4,805,482 | – | – | 543 | 47,020,177 |
| Loans, advances and financing | 95,654,609 | 33,350,207 | 120,295 | 1,634,361 | 12,222,431 | – | 47,107 | 1,402,788 | 144,431,798 |
| Derivative assets | 306,840 | 131,547 | 15,902 | 17,620 | 387,235 | – | 30,337 | 40,423 | 929,904 |
| Other assets | 2,089,480 | 457,447 | 116,538 | 158,787 | 893,017 | – | 88,487 | 15,110 | 3,818,866 |
| Statutory deposits with Central Banks | 806,100 | 1,232,797 | – | – | 54,754 | – | – | 16,492 | 2,110,143 |
| Investment in subsidiaries | 11,232,252 | 146 | – | – | 52,077 | 272,500 | – | 229,318 | 11,786,293 |
| Investment in associates | 7,635 | – | – | – | – | – | – | 335,414 | 343,049 |
| Property, plant and equipment | 808,558 | 290,287 | 7,844 | 1,270 | 6,480 | – | – | 701 | 1,115,140 |
| Intangible assets | 151,198 | 14,955 | – | 898 | 1,066 | – | – | 15 | 168,132 |
| Deferred tax assets | 1,046,772 | 147,555 | – | – | 570 | – | – | – | 1,194,897 |
| Total Assets | 157,682,428 | 45,492,210 | 2,889,996 | 2,178,060 | 25,065,979 | 286,263 | 2,198,075 | 2,484,131 | 238,277,142 |

46. FOREIGN EXCHANGE RISK (CONT'D.)

| Bank 2009 (cont'd.) | Malaysian Ringgit RM'000 | Singapore Dollar RM'000 | Great Britain Pound RM'000 | Hong Kong Dollar RM'000 | United States Dollar RM'000 | Indonesia Rupiah RM'000 | Euro RM'000 | Others RM'000 | Total RM'000 |
|---|--------------------------------|-------------------------------|-------------------------------------|-------------------------------|--------------------------------------|-------------------------------|------------------|------------------|--------------------|
| Liabilities | | | | | | | | | |
| Deposits from customers | 112,379,948 | 39,586,152 | 2,375,850 | 639,261 | 6,719,261 | – | 284,238 | 1,468,220 | 163,452,930 |
| Deposits and placements of banks and other financial institutions | 8,823,581 | 214,024 | 654,815 | 923,229 | 16,375,486 | – | 2,522,251 | 608,530 | 30,121,916 |
| Bills and acceptances payable | 1,185,300 | 130,545 | 388 | 59 | 3,264 | 2,270 | 607 | 5,846 | 1,328,279 |
| Derivative liabilities | 260,608 | 228,188 | 32,887 | 514 | 793,269 | – | 36,177 | 30,217 | 1,381,860 |
| Other liabilities | 272,384 | 837,666 | 18,553 | 145,784 | 1,410,411 | 405 | 67,385 | 500,770 | 3,253,358 |
| Recourse obligation on loans sold to Cagamas | 516,265 | – | – | – | – | – | – | – | 516,265 |
| Borrowings | – | – | – | – | 1,512,310 | – | – | – | 1,512,310 |
| Subordinated obligations | 7,100,000 | – | – | – | 1,052,239 | – | – | – | 8,152,239 |
| Capital securities | 4,596,511 | 1,451,030 | – | – | – | – | – | – | 6,047,541 |
| Total Liabilities | 135,134,597 | 42,447,605 | 3,082,493 | 1,708,847 | 27,866,240 | 2,675 | 2,910,658 | 2,613,583 | 215,766,698 |
| On-balance sheet open position | 22,547,831 | 3,044,605 | (192,497) | 469,213 | (2,800,261) | 283,588 | (712,583) | (129,452) | 22,510,444 |
| Off-balance sheet open position | (742,036) | 604,826 | 694,046 | (95,532) | (2,171,379) | 27 | 1,017,301 | 692,747 | – |
| Net open position | 21,805,795 | 3,649,431 | 501,549 | 373,681 | (4,971,640) | 283,615 | 304,718 | 563,295 | 22,510,444 |
| Net structural position included in the above | – | – | (264,622) | (29,482) | – | 7,903,061 | – | 548,413 | 8,157,370 |

46. FOREIGN EXCHANGE RISK (CONT'D.)

Net structural foreign currency position represents the Group's and the Bank's net investment in overseas operations. This position comprises the net assets of the Group's and the Bank's overseas branches, investments in overseas subsidiaries and long term investments in overseas properties.

Where possible, the Group and the Bank mitigate the effect of currency exposures by funding the overseas operations with borrowings and deposits received in the same functional currencies of the respective overseas locations. The foreign currency exposures are also hedged using foreign exchange derivatives.

The structural currency exposures of the Group and the Bank as at the balance sheet dates are as follows:

| Group Currency of structural exposures | Structural currency exposures in overseas operations RM'000 | Hedges by funding in respective currencies RM'000 | Other currency hedges RM'000 | Net structural currency exposures RM'000 |
|---|--|--|---|---|
| 2010 | | | | |
| Singapore Dollar | 2,191,154 | – | (2,191,154) | – |
| Great Britain Pound | 41,112 | – | – | 41,112 |
| Hong Kong Dollar | 83,346 | – | – | 83,346 |
| United States Dollar | 649,953 | (649,953) | – | – |
| Indonesia Rupiah | 28,963,372 | – | – | 28,963,372 |
| Others | 311,068 | – | – | 311,068 |
| | 32,240,005 | (649,953) | (2,191,154) | 29,398,898 |
| 2009 | | | | |
| Singapore Dollar | 1,850,314 | – | (1,850,314) | – |
| Great Britain Pound | (264,622) | – | – | (264,622) |
| Hong Kong Dollar | 19,811 | – | – | 19,811 |
| United States Dollar | 503,851 | (503,851) | – | – |
| Indonesia Rupiah | 310,383 | – | – | 310,383 |
| Others | 1,506,567 | – | – | 1,506,567 |
| | 3,926,304 | (503,851) | (1,850,314) | 1,572,139 |

46. FOREIGN EXCHANGE RISK (CONT'D.)

| Bank Currency of structural exposures | Structural currency exposures in overseas operations RM'000 | Hedges by funding in respective currencies RM'000 | Other currency hedges RM'000 | Net structural currency exposures RM'000 |
|--|--|--|---|---|
| 2010 | | | | |
| Singapore Dollar | 5,263,230 | – | (5,263,230) | – |
| Great Britain Pound | 41,112 | – | – | 41,112 |
| Hong Kong Dollar | 38,180 | – | – | 38,180 |
| United States Dollar | 135,720 | (135,720) | – | – |
| Indonesia Rupiah | 5,741,672 | – | – | 5,741,672 |
| Others | 470,319 | – | – | 470,319 |
| | 11,690,233 | (135,720) | (5,263,230) | 6,291,283 |
| 2009 | | | | |
| Singapore Dollar | 699,451 | – | (699,451) | – |
| Great Britain Pound | (264,622) | – | – | (264,622) |
| Hong Kong Dollar | (29,482) | – | – | (29,482) |
| United States Dollar | (129,020) | 129,020 | – | – |
| Indonesia Rupiah | 7,903,061 | – | – | 7,903,061 |
| Others | 548,413 | – | – | 548,413 |
| | 8,727,801 | 129,020 | (699,451) | 8,157,370 |

47. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet 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.

47. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

Loans, advances and financing 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 judgements 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 Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and 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 Group and the Bank as a going concern.

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with FRS132 comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in associated companies, property, plant and equipment, provision for current and deferred taxation, life, general takaful and family takaful fund assets, and life, general takaful and family takaful fund liabilities. The information on the fair values of financial assets and financial liabilities of the life, general takaful and family takaful fund is disclosed in Note 53.

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

| Group | 2010 | | 2009 | |
|---|--------------------------|----------------------|--------------------------|----------------------|
| | Carrying value RM'000 | Fair value RM'000 | Carrying value RM'000 | Fair value RM'000 |
| Financial assets | | | | |
| Securities held-to-maturity | 8,942,708 | 9,118,305 | 8,360,751 | 8,418,848 |
| Loans, advances and financing* | 209,393,607 | 209,411,458 | 189,508,765 | 194,907,563 |
| Financial liabilities | | | | |
| Deposits from customers | 236,909,788 | 236,927,836 | 212,598,589 | 212,790,804 |
| Deposits and placements of banks and other financial institutions | 23,257,868 | 23,177,261 | 28,781,863 | 28,418,927 |
| Recourse obligation on loans sold to Cagamas | 649,977 | 687,193 | 516,265 | 521,876 |
| Borrowings | 2,824,864 | 2,831,215 | 1,512,310 | 1,512,310 |
| Subordinated obligations | 8,069,116 | 7,751,326 | 8,672,373 | 7,867,365 |
| Capital securities | 5,978,752 | 6,712,227 | 6,047,541 | 6,350,909 |

47. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

| Bank | 2010 | | 2009 | |
|---|--------------------------|----------------------|--------------------------|----------------------|
| | Carrying value RM'000 | Fair value RM'000 | Carrying value RM'000 | Fair value RM'000 |
| Financial assets | | | | |
| Securities held-to-maturity | 7,855,322 | 8,029,524 | 6,831,898 | 6,834,648 |
| Loans, advances and financing* | 154,236,342 | 154,111,646 | 147,368,853 | 149,220,961 |
| Financial liabilities | | | | |
| Deposits from customers | 175,379,741 | 175,369,226 | 163,452,930 | 163,614,082 |
| Deposits and placements of banks and other financial institutions | 22,929,822 | 22,854,214 | 30,121,916 | 29,779,709 |
| Recourse obligation on loans sold to Cagamas | 649,977 | 687,193 | 516,265 | 521,876 |
| Borrowings | 2,098,317 | 2,098,317 | 1,512,310 | 1,512,310 |
| Subordinated obligations | 8,069,116 | 7,751,326 | 8,152,239 | 7,867,365 |
| Capital securities | 5,978,752 | 6,712,227 | 6,047,541 | 6,350,909 |

* The general allowance for the Group and the Bank amounting to RM3,838,541,000 (2009: RM3,725,599,000) and RM2,766,757,000 (2009: RM2,937,055,000) respectively have been added back to arrive at the carrying value of the loans, advances and financing.

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, securities purchased under resale agreement, obligations on securities sold under repurchase agreement and bills and acceptances 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 earnings multiples and discounted cash flow analysis. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the balance sheet date.

47. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)**(d) Loans, advances and financing**

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, 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 loans, the fair values are deemed to approximate the carrying values which are net of interest/income-in-suspense and specific provision for bad and doubtful debts and financing.

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

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as 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 loans sold to Cagamas

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

(g) Subordinated obligations

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for borrowings with similar risks profiles.

(h) Derivative financial instruments

Fair values of derivative 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 or foreign exchange rates relative to their terms. The fair values of the Group's and the Bank's derivative instruments are estimated by reference to quoted market prices. Internal models are used where no market price is available.

48. CAPITAL AND OTHER COMMITMENTS

(a) Capital expenditure approved by directors but not provided for in the financial statements amounted to:

| | Group | | Bank | |
|--|----------------|----------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Approved and contracted for | 185,816 | 219,786 | 176,730 | 216,352 |
| Approved but not contracted for | 149,181 | 122,068 | 147,810 | 107,243 |
| | 334,997 | 341,854 | 324,540 | 323,595 |
| (b) Uncalled capital in shares of subsidiaries | – | – | 150 | 150 |

49. CAPITAL ADEQUACY

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

| | Group | | Bank | |
|---|---------------|--------|---------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Without deducting proposed dividend*: Core capital ratio | 11.06% | 11.00% | 15.02% | 14.29% |
| Risk-weighted capital ratio | 14.67% | 14.99% | 15.02% | 14.29% |

After deducting proposed dividend:

The proposed dividend consists of an electable portion of 40 sen (30 sen net per ordinary share) which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan as disclosed in note 51(c) to the financial statements.

Thereof, there will be a range of extreme possibilities that the full electable portion is reinvested in new ordinary shares or the full electable portion is not reinvested but paid in cash.

Based on the above, the range of capital adequacy ratios of the Group and the Bank after deducting the proposed dividend are as follows:

| | Group | | Bank | |
|---------------------------------------|---------------|--------|---------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Core capital ratio | – | 10.81% | – | 14.06% |
| – full electable portion paid in cash | 10.10% | – | 13.78% | – |
| – full electable portion reinvested | 10.97% | – | 14.91% | – |
| Risk-weighted capital ratio | – | 14.81% | – | 14.06% |
| – full electable portion paid in cash | 13.71% | – | 13.78% | – |
| – full electable portion reinvested | 14.58% | – | 14.91% | – |

* In arriving at the capital base used in the ratio calculations of the Group and the Bank, the proposed dividends for respective financial years were not deducted.

49. CAPITAL ADEQUACY (CONT'D.)

| | Group | | Bank | |
|--|-------------------|----------------|-------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Tier 1 capital | | | | |
| Paid-up share capital | 7,077,983 | 7,077,663 | 7,077,983 | 7,077,663 |
| Share premium | 5,903,497 | 5,901,692 | 5,903,497 | 5,901,692 |
| Other reserves | 13,813,992 | 11,310,142 | 12,506,193 | 10,079,987 |
| Capital securities:- | | | | |
| Innovative Tier 1 capital | 2,481,030 | 2,550,029 | 2,481,030 | 2,550,029 |
| Non-Innovative Tier 1 capital | 3,497,722 | 3,497,512 | 3,497,722 | 3,497,512 |
| Less: Deferred tax assets | (1,564,963) | (1,493,132) | (1,148,176) | (1,194,897) |
| Goodwill | (4,154,486) | (3,963,210) | (81,015) | (81,015) |
| Total Tier 1 capital | 27,054,775 | 24,880,696 | 30,237,234 | 27,830,971 |
| Tier 2 capital | | | | |
| Subordinated obligations | 8,069,116 | 8,653,373 | 8,069,116 | 8,152,239 |
| General allowance for bad and doubtful debts and financing | 3,838,541 | 3,725,599 | 3,015,865 | 3,038,025 |
| Total Tier 2 capital | 11,907,657 | 12,378,972 | 11,084,981 | 11,190,264 |
| Total capital | 38,962,432 | 37,259,668 | 41,322,215 | 39,021,235 |
| Less: Investment in subsidiaries and associates # | (3,065,249) | (3,342,964) | (13,009,007) | (12,067,698) |
| Less: Other deductions | (18,060) | – | (18,051) | – |
| Capital base | 35,879,123 | 33,916,704 | 28,295,157 | 26,953,537 |

Excludes the cost of investment in subsidiary companies and associates, except for Myfin Berhad of RM18,993,759, as its business, assets and liabilities have been transferred to the Bank. For the Group, the cost of investments in insurance companies and associates are deducted from capital base.

The capital adequacy ratios of the Group and the Bank are in compliance with Basel I Risk Weighted Capital Adequacy Framework. The minimum regulatory capital adequacy requirement is 8% (2009: 8%) for the risk-weighted capital ratio.

On 29 June 2010, the Bank has received approval from Bank Negara Malaysia to migrate to Internal Ratings-Based approach for credit risk under Basel II Risk Weighted Capital Adequacy Framework from 1 July 2010 onwards.

49. CAPITAL ADEQUACY (CONT'D.)

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

| | 2010 | | 2009 | |
|--|---------------------|-----------------------------|---------------------|-----------------------------|
| | Principal RM'000 | Risk- weighted RM'000 | Principal RM'000 | Risk- weighted RM'000 |
| Group | | | | |
| 0% | 47,975,526 | – | 35,034,146 | – |
| 10% | 358,525 | 35,853 | 362,633 | 36,263 |
| 20% | 34,064,190 | 6,812,838 | 28,968,131 | 5,793,626 |
| 50% | 36,259,184 | 18,129,592 | 33,248,708 | 16,624,354 |
| 100% | 192,475,276 | 192,475,276 | 170,959,552 | 170,959,552 |
| Total risk-weighted assets for credit risk | | 217,453,559 | | 193,413,795 |
| Total risk-weighted assets for market risk | | 27,081,304 | | 32,700,870 |
| Total risk-weighted assets for credit and market risks | | 244,534,863 | | 226,114,665 |
| Bank | | | | |
| 0% | 34,795,220 | – | 24,132,473 | – |
| 10% | 26,682 | 2,668 | 15,738 | 1,574 |
| 20% | 35,521,589 | 7,104,318 | 30,769,597 | 6,153,919 |
| 50% | 29,207,263 | 14,603,632 | 27,005,260 | 13,502,630 |
| 100% | 143,201,723 | 143,201,723 | 141,015,316 | 141,015,316 |
| Total risk-weighted assets for credit risk | | 164,912,341 | | 160,673,439 |
| Total risk-weighted assets for market risk | | 23,431,606 | | 27,922,999 |
| Total risk-weighted assets for credit and market risks | | 188,343,947 | | 188,596,438 |

50. SEGMENT INFORMATION

Segment information are presented in respect of the Group's business segments and geographical locations.

(i) By business segments

As of 1 July 2009, the Group adopted FRS 8 Operating Segments and Amendments to FRS 8 Operating Segments. The Group determines and presents operating segments based on information provided to senior management of the Group. Hence, comparative segment information has been restated to conform with current year's presentation.

The Group is organised into six (6) segments based on services and products available within the Group. The Group comprises the following main business segments:

(a) Consumer banking

Consumer banking comprises the full range of products and services offered to individuals in Malaysia, including savings and fixed deposits, remittance services, current accounts, consumer loans such as housing loans and personal loans, hire purchases, unit trusts, bancassurance products and credit cards.

(b) Business and corporate banking

Business and corporate banking comprises the full range of products and services offered to business customers in Malaysia, ranging from large corporate and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(c) Global Market

Global market comprises the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market instruments.

(d) Investment banking

Investment banking comprises business of an investment bank, discount house and securities broker. This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include direct lending, advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, and share and futures dealings.

(e) Insurance and asset management

Insurance and asset management comprise the business of underwriting all classes of general and life insurance businesses, offshore investment life insurance business, general takaful and family takaful businesses, asset and fund management, nominee and trustee services and custodian services.

(f) International banking

International banking comprises the full range of banking products and services offered to individuals and business customers in overseas, including in Singapore, Indonesia, Pakistan, Vietnam, China (including Hong Kong), United Kingdom, United States of America, and all other overseas banking operations.

50. SEGMENT INFORMATION (CONT'D.)

(a) By business segments (cont'd.)

| Group 2010 | Business Segments | | | | | | | Total RM'000 |
|---|-------------------------------|---|----------------------------|---------------------------------|--|------------------------------------|-------------------------------------|------------------|
| | Consumer Banking RM'000 | Business and Corporate Banking RM'000 | Global Market RM'000 | Investment Banking RM'000 | Insurance and Asset Management RM'000 | International Banking RM'000 | Head Office and Others RM'000 | |
| Net interest income and Islamic banking income | | | | | | | | |
| – external | 3,285,200 | 2,036,000 | 614,200 | 25,149 | 106,281 | 2,558,828 | (420,041) | 8,205,617 |
| – inter-segment | – | – | – | 3,651 | (19,001) | 2,172 | 13,178 | – |
| | 3,285,200 | 2,036,000 | 614,200 | 28,800 | 87,280 | 2,561,000 | (406,863) | 8,205,617 |
| Net interest income and Islamic banking income | 3,285,200 | 2,036,000 | 614,200 | 28,800 | 87,280 | 2,561,000 | (406,863) | 8,205,617 |
| Non-interest income | 1,174,530 | 483,400 | 811,600 | 206,800 | 964,950 | 1,187,600 | (162,845) | 4,666,035 |
| Net income | 4,459,730 | 2,519,400 | 1,425,800 | 235,600 | 1,052,230 | 3,748,600 | (569,708) | 12,871,652 |
| Overhead expenses | (2,674,061) | (881,476) | (95,460) | (112,709) | (609,447) | (2,038,919) | – | (6,412,072) |
| Allowance for losses on loans, advances and financing | (187,273) | (422,917) | – | 20,900 | (1,213) | (597,474) | – | (1,187,977) |
| Impairment losses on securities, net | – | – | (39,830) | – | – | 16,800 | – | (23,030) |
| Operating Profit | 1,598,396 | 1,215,007 | 1,290,510 | 143,791 | 441,570 | 1,129,007 | (569,708) | 5,248,573 |
| Share of profits in associates | – | – | – | – | – | 121,835 | – | 121,835 |
| Profit before taxation and zakat | 1,598,396 | 1,215,007 | 1,290,510 | 143,791 | 441,570 | 1,250,842 | (569,708) | 5,370,408 |
| Taxation and zakat | | | | | | | | (1,401,958) |
| Profit after taxation and zakat | | | | | | | | 3,968,450 |
| Minority interest | | | | | | | | (150,283) |
| Profit for the year | | | | | | | | 3,818,167 |
| Assets: | | | | | | | | |
| Investment in associates | – | – | – | – | – | 2,471,438 | – | 2,471,438 |

50. SEGMENT INFORMATION (CONT'D.)

(a) By business segments (cont'd.)

| Group 2009 | Business Segments | | | | | | | Total RM'000 |
|---|-------------------------|---------------------------------------|----------------------|---------------------------|---------------------------------------|------------------------------|-------------------------------|--------------|
| | Consumer Banking RM'000 | Business and Corporate Banking RM'000 | Global Market RM'000 | Investment Banking RM'000 | Insurance and Asset Management RM'000 | International Banking RM'000 | Head Office and Others RM'000 | |
| Net interest income and Islamic banking income | | | | | | | | |
| – external | 3,060,200 | 1,888,100 | 507,500 | 59,527 | 102,823 | 2,192,220 | (666,543) | 7,143,827 |
| – inter-segment | – | – | – | 22,673 | (15,423) | (51,880) | 44,630 | – |
| | 3,060,200 | 1,888,100 | 507,500 | 82,200 | 87,400 | 2,140,340 | (621,913) | 7,143,827 |
| Net interest income and Islamic banking income | 3,060,200 | 1,888,100 | 507,500 | 82,200 | 87,400 | 2,140,340 | (621,913) | 7,143,827 |
| Non-interest income | 1,013,900 | 382,200 | 208,100 | 146,930 | 862,930 | 693,100 | 68,030 | 3,375,190 |
| Net income | 4,074,100 | 2,270,300 | 715,600 | 229,130 | 950,330 | 2,833,440 | (553,883) | 10,519,017 |
| Overhead expenses | (2,367,799) | (801,334) | (84,781) | (104,532) | (640,143) | (1,560,576) | – | (5,559,165) |
| Allowance for losses on loans, advances and financing | (230,098) | (537,494) | – | 1,700 | (1,500) | (931,422) | – | (1,698,814) |
| Impairment losses on securities, net | – | – | (81,609) | (5,000) | 18,820 | (129,700) | – | (197,489) |
| Operating Profit | 1,476,203 | 931,472 | 549,210 | 121,298 | 327,507 | 211,742 | (553,883) | 3,063,549 |
| Impairment loss on investment in associated companies | – | – | – | – | – | – | (353,067) | (353,067) |
| Impairment losses on goodwill | – | – | – | – | – | – | (1,619,518) | (1,619,518) |
| Write-back of allowance for non-refundable deposit | – | – | – | – | – | – | 483,824 | 483,824 |
| Share of profits in associates | – | – | – | – | – | 99,626 | (122) | 99,504 |
| Profit before taxation and zakat | 1,476,203 | 931,472 | 549,210 | 121,298 | 327,507 | 311,368 | (2,042,766) | 1,674,292 |
| Taxation and zakat | | | | | | | | (923,578) |
| Profit after taxation and zakat | | | | | | | | 750,714 |
| Minority interest | | | | | | | | (58,839) |
| Profit for the year | | | | | | | | 691,875 |
| Assets: | | | | | | | | |
| Investment in associates | – | – | – | – | – | 2,630,123 | – | 2,630,123 |

50. SEGMENT INFORMATION (CONT'D.)**(ii) By geographical locations**

The Group has operations in Malaysia, Singapore, Indonesia, Philippines, Papua New Guinea, Brunei Darussalam, People's Republic of China, Hong Kong SAR, Vietnam, United Kingdom, United States of America, Cambodia and Bahrain.

With the exception of Malaysia, Singapore and Indonesia, no other individual country contributed more than 10% of the consolidated revenue before operating expenses and of total assets.

Revenue, net interest income, profit before tax and zakat and non-current assets based on geographical locations of customers and assets respectively are as follows:

| | Operating revenue RM'000 | Net income RM'000 | Profit before taxation and zakat RM'000 | Non-current assets RM'000 |
|---------------|--------------------------------|-------------------------|--|---------------------------------|
| 2010 | | | | |
| Malaysia | 14,294,778 | 10,355,757 | 5,270,446 | 5,579,501 |
| Singapore | 1,911,001 | 1,388,415 | 818,301 | 296,501 |
| Indonesia | 2,838,432 | 1,890,875 | 238,410 | 164,015 |
| Others | 759,085 | 356,774 | 70,339 | 54,059 |
| | 19,803,296 | 13,991,821 | 6,397,496 | 6,094,076 |
| Elimination * | (1,243,064) | (1,120,169) | (1,027,088) | - |
| Group | 18,560,232 | 12,871,652 | 5,370,408 | 6,094,076 |
| 2009 | | | | |
| Malaysia | 14,011,354 | 8,740,980 | 2,247,067 | 5,569,100 |
| Singapore | 2,045,023 | 1,359,206 | 622,051 | 320,834 |
| Indonesia | 2,150,641 | 1,184,899 | 82,425 | 56,928 |
| Others | 1,129,622 | 283,749 | (285,058) | 58,970 |
| | 19,336,640 | 11,568,834 | 2,666,485 | 6,005,832 |
| Elimination * | (1,750,303) | (1,049,817) | (992,193) | - |
| Group | 17,586,337 | 10,519,017 | 1,674,292 | 6,005,832 |

* Inter-segment revenues are eliminated on consolidation.

51. SIGNIFICANT EVENTS

(a) Acquisition of Approximately 20% of the Total Charter Capital of Vietnam's An Binh Commercial Joint Stock Bank ("ABBank")

ABBank distributed shares via a bonus issue to the existing shareholders of ABBank (excluding Maybank) in August 2009. Therefore, Maybank had on 25 August 2009 completed the subscription of approximately 2.16 million additional shares in ABBank at VND20,000 per share for a total consideration of approximately VND43.3 billion or RM8.5 million (at the exchange rate of VND5,073 : RM1.00 as of 24 August 2009) to maintain its effective shareholding of 15% in ABBank.

On 10 December 2009 Maybank received a letter from An Binh Bank confirming, amongst others, that all approvals including regulatory approvals required from the Prime Minister's Office, the State Bank of Vietnam and the State Securities Committee have been received. Based on the foregoing, Maybank had on 17 December 2009, successfully completed the acquisition of 17,813,366 shares in An Binh Bank ("Fourth Subscription"), representing 5% of the total charter capital of An Binh Bank ("Charter Capital") for a total consideration of approximately VND356.3 billion or the equivalent of approximately RM66.4 million (at the exchange rate of VND5,362: RM1.00 as of 16 December 2009).

Pursuant thereto, Maybank now holds 60,565,443 shares in An Binh Bank, which represents 20% total Charter Capital of An Binh Bank.

(b) Rights Issue by PT Bank Internasional Indonesia Tbk ("BII")

Maybank had on 19 February 2010 announced that its subsidiary, PT Bank Internasional Indonesia Tbk ("BII") will embark on a rights issue to raise gross proceeds of approximately Rp1.407 trillion.

The rights issue size of Rp1.407 trillion comprised the issuance of 6,253,554,529 new ordinary shares of Rp22.5 each. The rights issue was on the basis of one (1) new ordinary share in BII for every eight (8) existing ordinary shares in BII at an issue price of Rp225 per rights share. The shareholders of BII had approved the rights issue in the EGM held on 26 March 2010. Maybank had fully subscribed to its rights entitlement under the rights issue and any excess rights shares to the extent they are not taken up or not validly taken up by the other entitled shareholders and/or their renounees under the rights issue were also taken up by Maybank.

The proceeds from the rights issue after defraying estimated expenses would be used principally for credit expansion as part of BII's plan to improve its capital structure and strengthen its balance sheet to spearhead further growth.

(c) Dividend Reinvestment Plan

Maybank via the announcement on 25 March 2010 proposed to undertake a recurrent and optional dividend reinvestment plan that allows shareholders of Maybank ("Shareholders") to reinvest their Dividend (as defined below) into new ordinary share(s) of RM1.00 each in Maybank ("Maybank Shares") ("Dividend Reinvestment Plan").

51. SIGNIFICANT EVENTS (CONT'D.)**(c) Dividend Reinvestment Plan (cont'd.)**

The rationale of Maybank embarking on the Dividend Reinvestment Plan are as follows:

- (i) To enhance and maximise Shareholders' value via the subscription of new Maybank Shares where the issue price of a new Maybank Share shall be at a discount;
- (ii) To provide the Shareholders with greater flexibility in meeting their investment objectives, as they would have the choice of receiving cash or reinvesting in the Company through subscription of additional Maybank Shares without having to incur material transaction or other related costs; and
- (iii) To benefit from the participation by Shareholders in the Dividend Reinvestment Plan to the extent that if the Shareholders elect to reinvest into new Maybank Shares, the cash which would otherwise be payable by way of Dividend will be reinvested to fund the continuing business growth of the Group. The Dividend Reinvestment Plan will not only enlarge Maybank's share capital base and strengthen its capital position, but will also add liquidity of Maybank Shares on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

Whenever a cash dividend (either an interim, final, special or other dividend) ("Dividend") is announced, the Board may, in its absolute discretion, determine that the Dividend Reinvestment Plan will apply to the whole or a portion of the cash Dividend ("Electable Portion") and where applicable any remaining portion of the Dividend will be paid in cash.

Each Shareholder has the following options in respect of the Electable Portion:

- (i) elect to receive the Electable Portion in cash; or
- (ii) elect to reinvest the entire Electable Portion into new Maybank Shares credited as fully paid-up at an issue price to be determined on a price fixing date subsequent to the receipt of all relevant regulatory approvals.

The Dividend Reinvestment Plan had received all the necessary approvals from Bank Negara Malaysia, Bursa Securities and from its shareholders via an EGM held on 14 May 2010.

(d) Transfer by Maybank of its entire direct equity interest of 69.05% in Mayban Fortis Holdings Berhad ("Mayban Fortis") to Etiqa International Holdings Sdn Bhd (formerly known as Pelangi Amanmaz Sdn Bhd) ("Etiqa International") for a purchase consideration of RM359,340,912 to be satisfied by an amount owing by Etiqa International to Maybank ("Transfer")

Maybank via an announcement on 5 April 2010 entered into a sale and purchase agreement to transfer 165,321,478 Mayban Fortis Shares representing its direct equity interest of 69.05% in Mayban Fortis to Etiqa International for a purchase consideration of RM359,340,912 to be satisfied by an amount owing by Etiqa International to Maybank ("SPA"). After the completion of the Transfer, Etiqa International will serve as the investment holding company for Maybank's insurance, takaful and asset management businesses.

The Transfer was completed on 5 May 2010. Mayban Fortis is now a 69.05% subsidiary of Etiqa International and the remaining 30.95% is held by Fortis Insurance International N.V.. Etiqa International is a wholly-owned subsidiary of Maybank.

51. SIGNIFICANT EVENTS (CONT'D.)**(e) Acquisition of 8,682,815 Non-Redeemable Preference Shares (“NRPS”) held by Employees Provident Fund (“EPF”) in Mayban Fortis Holdings Berhad (“MFHB”) for a total cash consideration of RM125,969,815**

On 29 June 2010, Maybank announced that it had on 28 June 2010 acquired 8,682,815 NRPS in MFHB, a 69.05% indirect subsidiary of Maybank, from EPF for a total cash consideration of RM125,969,815 (“the Acquisition”).

The Acquisition was initiated by:-

- (i) the Subscription Agreement entered into between EPF and MFHB (“Subscription Agreement”); and
- (ii) the Call and Put Option Agreement entered into between EPF, Maybank and Fortis International N.V. (“Fortis”) (“Call and Put Option Agreement”).

Both Subscription Agreement and Call and Put Option Agreement were executed simultaneously on 29 August 2007.

Notwithstanding the terms of the Call and Put Option Agreement, Maybank and EPF had exchanged three letters dated 5 May 2010, 3 June 2010 and 14 June 2010 respectively (“the Letters”) to agree on the Acquisition based on a revised PE multiple of 10.86407 times (“Revised PE Multiple”), which was a PE multiple between the Put Option and Call Option.

The Acquisition was mainly to fulfil the obligations agreed upon between EPF, Maybank and Fortis in the Call and Put Option Agreement. Pursuant to the Acquisition, EPF exercised the Put Option to require Maybank to acquire its portion of 8,682,815 NRPS from EPF for a cash consideration of RM125,969,815 based on the Revised PE Multiple.

The Acquisition was completed on 28 June 2010. Barring any unforeseen circumstances, the Acquisition did not have a material financial impact on Maybank’s earnings for the current financial year ended 30 June 2010.

EPF, the vendor of the Acquisition, is one of the major shareholders in Maybank who holds 10.91% equity interest in Maybank as at 14 June 2010.

Save as disclosed above, none of the directors, major shareholders and/or persons connected with them, as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, has any interest, direct or indirect, in the Acquisition.

The Board and Maybank’s Audit Committee, after having considered all aspects of the Acquisition, are of the opinion that the Acquisition is in the best interests of Maybank and is not detrimental to the interests of the minority shareholders of Maybank. The Board and Maybank’s Audit Committee are of the view that the Acquisition is fair, reasonable and on normal commercial terms.

51. SIGNIFICANT EVENTS (CONT'D.)**(f) Proposed Conversion to Shariah Banking and Capital Reduction of PT Bank Maybank Indocorp (Indonesia)**

Maybank had on 23 June 2010 announced the proposed conversion to Shariah Banking, and corresponding reduction of share capital of its 96.83% owned subsidiary incorporated in Indonesia, PT Bank Maybank Indocorp ("BMI"), based on an earlier decision by BMI's shareholders and subject to approval by the Indonesian central bank, Bank Indonesia.

The decision to convert BMI's business activities from Conventional Banking to Shariah Banking was undertaken by BMI's shareholders in order to tap the vast and growing business potential of Shariah Banking in Indonesia.

In line with the proposed conversion of business activities, a capital reduction exercise is undertaken that will result in the reduction of BMI's authorised capital, issued capital and paid up capital from IDR945,069,000,000 (RM346,840,323) [representing 945,069 shares with a nominal value of IDR1,000,000 per share] to IDR819,307,255,056.87 (RM300,685,763) [representing 945,069 shares with a nominal value of IDR866,928.50 per share].

The capital reduction exercise was effected by way of elimination of retained losses, in line with Bank Indonesia regulations governing such a change in business activity. BMI's books as at 31 December 2009 carried retained losses amounting to IDR136,396,427,619.31 (RM50,057,489).

This exercise was undertaken to enable BMI to make a fresh start under its new business activity of Shariah Banking, with a balance sheet that reflects fair value, without being burdened by the accumulated losses.

This capital reduction exercise did not have any material effect on the earnings or assets of the Maybank Group for the year ended 30 June 2010.

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”)

Balance sheet as at 30 June 2010

| | Note | Group | |
|---|------|-------------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 |
| Assets | | | |
| Cash and short-term funds | (a) | 5,818,068 | 4,403,717 |
| Deposits and placements with banks and other financial institutions | (b) | 707 | 49,659 |
| Securities portfolio | (c) | 4,700,919 | 4,324,549 |
| Financing and advances | (d) | 33,516,386 | 25,432,558 |
| Deferred tax assets | (e) | 79,712 | 58,397 |
| Derivative assets | (i) | 17,513 | 23,641 |
| Other assets | | 222,559 | 209,245 |
| Statutory deposits with Bank Negara Malaysia | (f) | 153,000 | 206,000 |
| | | 44,508,864 | 34,707,766 |
| Liabilities | | | |
| Deposits from customers | (g) | 34,693,613 | 24,778,718 |
| Deposits and placements of banks and other financial institutions | (h) | 5,051,346 | 6,153,166 |
| Bills and acceptances payable | | 28,175 | 2,931 |
| Derivative liabilities | (i) | 20,775 | 27,138 |
| Other liabilities | (j) | 1,235,875 | 1,020,861 |
| Provision for taxation and zakat | (l) | 31,607 | 28,597 |
| | | 41,061,391 | 32,011,411 |
| Islamic banking capital funds | | | |
| Islamic banking funds | | 207,410 | 197,476 |
| Reserves | | 3,240,063 | 2,498,879 |
| | | 3,447,473 | 2,696,355 |
| | | 44,508,864 | 34,707,766 |
| Commitments and contingencies | | | |
| | (s) | 13,627,916 | 15,234,088 |

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

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**Income statement for the year ended 30 June 2010**

| | Note | Group | |
|--|------|------------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 |
| Income derived from investment of depositors' funds | (m) | 1,822,872 | 1,549,778 |
| Expenses directly attributable to depositors and Islamic Banking Funds | | (15,493) | (32,943) |
| Transfer from profit equalisation reserve | | 41,642 | 19,433 |
| Gross attributable income | | 1,849,021 | 1,536,268 |
| Allowances for losses on financing and advances | (n) | (350,363) | (198,652) |
| Total attributable income | | 1,498,658 | 1,337,616 |
| Income attributable to the depositors | (o) | (671,956) | (655,319) |
| Income attributable to the Group | | 826,702 | 682,297 |
| Income derived from investment of Islamic Banking Funds: | | | |
| Gross investment income | (p) | 137,157 | 131,025 |
| Finance cost | | – | – |
| Net investment income of Islamic Banking Funds | | 137,157 | 131,025 |
| Overhead expenses | (q) | 963,859 | 813,322 |
| Profit before taxation and zakat | | 535,038 | 482,104 |
| Taxation | (r) | (121,005) | (114,959) |
| Zakat | | (7,091) | (6,055) |
| Profit for the year | | 406,942 | 361,090 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**Income statement for the year ended 30 June 2010 (cont'd.)**

For consolidation and amalgamation with the conventional operations, net income from Islamic Banking Scheme comprises the following items:

| | Group | |
|---|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Gross attributable income | 1,849,021 | 1,536,268 |
| Net income from investment Islamic Banking Funds | 137,157 | 131,025 |
| Total income before allowances for loan and overhead expenses | 1,986,178 | 1,667,293 |
| Income attributable to the depositors | (671,956) | (655,319) |
| Net of intercompany income and expenses | 1,314,222 | 1,011,974 |
| Income from Islamic Banking Scheme operations reported in the Group-wide income statement | 1,434,744 | 1,224,321 |

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

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

Statement of changes in Islamic Banking Fund for the year ended 30 June 2010

| Group | Non-distributable | | | | | Equity contribution from the holding company RM'000 | Distributable Retained Profits RM'000 | Total RM'000 |
|---|-----------------------------|----------------------|-----------------------------------|-------------------------------------|--------------------------|---|---------------------------------------|------------------|
| | Islamic Banking Fund RM'000 | Share Premium RM'000 | Unrealised Holding Reserve RM'000 | Exchange Fluctuation Reserve RM'000 | Statutory Reserve RM'000 | | | |
| At 1 July 2009 | 197,476 | 1,988,500 | (23,691) | (2) | 147,338 | (2,536) | 389,270 | 2,696,355 |
| Currency translation differences | - | - | - | 23 | - | - | - | 23 |
| Unrealised net gain on revaluation of securities available-for-sale | - | - | 38,839 | - | - | - | - | 38,839 |
| Net gain not recognised in the income statement | - | - | 38,839 | 23 | - | - | - | 38,862 |
| Net profit for the year | - | - | - | - | - | - | 406,942 | 406,942 |
| Issue of ordinary shares during the year | 100 | 499,900 | - | - | - | - | - | 500,000 |
| Transfer from/(to) Head Office | 9,834 | - | - | - | - | - | (4,334) | 5,500 |
| Dividend payable | - | - | - | - | - | - | (200,186) | (200,186) |
| At 30 June 2010 | 207,410 | 2,488,400 | 15,148 | 21 | 147,338 | (2,536) | 591,692 | 3,447,473 |
| At 1 July 2008 | 111,980 | 1,500,000 | (35,953) | (222) | 57,983 | - | 187,685 | 1,821,473 |
| Currency translation differences | - | - | - | 220 | - | - | - | 220 |
| Unrealised net gain on revaluation of securities available-for-sale | - | - | 12,262 | - | - | - | - | 12,262 |
| Net gain not recognised in the income statement | - | - | 12,262 | 220 | - | - | - | 12,482 |
| Net profit for the year | - | - | - | - | - | - | 361,090 | 361,090 |
| Waiver of intercompany balance during the year* | - | - | - | - | - | (2,536) | - | (2,536) |
| Issue of ordinary shares during the year | 85,496 | 488,500 | - | - | - | - | - | 573,996 |
| Transfer to Head Office | - | - | - | - | - | - | (70,150) | (70,150) |
| Transfer to statutory reserves | - | - | - | - | 89,355 | - | (89,355) | - |
| At 30 June 2009 | 197,476 | 1,988,500 | (23,691) | (2) | 147,338 | (2,536) | 389,270 | 2,696,355 |

* Arose from waiver of intercompany balance between respective subsidiaries on the instruction of the holding company.

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**Cash flow statement for the year ended 30 June 2010**

| | Group | |
|--|------------------|------------------|
| | 2010 RM'000 | 2009 RM'000 |
| Cash flows from operating activities | | |
| Profit before taxation and zakat | 535,038 | 482,104 |
| Adjustments for: | | |
| Allowances for losses on financing and advances | 389,460 | 222,287 |
| Accretion of discounts less amortisation of premiums of investment securities, net | (3,981) | (10,089) |
| Profit equalisation reserves | (41,642) | (20,435) |
| Operating profit before working capital changes | 878,875 | 673,867 |
| Change in deposits and placements with banks and other financial institutions | 48,952 | (48,398) |
| Change in financing and advances | (8,473,289) | (4,630,029) |
| Change in derivative assets | 6,128 | 21,544 |
| Change in other assets | (13,314) | 20,853 |
| Change in statutory reserve | 53,000 | 569,000 |
| Change in deposits from customers | 9,914,895 | 4,974,738 |
| Change in deposits and placements of banks and other financial institutions | (1,101,820) | 563,531 |
| Change in bills and acceptances payable | 25,244 | (387,179) |
| Net purchase of securities portfolio | (333,550) | (1,424,951) |
| Change in derivative liabilities | (6,363) | (18,062) |
| Change in other liabilities | 56,494 | 563,912 |
| Cash generated from operations | 1,055,252 | 878,826 |
| Taxes and zakat paid | (146,401) | (172,412) |
| Net cash generated from operating activities | 908,851 | 706,414 |
| Cash flows from financing activities | | |
| Funds transferred from/(to) Head Office | 5,500 | (70,150) |
| Proceeds from issuance of ordinary shares | 500,000 | 573,996 |
| Net cash generated from financing activities | 505,500 | 503,846 |
| Net increase in cash and cash equivalents | 1,414,351 | 1,210,260 |
| Cash and cash equivalents at beginning of year | 4,403,717 | 3,193,457 |
| Cash and cash equivalents at end of year | 5,818,068 | 4,403,717 |
| Cash and cash equivalents comprise: | | |
| Cash and short-term funds | 5,818,068 | 4,403,717 |

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

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)

(a) Cash and short-term funds

| | Group | |
|--|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Cash, balances and deposits with banks and other financial institutions | 5,705,919 | 4,403,717 |
| Money at call and interbank placements with remaining maturity not exceeding one month | 112,149 | – |
| | 5,818,068 | 4,403,717 |

(b) Deposits and placements with banks and other financial institutions

| | Group | |
|----------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Licensed banks | – | 49,238 |
| Bank Negara Malaysia | 707 | 421 |
| | 707 | 49,659 |

(c) Securities portfolio

| | | Group | |
|-------------------------------|-------|------------------|----------------|
| | | 2010 RM'000 | 2009 RM'000 |
| Securities held-for-trading | (i) | 68,796 | 29,946 |
| Securities available-for-sale | (ii) | 4,451,657 | 4,097,689 |
| Securities held-to-maturity | (iii) | 180,466 | 196,914 |
| | | 4,700,919 | 4,324,549 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(c) Securities portfolio (cont'd.)

(i) Securities held-for-trading

| | Group | |
|--|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| At fair value | | |
| Money market instruments:- | | |
| Malaysian Government Investment Issues | 25,365 | 29,946 |
| Sukuk Ijarah bonds | 19,972 | – |
| Bank Negara Malaysia Monetary Notes | 23,459 | – |
| Total securities held-for-trading | 68,796 | 29,946 |

(ii) Securities available-for-sale

| | Group | |
|---|------------------|------------------|
| | 2010 RM'000 | 2009 RM'000 |
| At fair value | | |
| Money market instruments:- | | |
| Cagamas bonds | 231,996 | – |
| Malaysian Government Investment Issues | 2,446,888 | 2,722,551 |
| Negotiable instruments of deposits | 429,386 | 243,401 |
| Bankers' acceptances and Islamic accepted bills | 78,499 | 46,119 |
| Khazanah bonds | 186,560 | 358,014 |
| | 3,373,329 | 3,370,085 |
| Unquoted securities:- | | |
| Private and Islamic debt securities in Malaysia | 849,217 | 663,996 |
| Foreign Islamic debt securities | 54,390 | 63,608 |
| Malaysia Global Sukuk | 174,721 | – |
| | 1,078,328 | 727,604 |
| Total securities available-for-sale | 4,451,657 | 4,097,689 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)

(c) Securities portfolio (cont'd.)

(iii) Securities held-to-maturity

| | Group | |
|---|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| At amortised | | |
| Money market instruments:- | | |
| Malaysian Government Investment Issues | 150,466 | 196,914 |
| Unquoted securities:- | | |
| Private and Islamic debt securities in Malaysia | 30,000 | – |
| Total securities held-to-maturity | 180,466 | 196,914 |

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

| | Group | |
|---------------------------|------------------|------------------|
| | 2010 RM'000 | 2009 RM'000 |
| Maturing within one year | 668,611 | 1,125,497 |
| One year to three years | 740,697 | 579,932 |
| Three years to five years | 559,389 | 671,184 |
| After five years | 1,555,098 | 1,220,332 |
| | 3,523,795 | 3,596,945 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)

(d) Financing and advances

| | Group | |
|--|---------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Overdraft | 2,092,616 | 2,032,608 |
| Term financing | | |
| – House financing | 5,465,917 | 4,967,816 |
| – Syndicated financing | 177,389 | 129,795 |
| – Hire purchase receivables | 15,028,210 | 12,658,514 |
| – Other term financing | 23,512,351 | 13,491,187 |
| Bills receivables | 5,004 | 47,931 |
| Trust receipts | 126,423 | 137,853 |
| Claims on customers under acceptance credit | 2,881,944 | 3,374,953 |
| Staff financing | 455,891 | 308,966 |
| Credit/charge cards | 193,113 | 46,343 |
| Revolving credit | 1,540,800 | 263,100 |
| | 51,479,658 | 37,459,066 |
| Unearned income | (16,796,539) | (11,028,542) |
| | 34,683,119 | 26,430,524 |
| Gross financing and advances | | |
| Allowance for bad and doubtful debts and financing | | |
| – Specific | (633,025) | (561,520) |
| – General | (533,708) | (436,446) |
| | 33,516,386 | 25,432,558 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**(d) Financing and advances (cont'd.)**

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

| | Group | |
|---------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Bai' Bithaman Ajil | 13,712,133 | 9,503,018 |
| Ijarah | 12,399,343 | 10,581,933 |
| Murabahah | 6,938,773 | 5,914,894 |
| Al-Ijarah Muntahiyah Bi Tamleek | 177,389 | – |
| Musharakah Mutanaqisah | 1,255,688 | 320,692 |
| Other concepts | 199,793 | 109,987 |
| Gross financing and advances | 34,683,119 | 26,430,524 |

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

| | Group | |
|-----------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Domestic non-banking institutions | 2,921,405 | 1,792,588 |
| Domestic business enterprises | | |
| – Small and medium enterprises | 2,418,673 | 3,553,629 |
| – Others | 6,705,571 | 3,919,824 |
| Government and statutory bodies | 21,439 | 69,465 |
| Individuals | 22,386,011 | 16,850,272 |
| Other domestic entities | 7,986 | 12,263 |
| Foreign entities | 222,034 | 232,483 |
| Gross financing and advances | 34,683,119 | 26,430,524 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)

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

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

| | Group | |
|------------------------------|-------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Fixed rate | | |
| – Housing financing | 3,094,989 | 3,458,004 |
| – Hire purchase receivables | 12,399,743 | 10,581,881 |
| – Other financing | 4,858,881 | 3,519,166 |
| Variable rate | | |
| – Housing financing | 1,719,045 | 916,436 |
| – Other financing | 12,610,461 | 7,955,037 |
| Gross financing and advances | 34,683,119 | 26,430,524 |

(iv) Loans and financing analysed by their economic purposes are as follows:

| | Group | |
|---|--------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Purchase of securities | 4,020,840 | 1,324,293 |
| Purchase of transport vehicles | 13,585,853 | 10,921,969 |
| Less: Islamic hire purchase receivables sold to Cagamas | (1,137,321) | (268,304) |
| Purchase of landed properties | | |
| – Residential | 5,566,632 | 5,364,137 |
| – Non-residential | 750,607 | 659,299 |
| Less: Islamic financing sold to Cagamas | – | (315,069) |
| Personal use | 702,426 | 434,302 |
| Consumer durables | 1,113 | 856 |
| Construction | 769,318 | 872,845 |
| Working capital | 10,117,332 | 7,230,993 |
| Credit cards | 193,113 | 46,343 |
| Other purpose | 113,206 | 158,860 |
| Gross financing and advances | 34,683,119 | 26,430,524 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)

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

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

| | Group | |
|------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Maturing within one year | 5,911,689 | 6,252,045 |
| One year to three years | 1,657,436 | 1,335,348 |
| Three years to five years | 5,250,190 | 3,352,385 |
| After five years | 21,863,804 | 15,490,746 |
| Gross financing and advances | 34,683,119 | 26,430,524 |

(vi) Movements in the non-performing financing are as follows:

| | Group | |
|---|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Gross balance at beginning of year | 1,045,712 | 1,106,390 |
| Classified during the year | 639,433 | 425,269 |
| Recovered/regularised during the year | (547,871) | (383,655) |
| Expenses debited to customers' accounts | 14,498 | 5,509 |
| Amount written off | (220,279) | (107,801) |
| Gross balance at end of year | 931,493 | 1,045,712 |
| Less: | | |
| – Specific allowance | (633,025) | (561,520) |
| on non-performing financing | (628,424) | (558,277) |
| on performing financing | (4,601) | (3,243) |
| Net balance | 298,468 | 484,192 |
| Gross financing and advances | 34,683,119 | 26,430,524 |
| Less: | | |
| – Specific allowance | (633,025) | (561,520) |
| Net financing and advances | 34,050,094 | 25,869,004 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)

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

(vi) Movements in the non-performing financing are as follows: (cont'd.)

| | Group | |
|--|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Ratio of net non-performing financing and advances | | |
| – Including specific allowance on performing financing | 0.88% | 1.87% |
| – Excluding specific allowance on performing financing | 0.89% | 1.88% |

(vii) Non-performing financing and advances analysed by their economic purposes are as follows:

| | Group | |
|--------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Purchase of securities | 6,739 | 7,038 |
| Purchase of transport vehicles | 40,757 | 31,793 |
| Purchase of landed properties: | | |
| – Residential | 342,569 | 474,157 |
| – Non-residential | 27,656 | 37,578 |
| Personal use | 26,574 | 37,807 |
| Consumer durables | 3 | 4 |
| Construction | 86,167 | 97,321 |
| Working capital | 398,194 | 359,480 |
| Credit cards | 2,834 | 534 |
| | 931,493 | 1,045,712 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)

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

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

| | Group | |
|--|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Specific allowance | | |
| Balance at beginning of year | 561,520 | 549,632 |
| Allowance made during the year | 351,462 | 193,410 |
| Amount written back in respect of recoveries | (59,678) | (73,721) |
| Amount written off | (220,279) | (107,801) |
| Balance at end of year | 633,025 | 561,520 |
| General allowance | | |
| Balance at beginning of year | 436,446 | 333,981 |
| Allowance made during the year | 230,930 | 117,165 |
| Amount written back | (133,668) | (14,700) |
| Balance at end of year | 533,708 | 436,446 |
| As a percentage of total financing and advances (less specific allowance) | 1.57% | 1.69% |
| As a percentage of total risk-weighted assets for credit risk, excluding deferred tax assets | 1.55% | 1.72% |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)**(e) Deferred tax assets**

| | Group | |
|---|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| At 1 July 2009/2008 | (58,397) | (27,482) |
| Recognised in the income statement (Note 52(r)) | (32,357) | (36,568) |
| Recognised in equity | 11,042 | 5,653 |
| At 30 June | (79,712) | (58,397) |

Deferred tax assets of the Group:

| | Allowances for losses on financing and advances RM'000 | Unrealised holding reserve, impairment loss on securities and amortisation of premium RM'000 | Other temporary difference RM'000 | Total RM'000 |
|------------------------------------|--|--|--|-----------------|
| At 1 July 2009 | (51,283) | (4,968) | (2,146) | (58,397) |
| Recognised in the income statement | (33,497) | - | 1,140 | (32,357) |
| Recognised in equity | - | 11,042 | - | 11,042 |
| At 30 June 2010 | (84,780) | 6,074 | (1,006) | (79,712) |
| At 1 July 2008 | (15,290) | (10,621) | (1,571) | (27,482) |
| Recognised in the income statement | (35,993) | - | (575) | (36,568) |
| Recognised in equity | - | 5,653 | - | 5,653 |
| At 30 June 2009 | (51,283) | (4,968) | (2,146) | (58,397) |

(f) 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.

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**(g) Deposits from customers**

| | Group | |
|------------------------------------|-------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Mudharabah Fund | | |
| Demand deposits | 2,870,838 | 2,530,270 |
| Savings deposits | 258,018 | 163,642 |
| General Investment deposits | 13,895,924 | 10,536,150 |
| Negotiable instruments of deposits | 656,815 | 1,881,710 |
| | 17,681,595 | 15,111,772 |
| Non-Mudharabah Fund | | |
| Demand deposits | 4,447,704 | 3,831,515 |
| Savings deposits | 5,029,645 | 4,414,806 |
| Fixed return investment deposits | 7,084,380 | 872,700 |
| Structured deposits | 450,289 | 547,925 |
| | 17,012,018 | 9,666,946 |
| | 34,693,613 | 24,778,718 |

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

| | Group | |
|---------------------------|-------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Due within six months | 19,218,013 | 9,940,005 |
| Six months to one year | 1,540,761 | 2,004,990 |
| One year to three years | 649,292 | 1,136,674 |
| Three years to five years | 116,076 | 102,411 |
| After five years | 112,977 | 106,480 |
| | 21,637,119 | 13,290,560 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**(g) Deposits from customers (cont'd.)**

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

| | Group | |
|---------------------------------|-------------------|-------------------|
| | 2010 RM'000 | 2009 RM'000 |
| Business enterprises | 12,825,607 | 7,597,068 |
| Individuals | 9,544,610 | 7,510,435 |
| Government and statutory bodies | 6,649,935 | 4,303,043 |
| Others | 5,673,461 | 5,368,172 |
| | 34,693,613 | 24,778,718 |

(h) Deposits and placements of banks and other financial institutions

| | Group | |
|------------------------------|------------------|------------------|
| | 2010 RM'000 | 2009 RM'000 |
| Mudharabah Fund | | |
| Licensed banks | 4,507,758 | 5,747,663 |
| Other financial institutions | 232,289 | 207,118 |
| | 4,740,047 | 5,954,781 |
| Non-Mudharabah Fund | | |
| Licensed banks | 122,358 | 7,417 |
| Other financial institutions | 188,941 | 190,968 |
| | 311,299 | 198,385 |
| | 5,051,346 | 6,153,166 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)

(i) Derivative assets and liabilities

| Group | 2010 | | | 2009 | | |
|--------------------------------|---------------------------|------------------|-----------------------|---------------------------|------------------|-----------------------|
| | Notional amount RM'000 | Fair value | | Notional amount RM'000 | Fair value | |
| | | assets RM'000 | liabilities RM'000 | | assets RM'000 | liabilities RM'000 |
| Foreign Exchange Contracts: | | | | | | |
| Currency forward | 685,223 | 3,119 | (2,743) | – | – | – |
| Profit rate related Contracts: | | | | | | |
| Options | 465,050 | 13,749 | (15,391) | 633,450 | 22,142 | (22,142) |
| Profit rate swaps | 898,800 | 645 | (2,641) | 350,350 | 1,499 | (4,996) |
| | 2,049,073 | 17,513 | (20,775) | 983,800 | 23,641 | (27,138) |

(j) Other liabilities

| | Group | |
|---|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Profit payable | 114,119 | 60,921 |
| Profit equalisation reserves (Note 52(k)) | 4,228 | 46,477 |
| Due to Head Office | 1,044,510 | 852,190 |
| Other creditors, provisions and accruals | 73,018 | 61,273 |
| | 1,235,875 | 1,020,861 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**(k) Profit equalisation reserves (“PER”)**

| | Group | |
|---------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| At 1 July 2009/2008 | 46,477 | 65,623 |
| Provision made | 31,544 | 38,226 |
| Amount written back | (73,541) | (57,627) |
| Exchange difference | (252) | 255 |
| At 30 June | 4,228 | 46,477 |

(l) Provision for taxation and zakat

| | Group | |
|----------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Taxation | 24,182 | 23,313 |
| Zakat | 7,425 | 5,284 |
| | 31,607 | 28,597 |

(m) Income derived from investment of depositors' funds

| | Group | |
|---------------------------------|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Income from investment of: | | |
| (i) General investment deposits | 1,099,999 | 720,034 |
| (ii) Other deposits | 722,873 | 829,744 |
| | 1,822,872 | 1,549,778 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**(m) Income derived from investment of depositors' funds (cont'd.)**

(i) Income derived from investment of general investment deposits

| | Group | |
|--|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Finance income and hibah | | |
| Financing and advances | 913,560 | 556,650 |
| Securities available-for-sale | 82,083 | 49,233 |
| Securities held-to-maturity | 3,600 | 2,326 |
| Securities held-for-trading | 1,436 | 1 |
| Money at call and deposits with financial institutions | 41,761 | 67,100 |
| | 1,042,440 | 675,310 |
| Amortisation of premium less accretion of discount | 2,184 | 4,353 |
| | 1,044,624 | 679,663 |
| Total finance income and hibah | 1,044,624 | 679,663 |
| Other operating income: | | |
| (a) Fees income | 55,547 | 39,752 |
| (b) Gain on sale on securities held-for-trading | 802 | – |
| (c) Gain on sale on securities available-for-sale | 2,195 | 1,095 |
| (d) Unrealised loss on revaluation of derivatives | (155) | (1,458) |
| (e) Unrealised gain on foreign exchange translation | 534 | 3,290 |
| (f) Unrealised loss on securities held-for-trading | (634) | (5) |
| (g) Impairment losses on securities | (2,914) | (2,303) |
| | 1,099,999 | 720,034 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**(m) Income derived from investment of depositors' funds (cont'd.)**

(ii) Income derived from investment of other deposits:

| | Group | |
|--|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Finance income and hibah | | |
| Financing and advances | 600,511 | 665,540 |
| Securities available-for-sale | 52,641 | 50,664 |
| Securities held-to-maturity | 2,106 | 898 |
| Securities held-for-trading | 946 | 2 |
| Money at call and deposits with financial institutions | 27,266 | 60,263 |
| | 683,470 | 777,367 |
| Amortisation of premium less accretion of discount | 1,510 | 5,077 |
| | 684,980 | 782,444 |
| Total finance income and hibah | 684,980 | 782,444 |
| Other operating income: | | |
| (a) Fees income | 36,550 | 47,936 |
| (b) Gain on sale on securities held-for-trading | 528 | – |
| (c) Gain/(Loss) on sale of securities available-for-sale | 1,021 | (165) |
| (d) Unrealised loss on revaluation of derivatives | (102) | (1,760) |
| (e) Unrealised gain on foreign exchange translation | 313 | 3,970 |
| (f) Unrealised loss on securities held-for-trading | (417) | (7) |
| (g) Impairment losses on securities | – | (2,674) |
| | 722,873 | 829,744 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**(n) Allowances for losses on financing and advances**

| | Group | |
|---|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Allowance for bad and doubtful financing: | | |
| Specific allowance | | |
| – Made | 351,462 | 193,410 |
| – Written back | (59,678) | (73,721) |
| General allowance made | 97,262 | 102,465 |
| Bad and doubtful financing: | | |
| – Written off | 414 | 133 |
| – Recovered | (39,097) | (23,635) |
| | 350,363 | 198,652 |

(o) Income attributable to depositors

| | Group | |
|---|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Deposits from customers | | |
| – Mudharabah Fund | 312,541 | 249,112 |
| – Non-Mudharabah Fund | 145,726 | 94,717 |
| Deposits and placements of banks and other financial institutions | | |
| – Mudharabah Fund | 209,999 | 306,061 |
| – Non-Mudharabah Fund | 3,690 | 5,429 |
| | 671,956 | 655,319 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)

(p) Gross investment income

| | Group | |
|--|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Financing and advances | 113,940 | 105,204 |
| Securities held-for-trading | 179 | – |
| Securities available-for-sale | 9,988 | 8,009 |
| Securities held-to-maturity | 400 | 142 |
| Money at call and deposits with financial institutions | 5,173 | 9,526 |
| | 129,680 | 122,881 |
| Amortisation of premium less accretion of discount | 287 | 802 |
| | 129,967 | 123,683 |
| Total finance income and hibah | | |
| Other operating income: | | |
| (a) Fees income | | |
| – Commissions | 3,642 | 3,793 |
| – Service charges and fees | 3,125 | 2,910 |
| – Other fee income | 168 | 738 |
| (b) Gain on sale of securities held-for-trading | 100 | – |
| (c) Gain/(Loss) on sale of securities available-for-sale | 194 | (26) |
| (d) Unrealised loss on revaluation of derivatives | (19) | (279) |
| (e) Unrealised gain on foreign exchange translation | 59 | 629 |
| (f) Unrealised loss on securities held-for-trading | (79) | (1) |
| (g) Impairment losses on securities | – | (422) |
| | 137,157 | 131,025 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**(q) Overhead expenses**

| | Group | |
|---|----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Personnel expenses | | |
| – Salaries and wages | 6,560 | 5,711 |
| – Social security cost | 28 | 23 |
| – Pension cost - defined contribution plan | 1,069 | 952 |
| – Other staff related expenses | 1,490 | 1,257 |
| Sub-total | 9,147 | 7,943 |
| Establishment costs | | |
| – Depreciation | 571 | – |
| – Information technology expenses | 1,263 | 2,360 |
| – Others | 11 | 2 |
| Sub-total | 1,845 | 2,362 |
| Marketing costs | | |
| – Advertisement and publicity | 13,739 | 5,626 |
| – Others | 14 | 6 |
| Sub-total | 13,753 | 5,632 |
| Administration and general expenses | | |
| – Fees and brokerage | 12,871 | 1,754 |
| – Administrative expenses | 5,792 | 5 |
| – General expenses | 8,322 | 3,684 |
| Sub-total | 26,985 | 5,443 |
| Shared service cost paid/payable to Head Office | 377,091 | 309,838 |
| Total | 428,821 | 331,218 |
| Included in overhead expenses are: | | |
| Shariah Committee Members' fee and remuneration | 260 | 169 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)**(r) Taxation**

| | Group | |
|--|-----------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Tax expense for the year | 153,362 | 151,527 |
| Deferred tax in relation to originating and reversal of temporary differences (Note 52(e)) | (32,357) | (37,712) |
| Effect of changes in tax rate on opening balances of deferred tax | – | 1,144 |
| | 121,005 | 114,959 |

(s) Commitments and contingencies

In the normal course of business, the Group 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 and its subsidiaries as at 30 June, are as follows:

| Group | 2010 | | | 2009 | | |
|--|------------------------------|---|---------------------------------------|------------------------------|---|---------------------------------------|
| | 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 | 231,467 | 231,467 | 197,308 | 190,877 | 190,877 | 150,107 |
| Certain transaction-related contingent items | 578,250 | 289,125 | 261,531 | 575,052 | 287,526 | 252,382 |
| Short-term self-liquidating trade-related contingencies | 141,549 | 28,310 | 25,121 | 138,077 | 27,615 | 22,778 |
| Islamic housing and hire purchase loans sold to Cagamas Berhad | 1,137,321 | 1,137,321 | 1,137,321 | 583,373 | 583,373 | 425,839 |
| Irrevocable commitments to extend credit: | | | | | | |
| – maturity within one year | 8,490,457 | – | – | 12,392,187 | – | – |
| – maturity exceeding one year | 993,810 | 496,905 | 465,488 | 362,205 | 181,103 | 164,291 |
| Foreign exchange related contract: | | | | | | |
| – less than one year | 685,223 | 22,572 | 4,711 | – | – | – |
| Profit rate related contracts: | | | | | | |
| – one year to less than five years | 1,363,850 | 33,532 | 6,706 | 983,800 | 22,349 | 4,470 |
| Miscellaneous | 5,989 | – | – | 8,517 | – | – |
| | 13,627,916 | 2,239,232 | 2,098,186 | 15,234,088 | 1,292,843 | 1,019,867 |

* 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.

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)

(t) Capital adequacy

The capital adequacy ratios of the Group as at 30 June, is as follows:

| | Group | |
|-----------------------------|---------------|--------|
| | 2010 | 2009 |
| Capital ratio | | |
| Core capital ratio | 9.53% | 10.34% |
| Risk-weighted capital ratio | 11.05% | 12.03% |

| | Group | |
|--|------------------|----------------|
| | 2010 RM'000 | 2009 RM'000 |
| Tier 1 capital | | |
| Islamic banking fund | 207,410 | 197,476 |
| Share premium | 2,488,400 | 1,988,500 |
| Other reserves | 736,494 | 536,608 |
| Less: Deferred tax assets | (79,712) | (58,397) |
| Total Tier 1 capital | 3,352,592 | 2,664,187 |
| Tier 2 capital | | |
| General allowance for bad and doubtful financing | 533,708 | 436,446 |
| Total Tier 2 capital | 533,708 | 436,446 |
| Less: Other deduction | (9) | – |
| Capital base | 3,886,291 | 3,100,633 |

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT'D.)**(t) Capital adequacy (cont'd.)**

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

| Group | 2010 | | 2009 | |
|---|---------------------|-----------------------------|---------------------|-----------------------------|
| | Principal RM'000 | Risk- Weighted RM'000 | Principal RM'000 | Risk- Weighted RM'000 |
| 0% | 8,254,215 | – | 7,577,392 | – |
| 10% | 280,000 | 28,000 | 325,000 | 32,500 |
| 20% | 1,876,056 | 375,211 | 777,005 | 155,401 |
| 50% | 5,281,495 | 2,640,748 | 4,927,914 | 2,463,957 |
| 100% | 31,642,561 | 31,642,561 | 22,771,346 | 22,771,346 |
| Total risk-weighted assets for credit risk | | 34,686,520 | | 25,423,204 |
| Total risk-weighted assets for market risk | | 483,259 | | 332,511 |
| Total risk-weighted assets for credit and market risk | | 35,169,779 | | 25,755,715 |

(u) Fair values of financial assets and liabilities

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

| Group | 2010 | | 2009 | |
|---|-----------------------------|----------------------|-----------------------------|----------------------|
| | Carrying value RM'000 | Fair value RM'000 | Carrying value RM'000 | Fair value RM'000 |
| Financial assets | | | | |
| Securities held-to-maturity | 180,466 | 181,861 | 196,914 | 195,839 |
| Financing and advances* | 34,050,094 | 34,381,095 | 25,869,004 | 26,512,214 |
| Financial liabilities | | | | |
| Deposits from customers | 34,693,613 | 34,724,770 | 24,778,718 | 24,823,097 |
| Deposits and placements of banks and other financial institutions | 5,051,346 | 5,243,769 | 6,153,166 | 6,344,817 |

* The general allowance for the Group amounting to RM533,708,000 (2009: RM436,446,000) has been added back to arrive at the carrying value of the financing and advances.

The methods and assumptions used to estimate the fair values of the financial assets and financial liabilities of IBS operations are as stated in Note 47.

52. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)**(v) Shariah committee**

The operation of IBS is governed by Section 124(3) of the Banking and Financial Institutions Act, 1989 (“the Act”), which stipulates that “any licence institution carrying on Islamic financial business, in addition to its existing licensed business may, from time to time seek the advise of the Shariah Advisory Council (SAC) established under subsection (7) of the Act, on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam” and Part B 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 Group’s Shariah Committee are to advise on the overall Islamic Banking operations of the Group’s business in order to ensure compliance with the Shariah requirements.

The roles of Shariah Committee in monitoring the Group’s activities include:

- (a) To advise the Board on Shariah matters in its business operations.
- (b) To endorse Shariah Compliance Manuals.
- (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 SCC on reference for advice.

The Shariah Committee at the Group level has four members. All of them are also members of Shariah Committee of Etiqa Takaful Berhad.

(w) Allocation of income

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

53. LIFE, GENERAL TAKAFUL AND FAMILY TAKAFUL FUNDS' BALANCE SHEET AS AT 30 JUNE 2010

| Group | 2010 | | | | 2009 | | | |
|--|---------------------|-------------------------------|--------------------------------|-------------------|---------------------|-------------------------------|--------------------------------|-------------------|
| | Life Fund RM'000 | Family Takaful Fund RM'000 | General Takaful Fund RM'000 | Total RM'000 | Life Fund RM'000 | Family Takaful Fund RM'000 | General Takaful Fund RM'000 | Total RM'000 |
| Assets | | | | | | | | |
| Property, plant and equipment | 73,530 | 16 | 13 | 73,559 | 69,701 | 1,434 | 7,735 | 78,870 |
| Investment properties | 453,460 | – | – | 453,460 | 454,704 | – | – | 454,704 |
| Intangible assets | 38 | 2,276 | 102 | 2,416 | 8 | 1,472 | 91 | 1,571 |
| Investments | 8,654,084 | 5,268,543 | 792,545 | 14,715,172 | 7,190,728 | 4,583,794 | 630,975 | 12,405,497 |
| Loans | 279,819 | 57,374 | 1,699 | 338,892 | 412,529 | 54,271 | 1,777 | 468,577 |
| Receivables | 170,630 | 197,357 | 88,333 | 456,320 | 364,181 | 132,978 | 74,757 | 571,916 |
| Cash and bank balances | 34,686 | 37,497 | 39,492 | 111,675 | 38,596 | 40,486 | 32,796 | 111,878 |
| Investment-linked business assets | 1,477,196 | 331,369 | – | 1,808,565 | 2,688,888 | – | – | 2,688,888 |
| | 11,143,443 | 5,894,432 | 922,184 | 17,960,059 | 11,219,335 | 4,814,435 | 748,131 | 16,781,901 |
| Liabilities | | | | | | | | |
| Provision for outstanding claims | 47,037 | 87,272 | 254,947 | 389,256 | 221,736 | 41,404 | 212,661 | 475,801 |
| Other liabilities | 800,279 | 3,228,785 | 603,591 | 4,632,655 | 604,720 | 2,945,172 | 504,302 | 4,054,194 |
| | 847,316 | 3,316,057 | 858,538 | 5,021,911 | 826,456 | 2,986,576 | 716,963 | 4,529,995 |
| Life, general takaful and family takaful policy holders' funds | 10,296,127 | 2,578,375 | 63,646 | 12,938,148 | 10,392,879 | 1,827,859 | 31,168 | 12,251,906 |
| | 11,143,443 | 5,894,432 | 922,184 | 17,960,059 | 11,219,335 | 4,814,435 | 748,131 | 16,781,901 |

(i) The operating revenue generated from the life insurance, general takaful and family takaful businesses of the Group for the financial year amounted to approximately RM5,407,765,000 (2009: RM3,634,505,000).

54. COMPARATIVES

Certain comparative amounts have been reclassified to conform with current year's presentation for balance sheet as at 30 June 2009.

| | Increase/ (decrease) Group RM'000 |
|--------------------|--|
| Liabilities | |
| Other liabilities | (989,750) |
| Borrowings | 989,750 |

55. DETAILS OF SUBSIDIARIES

(a) Details of the subsidiaries are as follows:

| Name of Company | Principal Activities | Country of Incorporation | Issued and Paid-up Share Capital | | Effective Interest | |
|--|----------------------|--------------------------|--------------------------------------|--------------------------------|--------------------|-----------|
| | | | 2010 RM | 2009 RM | 2010 % | 2009 % |
| Banking | | | | | | |
| Maybank Islamic Berhad | Islamic banking | Malaysia | 110,600,000 | 110,500,000 | 100.0 | 100.0 |
| PT Bank Maybank Indocorp ⁸ | Banking | Indonesia | 945,069,000,000¹ | 945,069,000,000 ¹ | 96.8 | 96.8 |
| Maybank International (L) Ltd. | Offshore banking | Malaysia | 10,000,000² | 10,000,000 ² | 100.0 | 100.0 |
| Maybank (PNG) Limited ⁹ | Banking | Papua New Guinea | 5,000,000³ | 5,000,000 ³ | 100.0 | 100.0 |
| Maybank Philippines, Incorporated ⁸ | Banking | Philippines | 4,046,065,749⁴ | 4,046,065,749 ⁴ | 99.97 | 99.97 |
| PT Bank Internasional Indonesia Tbk ⁸ | Banking | Indonesia | 3,407,411,000,000¹ | 3,266,706,000,000 ¹ | 97.5 | 97.5 |

55. DETAILS OF SUBSIDIARIES (CONT'D.)

(a) Details of the subsidiaries are as follows: (cont'd.)

| Name of Company | Principal Activities | Country of Incorporation | Issued and Paid-up Share Capital | | Effective Interest | |
|---|--------------------------------------|--------------------------|----------------------------------|------------------------------|--------------------|-----------|
| | | | 2010 RM | 2009 RM | 2010 % | 2009 % |
| Finance | | | | | | |
| Myfin Berhad | Ceased operations | Malaysia | 551,250,000 | 551,250,000 | 100.0 | 100.0 |
| Aseamlease Berhad | Leasing | Malaysia | 20,000,000 | 20,000,000 | 100.0 | 100.0 |
| Mayban Allied Credit & Leasing Sdn. Bhd. | Financing | Malaysia | 10,000,000 | 10,000,000 | 100.0 | 100.0 |
| Aseam Credit Sdn. Bhd. | Hire purchase | Malaysia | 20,000,000 | 20,000,000 | 100.0 | 100.0 |
| PT BII Finance Centre ⁸ | Multi-financing | Indonesia | 15,000,000,000 ¹ | 15,000,000,000 ¹ | 97.5 | 97.5 |
| PT Wahana Ottomitra Multiartha Tbk ⁸ | Multi-financing | Indonesia | 200,000,000,000 ¹ | 200,000,000,000 ¹ | 48.8 | 48.8 |
| Insurance | | | | | | |
| Mayban Fortis Holdings Berhad | Investment holding | Malaysia | 239,430,446 | 239,430,446 | 69.05 | 69.05 |
| Mayban Life Assurance Bhd. | Life insurance | Malaysia | 100,000,000 | 100,000,000 | 69.05 | 63.5 |
| Etiqa Life International (L) Ltd. | Offshore investment-linked insurance | Malaysia | 3,500,000 ² | 3,500,000 ² | 69.05 | 63.5 |
| Sri MGAB Berhad | Under member's voluntary liquidation | Malaysia | 2 | 168,957,720 | 69.05 | 69.05 |
| Etiqa Insurance Berhad | Composite insurance | Malaysia | 152,151,399 | 152,151,399 | 69.05 | 69.05 |

55. DETAILS OF SUBSIDIARIES (CONT'D.)

(a) Details of the subsidiaries are as follows: (cont'd.)

| Name of Company | Principal Activities | Country of Incorporation | Issued and Paid-up Share Capital | | Effective Interest | |
|--|------------------------------|--------------------------|----------------------------------|-------------------------|--------------------|-----------|
| | | | 2010 RM | 2009 RM | 2010 % | 2009 % |
| Insurance (cont'd.) | | | | | | |
| Etiqa Takaful Berhad | Family & general takaful | Malaysia | 100,000,000 | 100,000,000 | 69.05 | 69.05 |
| Etiqa Offshore Insurance (L) Ltd. | Offshore general reinsurance | Malaysia | 2,500,000 ⁷ | 2,500,000 ⁷ | 69.05 | 69.05 |
| Etiqa International Holdings Sdn. Bhd. (formerly known as Pelangi Amanmaz Sdn. Bhd.) | Investment holding | Malaysia | 359,340,914 | 2 | 100.0 | 100.0 |
| Investment Banking | | | | | | |
| Maybank Investment Bank Berhad | Investment banking | Malaysia | 50,116,000 | 50,116,000 | 100.0 | 100.0 |
| Maysec Sdn. Bhd. | Investment holding | Malaysia | 162,000,000 | 162,000,000 | 100.0 | 100.0 |
| Maysec (KL) Sdn. Bhd. | Dormant | Malaysia | 124,000,000 | 124,000,000 | 100.0 | 100.0 |
| Maydis Berhad | Dormant | Malaysia | 45,000,000 | 45,000,000 | 100.0 | 100.0 |
| Mayban Futures Sdn. Bhd. | Dormant | Malaysia | 10,000,000 | 10,000,000 | 100.0 | 100.0 |
| Mayban Securities (HK) Limited ⁸ | Dormant | Hong Kong | 30,000,000 ⁶ | 30,000,000 ⁶ | 100.0 | 100.0 |
| Mayban Securities (Jersey) Limited ⁹ | Investment holding | United Kingdom | 2 ⁷ | 2 ⁷ | 100.0 | 100.0 |
| PhileoAllied Securities (Philippines) Inc. ⁸ | Dormant | Philippines | 21,875,000 ⁴ | 21,875,000 ⁴ | 100.0 | 100.0 |

55. DETAILS OF SUBSIDIARIES (CONT'D.)

(a) Details of the subsidiaries are as follows: (cont'd.)

| Name of Company | Principal Activities | Country of Incorporation | Issued and Paid-up Share Capital | | Effective Interest | |
|---|---|--------------------------|----------------------------------|------------|--------------------|--------|
| | | | 2010 RM | 2009 RM | 2010 % | 2009 % |
| Investment Banking (cont'd.) | | | | | | |
| Budaya Tegas Sdn. Bhd. | Investment holding | Malaysia | 2 | 2 | 100.0 | 100.0 |
| BinaFikir Sdn. Bhd. | Business/Economic consultancy and advisory | Malaysia | 650,000 | 650,000 | 100.0 | 100.0 |
| Asset Management/ Trustees/Custody | | | | | | |
| Mayban Indonesia Berhad | Dormant | Malaysia | 5,000,000 | 5,000,000 | 100.0 | 100.0 |
| Cekap Mentari Berhad | Securities issuer | Malaysia | 2 | 2 | 100.0 | 100.0 |
| Mayban International Trust (Labuan) Berhad | Investment holding | Malaysia | 156,030 | 156,030 | 100.0 | 100.0 |
| Mayban Offshore Corporate Services (Labuan) Sdn. Bhd. | Investment holding | Malaysia | 30,006 | 25,005 | 100.0 | 100.0 |
| Mayban Trustees Berhad | Trustee services | Malaysia | 500,000 | 500,000 | 100.0 | 100.0 |
| Mayban Ventures Sdn. Bhd. | Venture capital | Malaysia | 14,000,000 | 14,000,000 | 100.0 | 100.0 |
| Mayban-JAIC Capital Management Sdn. Bhd. | Investment advisory and administration services | Malaysia | 2,000,000 | 2,000,000 | 51.0 | 51.0 |

55. DETAILS OF SUBSIDIARIES (CONT'D.)

(a) Details of the subsidiaries are as follows: (cont'd.)

| Name of Company | Principal Activities | Country of Incorporation | Issued and Paid-up Share Capital | | Effective Interest | |
|---|------------------------------|--------------------------|----------------------------------|--------------------------|--------------------|-----------|
| | | | 2010 RM | 2009 RM | 2010 % | 2009 % |
| Asset Management/ Trustees/Custody (cont'd.) | | | | | | |
| Mayban Investment Management Sdn. Bhd. | Fund management | Malaysia | 5,000,000 | 5,000,000 | 69.05 | 69.05 |
| Philmay Property, Inc. ⁸ | Property leasing and trading | Philippines | 100,000,000 ⁴ | 100,000,000 ⁴ | 60.0 | 60.0 |
| Mayban (Nominees) Sendirian Berhad | Nominee services | Malaysia | 31,000 | 31,000 | 100.0 | 100.0 |
| Mayban Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| Mayban Nominees (Asing) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| Mayban Nominees (Singapore) Private Limited ⁹ | Nominee services | Singapore | 60,000 ⁵ | 60,000 ⁵ | 100.0 | 100.0 |
| Mayban Nominees (Hong Kong) Limited ⁸ | Nominee services | Hong Kong | 3 ⁶ | 3 ⁶ | 100.0 | 100.0 |
| Aseam Malaysia Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| Aseam Malaysia Nominees (Asing) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |

55. DETAILS OF SUBSIDIARIES (CONT'D.)

(a) Details of the subsidiaries are as follows: (cont'd.)

| Name of Company | Principal Activities | Country of Incorporation | Issued and Paid-up Share Capital | | Effective Interest | |
|---|--------------------------------------|--------------------------|----------------------------------|-------------|--------------------|-----------|
| | | | 2010 RM | 2009 RM | 2010 % | 2009 % |
| Asset Management/ Trustees/Custody (cont'd.) | | | | | | |
| Mayfin Nominees (Tempatan) Sdn. Bhd. | Under member's voluntary liquidation | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| Mayban Securities Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| Mayban Securities Nominees (Asing) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| AFMB Nominees (Tempatan) Sdn. Bhd. | Under member's voluntary liquidation | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| Mayban Allied Berhad | Investment holding | Malaysia | 753,908,638 | 753,908,638 | 100.0 | 100.0 |
| Anfin Berhad | Under member's voluntary liquidation | Malaysia | 106,000,000 | 106,000,000 | 100.0 | 100.0 |
| Mayban Allied Property Holdings Sdn. Bhd. | Dormant | Malaysia | 2,000,000 | 2,000,000 | 100.0 | 100.0 |
| Maysec (Ipoh) Sdn. Bhd. | Dormant | Malaysia | 100,000,000 | 100,000,000 | 100.0 | 100.0 |

55. DETAILS OF SUBSIDIARIES (CONT'D.)

(a) Details of the subsidiaries are as follows: (cont'd.)

| Name of Company | Principal Activities | Country of Incorporation | Issued and Paid-up Share Capital | | Effective Interest | |
|---|--------------------------------------|--------------------------|----------------------------------|------------------------|--------------------|-----------|
| | | | 2010 RM | 2009 RM | 2010 % | 2009 % |
| Asset Management/ Trustees/Custody (cont'd.) | | | | | | |
| Mayban P.B. Holdings Sdn. Bhd. | Property investment | Malaysia | 1,000,000 | 1,000,000 | 100.0 | 100.0 |
| Mayban Property (PNG) Limited ⁹ | Property investment | Papua New Guinea | 2,125,000 ³ | 2,125,000 ³ | 100.0 | 100.0 |
| Mayban International Trust (Labuan) Ltd. | Trustee services | Malaysia | 40,000 ² | 40,000 ² | 100.0 | 100.0 |
| MNI Holdings Berhad | Under member's voluntary liquidation | Malaysia | 2 | 2 | 69.05 | 69.05 |
| KBB Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| KBB Properties Sdn. Bhd. | Ceased operations | Malaysia | 410,000 | 410,000 | 100.0 | 100.0 |
| Sri MTB Berhad | Under member's voluntary liquidation | Malaysia | 12,000,000 | 12,000,000 | 69.05 | 69.05 |
| Etiqa Overseas Investment Pte. Ltd. | Investment holding | Malaysia | 1 ² | 1 ² | 69.05 | 69.05 |
| Peram Ranum Berhad | Dormant | Malaysia | 60,000,000 | 60,000,000 | 69.05 | 69.05 |

55. DETAILS OF SUBSIDIARIES (CONT'D.)

(a) Details of the subsidiaries are as follows: (cont'd.)

| Name of Company | Principal Activities | Country of Incorporation | Issued and Paid-up Share Capital | | Effective Interest | |
|---|--------------------------------------|--------------------------|----------------------------------|------------------------|--------------------|-----------|
| | | | 2010 RM | 2009 RM | 2010 % | 2009 % |
| Asset Management/ Trustees/Custody (cont'd.) | | | | | | |
| Double Care Sdn. Bhd. | Under member's voluntary liquidation | Malaysia | 35,000,000 | 35,000,000 | 69.05 | 69.05 |
| Sorak Financial Holdings Pte. Ltd. ⁹ | Investment holding | Singapore | 5,928,556⁵ | 5,688,863 ⁵ | 100.0 | 100.0 |

Note:

- (1) Indonesia Rupiah (IDR)
- (2) United States Dollar (USD)
- (3) Papua New Guinea Kina (Kina)
- (4) Philippines Peso (Peso)
- (5) Singapore Dollar (SGD)
- (6) Hong Kong Dollar (HKD)
- (7) Great Britain Pound (GBP)
- (8) Audited by other member firms of Ernst & Young Global
- (9) Audited by firms of auditors other than Ernst & Young

56. CURRENCY

All amounts are in Ringgit Malaysia unless otherwise stated.

investor**information**

MAYBANK SHARE PRICE PERFORMANCE IN FY2010

As one of the largest companies by market capitalisation on the local bourse, Maybank's share price movement mirrored that of the market. Despite being volatile due to the global financial crisis, the share price demonstrated resilience and rose 28.1% in FY2010, outperforming the bellwether FBM KLCI's 22.2% gain. The KL Finance Index rose 38.7% as banks gained momentum and displayed better than expected performance throughout the financial year.

From RM5.90 at the end of June 2009, Maybank's share price paralleled the general market and dipped to its lowest of RM5.60 on 13 July 2009, when Asian stocks fell on speculation of a delay in the US economic recovery. The subsequent rebound lifted the shares to trade just below RM7 for the next seven months until Bank Negara's first 25bp hike in Overnight Policy Rate (OPR) in March caused a spike which broke the RM7 barrier. The share price continued to increase and peaked at RM7.72 on 13 May 2010 upon the announcement of strong 3Q FY10 financial results and Bank Negara's second OPR hike of 25bp.

Though there was a sharp drop to below RM7.00 at the end of May 2010, mainly due to an Asia-wide sell-off over renewed concern of Europe's recovery from its debt crisis, Maybank shares quickly recovered to close at RM7.56 by 30 June 2010.

STOCK MARKET PERFORMANCE IN FY2010

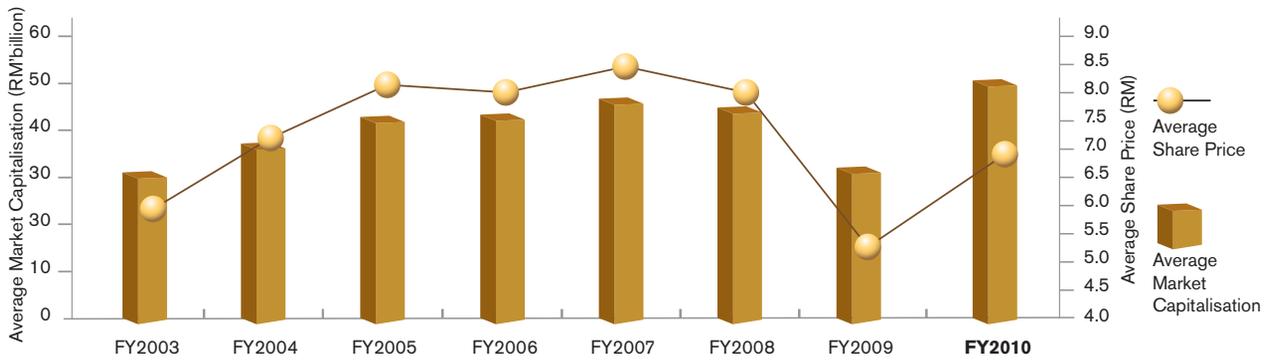
Following the global financial crisis which began in the US from the collapse of Lehman Brothers in late 2008, Eurozone's financial meltdown sparked renewed concerns which threatened to stall the nascent global economic recovery. In addition, China's tightening of its monetary policy further dampened investor sentiment.

The financial year also saw the government undertaking two key economic measures to attract investments and sustain long-term growth. The New Economic Model (NEM) unveiled in March 2010 aims to transform Malaysia into a high income country driven by the private sector while maintaining the strength of the public sector. The 10th Malaysia Plan, introduced in May 2010, targets annual GDP growth of 5.5% and is intended to spur private sector involvement in the country's future development. These measures, together with an improving domestic economy, helped to boost market sentiment.

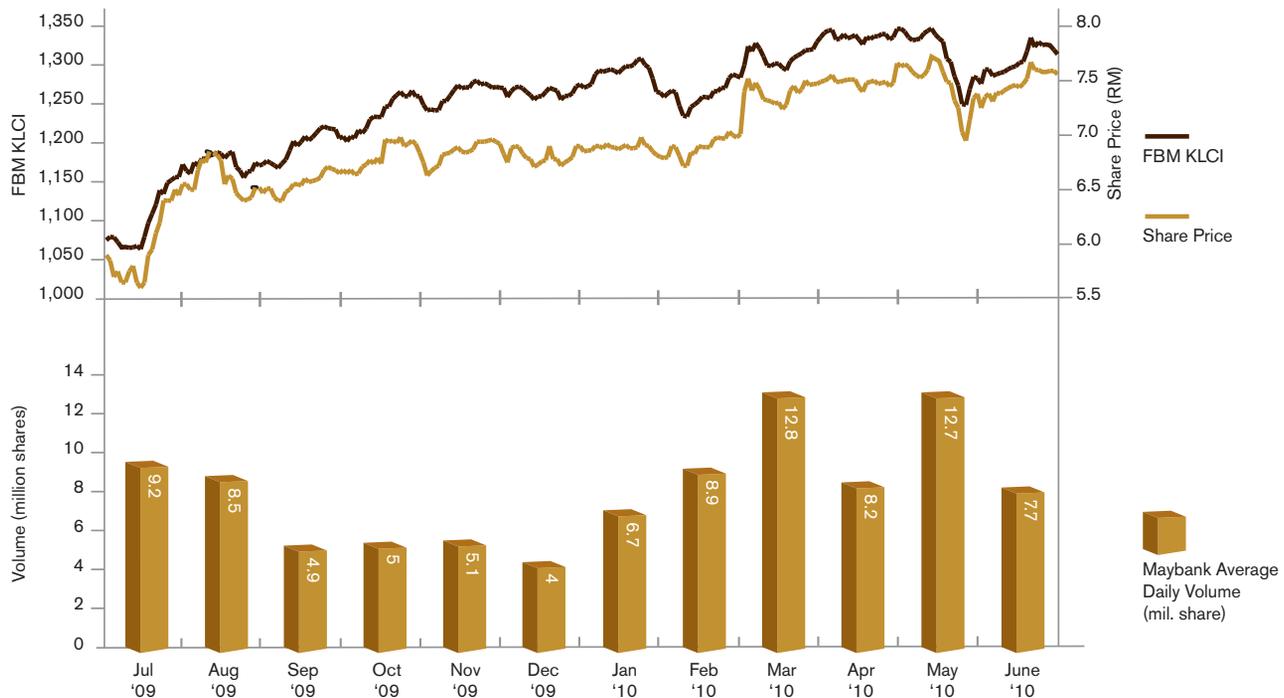
As sentiment improved, the local stock market remained resilient, recovering after short corrections due to concerns in the US and Europe. The FBM KLCI traded at a low of 1,063.7 on 13 July 2009 arising from fear of a prolonged global recession from weak US economic data, but trended higher in the next few months to break the 1,300 barrier in mid-January 2010. After a sharp decline in February due to concerns over budget deficits in Greece and several European countries, the benchmark index recovered to touch a high of 1,346.9 on 13 May 2010 when Asian stocks rose, led by computer related companies, which boosted confidence in the technology industry. Renewed concerns in Europe over a debt crisis saw the index plummet but it recovered within a month for the KLCI to end at 1,314.02, up 22.2% for the financial year.

SHARE PRICE MOVEMENT

Maybank: Historical share price and Market Capitalisation



Maybank share price & volume, and FBM KLCI



analysis of **shareholdings** As at 9 August 2010

Authorised Share Capital : 10,000,000,000
 Paid-Up Share Capital : 7,077,982,768
 Class of Shares : Ordinary Share of RM1 each
 Voting Rights : 1 vote per Ordinary Share

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Issued Capital |
|--|---------------------|-------------------|----------------------|---------------------|
| Less than 100 | 1,522 | 2.62 | 30,340 | 0.00 |
| 100 to 1,000 shares | 12,748 | 21.99 | 9,529,265 | 0.13 |
| 1,001 to 10,000 shares | 32,935 | 56.80 | 125,066,356 | 1.77 |
| 10,001 to 100,000 shares | 9,439 | 16.28 | 257,805,177 | 3.64 |
| 100,001 to less than 5% of issued shares | 1,336 | 2.30 | 2,323,525,044 | 32.83 |
| 5% and above of issued shares | 3 | 0.01 | 4,362,026,586 | 61.63 |
| TOTAL | 57,983 | 100.00 | 7,077,982,768 | 100.00 |

Substantial Shareholders as per the Register of Substantial Shareholders

| No. | Name of Shareholders | No. of Shares Held | % of Shares |
|-----|--|--------------------|-------------|
| 1. | AmanahRaya Trustees Berhad (Skim Amanah Saham Bumiputera) | 3,171,607,969 | 44.81 |
| 2. | Employees Provident Fund Board | 771,599,234 | 10.90 |
| 3. | Permodalan Nasional Berhad | 418,819,383 | 5.92 |

Top Thirty Shareholders as per the Record of Depositors

| No. | Name of Shareholders | No. of Shares Held | % of Shares |
|-----|--|--------------------|-------------|
| 1. | AmanahRaya Trustees Berhad (Skim Amanah Saham Bumiputera) | 3,171,607,969 | 44.81 |
| 2. | Employees Provident Fund Board | 771,599,234 | 10.90 |
| 3. | Permodalan Nasional Berhad | 418,819,383 | 5.92 |

Top Thirty Shareholders as per the Record of Depositors (Cont'd.)

| No. | Name of Shareholders | No. of Shares Held | % of Shares |
|-----|---|--------------------|-------------|
| 4. | Kumpulan Wang Persaraan (Diperbadankan) | 196,203,125 | 2.77 |
| 5. | Lembaga Kemajuan Tanah Persekutuan (FELDA) | 158,606,688 | 2.24 |
| 6. | AmanahRaya Trustees Berhad (Amanah Saham Malaysia) | 150,381,243 | 2.12 |
| 7. | Valuecap Sdn Bhd | 118,243,100 | 1.67 |
| 8. | AmanahRaya Trustees Berhad (Amanah Saham Wawasan 2020) | 86,850,240 | 1.23 |
| 9. | Malaysia Nominees (Tempatan) Sendirian Berhad (Great Eastern Life Assurance (Malaysia) Berhad (Par 1)) | 63,580,381 | 0.90 |
| 10. | Cartaban Nominees (Asing) Sdn Bhd (Exempt AN for State Street Bank & Trust Company (West Cit OD67)) | 58,438,693 | 0.83 |
| 11. | HSBC Nominees (Asing) Sdn Bhd (Exempt AN for The Bank of New York Mellon (Mellon Acct)) | 53,764,199 | 0.76 |
| 12. | Citigroup Nominees (Tempatan) Sdn Bhd (Exempt AN for Prudential Fund Management Berhad) | 49,276,000 | 0.70 |
| 13. | HSBC Nominees (Asing) Sdn Bhd (BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund) | 42,354,623 | 0.60 |
| 14. | AmanahRaya Trustees Berhad (AS 1Malaysia) | 36,150,000 | 0.51 |
| 15. | Citigroup Nominees (Tempatan) Sdn Bhd (Exempt AN for American International Assurance Berhad) | 29,745,779 | 0.42 |
| 16. | HSBC Nominees (Tempatan) Sdn Bhd (Nomura Asset Mgmt Malaysia for Employees Provident Fund) | 28,485,693 | 0.40 |
| 17. | HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.)) | 26,814,081 | 0.38 |
| 18. | Cartaban Nominees (Asing) Sdn Bhd (Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)) | 26,363,723 | 0.37 |
| 19. | AmanahRaya Trustee Berhad (Sekim Amanah Saham Nasional) | 26,111,500 | 0.37 |

Top Thirty Shareholders as per the Record of Depositors (Cont'd.)

| No. | Name of Shareholders | No. of Shares Held | % of Shares |
|--------------|--|----------------------|--------------|
| 20. | SBB Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board) | 23,611,850 | 0.33 |
| 21. | Pertubuhan Keselamatan Sosial | 22,548,319 | 0.32 |
| 22. | HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Nlend)) | 19,570,500 | 0.28 |
| 23. | HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Lend)) | 16,860,665 | 0.24 |
| 24. | HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)) | 16,850,326 | 0.24 |
| 25. | HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.K.)) | 16,587,175 | 0.23 |
| 26. | Alliancegroup Nominees (Tempatan) Sdn Bhd (PHEIM Asset Management Sdn Bhd for Employees Provident Fund) | 15,975,593 | 0.23 |
| 27. | Yong Siew Yoon | 14,218,747 | 0.20 |
| 28. | SBB Nominees (Tempatan) Sdn. Bhd. (Kumpulan Wang Persaraan (Diperbadankan)) | 13,712,975 | 0.19 |
| 29. | Cartaban Nominees (Asing) Sdn Bhd (BBH (Lux) Sca for Fidelity Funds South East Asia) | 13,121,900 | 0.18 |
| 30. | Tokio Marine Life Insurance Malaysia Bhd (As Beneficial Owner (PF)) | 11,600,000 | 0.16 |
| TOTAL | | 5,698,053,704 | 80.50 |

classification of **shareholders** As at 9 August 2010

| Category | No. of Shareholders | | No. of Shareholdings | | % of Total Shareholdings | |
|---|---------------------|--------------|----------------------|--------------------|--------------------------|--------------|
| | Malaysian | Foreign | Malaysian | Foreign | Malaysian | Foreign |
| INDIVIDUAL | | | | | | |
| a. Bumiputera | 3,708 | | 26,430,438 | | 0.38 | |
| b. Chinese | 39,134 | | 288,838,342 | | 4.08 | |
| c. Indian | 1,666 | | 10,092,685 | | 0.14 | |
| d. Others | 246 | 2,115 | 1,663,209 | 46,840,644 | 0.02 | 0.66 |
| BODY CORPORATE | | | | | | |
| a. Banks/Finance | 93 | 1 | 5,051,197,382 | 13,000 | 71.37 | 0.00 |
| b. Investment/Trust | 6 | | 668,389 | | 0.01 | |
| c. Societies | 20 | | 3,514,112 | | 0.05 | |
| d. Industrial | 700 | 52 | 96,096,498 | 18,494,931 | 1.36 | 0.26 |
| GOVERNMENT AGENCIES/ INSTITUTION | 14 | | 172,300,504 | | 2.43 | |
| NOMINEES | 6,860 | 3,368 | 470,176,609 | 891,656,025 | 6.64 | 12.60 |
| TOTAL | 52,447 | 5,536 | 6,120,978,168 | 957,004,600 | 86.48 | 13.52 |

changes in share capital

Authorised Share Capital

The present authorised share capital of the Bank is RM10,000,000,000 divided into 10,000,000,000 ordinary shares of RM1-00 each. Details of changes in its authorised share capital since its incorporation are as follows:-

| Date | Increase in Authorised Share Capital | Total Authorised Share Capital |
|------------|--------------------------------------|--------------------------------|
| 31-05-1960 | 20,000,000 | 20,000,000 |
| 06-09-1962 | 30,000,000 | 50,000,000 |
| 09-04-1977 | 150,000,000 | 200,000,000 |
| 17-01-1981 | 300,000,000 | 500,000,000 |
| 06-10-1990 | 500,000,000 | 1,000,000,000 |
| 09-10-1993 | 1,000,000,000 | 2,000,000,000 |
| 19-06-1998 | 2,000,000,000 | 4,000,000,000 |
| 11-08-2004 | 6,000,000,000 | 10,000,000,000 |

Issued and Paid-Up Share Capital

Details of changes in the Bank's issued and paid-up share capital since its incorporation are as follows:-

| Date of Allotment | No. of Ordinary Shares Allotted | Par Value RM | Consideration | Resultant Total Issued and Paid-Up Capital RM'000 |
|-------------------|---------------------------------|--------------|---|---|
| 31-05-1960 | 1,500,000 | 5.00 | Cash | 7,500,000 |
| 18-05-1961 | 500,000 | 5.00 | Cash | 10,000,000 |
| 31-05-1962 | 1,000,000 | 5.00 | Rights Issue (1:2) at RM7.00 per share | 15,000,000 |
| 21-08-1968 | 1,500,000 | 5.00 | Rights Issue (1:2) at RM7.00 per share | 22,500,000 |
| 04-01-1971 | 22,500,000 | 1.00* | Rights Issue (1:1) at RM1.50 per share | 45,000,000 |
| 06-05-1977 | 15,000,000 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:3) | 60,000,000 |
| 23-06-1977 | 30,000,000 | 1.00 | Rights Issue (1:2) at RM3.00 per share | 90,000,000 |
| 21-02-1981 | 30,000,000 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:3) | 120,000,000 |

Issued and Paid-Up Share Capital (Cont'd.)

| Date of Allotment | No. of Ordinary Shares Allotted | Par Value RM | Consideration | Resultant Total Issued and Paid-Up Capital RM'000 |
|--------------------------|---------------------------------|--------------|---|---|
| 10-04-1981 | 60,000,000 | 1.00 | Rights Issue (1:2) at RM4.00 per share | 180,000,000 |
| 14-11-1984 | 45,000,000 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:4) | 225,000,000 |
| 28-12-1984 | 45,000,000 | 1.00 | Rights Issue (1:4) at RM6.00 per share | 270,000,000 |
| 31-11-1985 | 68,249 | 1.00 | Conversion of Unsecured Notes | 270,068,249 |
| 15-11-1986 | 9,199,999 | 1.00 | Issued in exchange for purchase of Kota Discount Berhad (Now known as Mayban Discount Berhad) | 279,268,248 |
| 01-12-1986 | 10,550 | 1.00 | Conversion of Unsecured Notes | 279,278,798 |
| 29-07-1987 to 20-10-1987 | 90,000 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 279,368,798 |
| 30-11-1987 | 11,916 | 1.00 | Conversion of Unsecured Notes | 279,380,714 |
| 08-06-1988 | 27,938,071 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:10) | 307,318,785 |
| 30-11-1988 | 10,725 | 1.00 | Conversion of Unsecured Notes | 307,329,510 |
| 16-03-1989 to 21-06-1989 | 9,198,206 | 1.00 | Exchange for Kwong Yik Bank Berhad ("KYBB") shares | 316,527,716 |
| 11-07-1989 to 23-11-1989 | 7,555,900 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 324,083,616 |
| 30-11-1989 | 46,174,316 | 1.00 | Conversion of Unsecured Notes | 370,257,932 |
| 01-12-1989 to 24-10-1990 | 4,508,900 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 374,766,832 |
| 16-11-1990 | 187,383,416 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:2) | 562,150,248 |
| 27-11-1990 | 11,550 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 562,161,798 |
| 30-11-1990 | 280,497 | 1.00 | Conversion of Unsecured Notes | 562,442,295 |
| 03-01-1991 | 3,300 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 562,445,595 |
| 03-01-1991 | 188,991,002 | 1.00 | Rights Issue (1:2) at RM5.00 per share | 751,436,597 |
| 04-01-1991 | 4,950 | 1.00 | Rights Issue (1:2) upon ESOS at RM5.00 per share | 751,441,547 |
| 25-01-1991 to 28-11-1991 | 726,000 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 752,167,547 |

Issued and Paid-Up Share Capital (Cont'd.)

| Date of Allotment | No. of Ordinary Shares Allotted | Par Value RM | Consideration | Resultant Total Issued and Paid-Up Capital RM'000 |
|--------------------------|---------------------------------|--------------|---|---|
| 30-11-1991 | 35,197 | 1.00 | Conversion of Unsecured Notes | 752,202,744 |
| 11-12-1991 to 20-05-1992 | 5,566,000 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 757,768,744 |
| 30-11-1992 to 30-11-1993 | 3,153,442 | 1.00 | Conversion of Unsecured Notes | 760,922,186 |
| 18-01-1994 | 380,461,093 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:2) | 1,141,383,279 |
| 29-12-1994 | 2,030,428 | 1.00 | Conversion of Unsecured Notes | 1,143,413,707 |
| 19-06-1998 | 1,143,413,707 | 1.00 | Capitalisation of Share Premium and Retained Profit Account (Bonus Issue 1:1) | 2,286,827,414 |
| 21-09-1998 to 09-10-2001 | 72,909,000 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 2,359,736,414 |
| 23-10-2001 | 1,179,868,307 | 1.00 | Capitalisation of Retained Profit Account (Bonus Issue 1:2) | 3,539,604,721 |
| 25-10-2001 to 05-08-2003 | 60,567,200 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 3,600,171,921 |
| 29-09-2004 to 10-08-2007 | 290,898,600 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 3,891,070,521 |
| 17-08-2007 to 06-02-2008 | 13,159,500 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 3,904,230,021 |
| 20-02-2008 | 976,057,505 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:4) | 4,880,287,526 |
| 22-02-2008 to 24-10-2008 | 859,625 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 4,881,147,151 |
| 27-04-2009 | 2,196,516,217 | 1.00 | Rights Issue (9:20) at RM2.74 per share | 7,077,663,368 |
| 29-07-2009 to 26-08-2009 | 319,400 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 7,077,982,768 |

* The par value of the Bank's shares was changed from RM5.00 to RM1.00 on 25 November 1968

properties owned by maybank group

| Area | No. of Properties | | Land Area (sq. m.) | Book Value as at 30.6.2010 (RM) |
|--------------------------------------|-------------------|-----------|-----------------------|------------------------------------|
| | Freehold | Leasehold | | |
| Maybank | | | | |
| Kuala Lumpur | 11 | 15 | 49,230.58 | 213,518,440.20 |
| Johor Darul Takzim | 33 | 9 | 19,395.02 | 57,792,304.28 |
| Kedah Darul Aman | 11 | 6 | 6,361.83 | 10,461,030.83 |
| Kelantan Darul Naim | 1 | 6 | 2,325.00 | 2,921,301.84 |
| Melaka | 1 | 6 | 3,531.00 | 5,993,365.26 |
| Negeri Sembilan Darul Khusus | 12 | 5 | 23,655.20 | 8,519,218.87 |
| Pahang Darul Makmur | 9 | 16 | 16,471.80 | 12,813,880.05 |
| Perak Darul Ridzuan | 15 | 8 | 10,274.65 | 14,246,895.12 |
| Perlis Indera Kayangan | 1 | 3 | 1,475.00 | 1,717,411.20 |
| Pulau Pinang | 26 | 3 | 14,283.26 | 26,663,752.77 |
| Sabah | – | 21 | 15,218.40 | 26,187,933.78 |
| Sarawak | 9 | 14 | 6,962.97 | 20,674,322.38 |
| Selangor Darul Ehsan | 29 | 16 | 104,796.84 | 117,831,884.24 |
| Terengganu Darul Iman | 7 | 2 | 4,329.00 | 4,596,055.74 |
| Hong Kong | – | 2 | 193.00 | HKD1,264,016.23 |
| London | – | 6 | 1,215.00 | GBP496,063.08 |
| Singapore | 12 | 12 | 26,926.00 | SGD107,642,119.03 |
| Maybank International (L) Ltd | | | | |
| W.P. Labuan | – | 3 | 1,089.81 | USD196,146.82 |
| Mayban Life Assurance Berhad | | | | |
| Kuala Lumpur | – | 1 | 4,506.00 | 57,312,151.00 |
| Negeri Sembilan Darul Khusus | 1 | – | 148.64 | 220,000.00 |
| Mayban PB Holdings Sdn Bhd | | | | |
| Kuala Lumpur | – | 1 | 261.59 | 1,142,529.36 |
| Johor Darul Takzim | 2 | 1 | 1,330.00 | 2,330,868.75 |
| Pahang Darul Makmur | 1 | 2 | 595.42 | 1,065,967.58 |
| Perak Darul Ridzuan | 1 | 1 | 857.74 | 2,582,213.01 |
| Pulau Pinang | 1 | – | 445.93 | 819,190.39 |
| Sabah | – | 1 | 351.94 | 1,120,307.24 |
| Sarawak | – | 1 | 314.00 | 959,735.53 |
| Selangor Darul Ehsan | 2 | 1 | 1,281.70 | 2,988,174.28 |

| Area | No. of Properties | | Land Area (sq. m.) | Book Value as at 30.6.2010 (RM) |
|---------------------------------------|-------------------|-----------|-----------------------|------------------------------------|
| | Freehold | Leasehold | | |
| Maybank Investment Bank Berhad | | | | |
| Negeri Sembilan Darul Khusus | 1 | 2 | 591.97 | 461,396.57 |
| Pahang Darul Makmur | 1 | 1 | 229.11 | 329,558.21 |
| Pulau Pinang | 1 | – | 84.04 | 150,660.00 |
| Perak Darul Ridzuan | – | 1 | 260.00 | 238,093.70 |
| ETIQA | | | | |
| Kuala Lumpur | 2 | 3 | 31,069.03 | 507,400,987.00 |
| Johor Darul Takzim | 2 | – | 464.52 | 1,059,090.17 |
| Kedah Darul Aman | 2 | 1 | 1,127.86 | 1,249,895.36 |
| Melaka | – | 1 | 452.00 | 1,224,999.92 |
| Negeri Sembilan Darul Khusus | 2 | 1 | 486.41 | 2,561,740.49 |
| Pahang Darul Makmur | 1 | 2 | 18,335.10 | 2,929,238.00 |
| Perlis Indera Kayangan | 1 | – | 286.14 | 500,000.00 |
| Pulau Pinang | 1 | 1 | 621.59 | 3,950,000.01 |
| Sabah | – | 3 | 5,356.05 | 2,784,750.01 |
| Selangor Darul Ehsan | 2 | 1 | 136,152.57 | 33,180,494.00 |

list of top 10 properties owned by maybank group

As at 30 June 2010

| Location | Description | Current Use | Tenure | Remaining Lease Period (Expiry Date) | Age of Building | Land Area (sq.m.) | Year of Acquisition | Net Book Value (RM) |
|---|---|--------------------------------|------------------------|--------------------------------------|-----------------|-------------------|---------------------|---------------------|
| Etiqa Twins No. 11 Jalan Pinang Kuala Lumpur | 27-storey Twin Office Buildings | Office & Rented out | Freehold | – | 15 years | 6,612 | 1994 | 330,000,000.00 |
| Dataran Maybank No. 1 Jalan Maarof Bangsar | 2 Blocks of 20 storey and a block 22 storey Office Buildings | Office & Rented out | Leasehold 99 years | 76 years (expiry 3.12.2085) | 9 years | 9,918 | 2000 | 139,398,689.82 |
| Menara Maybank 100 Jalan Tun Perak Kuala Lumpur | 58-storey Office Building | Head office & Rented out | Freehold | – | 22 years | 35,494 | 1978 | 133,076,190.81 |
| Maybank Tower 2, Battery Road Singapore | 32-storey Office Building | Office | Leasehold 999 years | 817 years (expiring 2825) | 8 years | 9,401 | 1962 | SGD71,632,660.57 |
| Akademi Etiqa 23, Jalan Melaka Kuala Lumpur | 25-storey Office Building | Office & Rented out | Leasehold 99 years | 57 years (expiring 2065) | 14 years | 1,960 | 1994 | 53,000,000.00 |
| Lot 153 Section 44 Jalan Ampang Kuala Lumpur | Commercial Land | Vacant | Freehold | – | – | 4,373.5 | 2008 | 50,000,000.00 |
| 1079 Section 13 Shah Alam | Commercial Land | Vacant | Leasehold 99 years | 94 years (expiring 11.3.2102) | – | 135,492 | 1994 | 31,000,000.00 |

| Location | Description | Current Use | Tenure | Remaining Lease Period (Expiry Date) | Age of Building | Land Area (sq.m.) | Year of Acquisition | Net Book Value (RM) |
|--|---|--------------------|-----------------------|--------------------------------------|-----------------|-------------------|---------------------|---------------------|
| Lot 379 Section 96 Bangsar Kuala Lumpur | Vacant Land | Rented out | Leasehold 99 years | 57 years (expiring 25.7.2065) | – | 15,417 | 1975 | 29,000,000.00 |
| Johor Bahru City Square Level 1 (M1-22) 2 (M2-15) 3 (M3-25) and Level 8 City Square Johor Bahru | Retail Units- Level 1 (podium) Level 2 (podium) Level 3 (podium) Level 8 (office tower) | Office | Leasehold 99 years | 83 years (expiring 14.6.2091) | 9 years | 3,972 | 2000 | 27,460,631.19 |
| Jalan Air Itam Bangi, Kajang Selangor | 5-storey Building | Maybank Academy | Leasehold 99 years | 78 years (expiry 18.12.2086) | 22 years | 80,692 | 1987 | 24,244,793.01 |

group **directory** As at 30 June 2010**Commercial Banking****Malayan Banking Berhad**

14th Floor, Menara Maybank

100, Jalan Tun Perak

50050 Kuala Lumpur

Tel: (6)03-2070 8833

Fax: (6)03-2031 0071

Website: www.maybank.comEmail: publicaffairs@maybank.com.my**Maybank Islamic Berhad**

14th Floor, Menara Maybank

100, Jalan Tun Perak

50050 Kuala Lumpur

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Fax: (6)03-2031 0071

Website: www.maybankislamic.com.my**P.T. Bank Maybank Indocorp**

17th Floor, Menara Sona Topas

Jalan Jenderal Sudirman Kav. 26

Jakarta 12920

Indonesia

Tel: (62)21-250 6446

Fax: (62)21-250 6445

Website: www.maybank.com**Maybank Philippines Incorporated**

Legaspi Towers 300

Roxas Boulevard

Manila 1004

Philippines

Tel: (632)-523 7777

Fax: (632)-521 8513

Website: www.maybank2u.com.my/philippinesEmail: mayphil@maybank.com.ph**Maybank (PNG) Ltd**

Corner Waigani Road/Islander Drive

P.O. Box 882 Waigani, National Capital District

Papua New Guinea

Tel: (675)-325 0101

Fax: (675)-325 6128

Website: www.maybank.comEmail: maybankpom@datec.net.pg**Maybank International (L) Ltd**

Level 16 (B), Main Office Tower

Financial Park Labuan

Jalan Merdeka

87000 Wilayah Persekutuan Labuan

Tel: (6)087-414 406

Fax: (6)087-414 806

Website: www.maybank.comEmail: millmit@streamyx.com**P.T. Bank Internasional Indonesia Tbk**

Plaza BII, Tower 2, 6th Floor

Jl.MH.Thamrin No. 51

Jakarta 10350

Indonesia

Tel: (62)21-230 0888

Fax: (62)21-230 1380

Website: www.bii.co.idEmail: cs@bii.co.id**Investment Banking****Maybank Investment Bank Berhad**

33rd Floor, Menara Maybank

100, Jalan Tun Perak

50050 Kuala Lumpur

Tel: (6)03-2059 1888

Fax: (6)03-2078 4194

Website: www.maybank-ib.comEmail: helpdesk@maybank-ib.com**Insurance****Mayban Fortis Holdings Berhad****Mayban Life Assurance Bhd**

Level 19, Tower C

Dataran Maybank

No. 1, Jalan Maarof

59000 Kuala Lumpur

Tel: (6)03-2297 3888

Fax: (6)03-2297 3800

Website: www.etiqa.com.myEmail: info@etiqa.com.my

Etiga Life International (L) Ltd Etiga Offshore Insurance (L) Ltd

Level 11B, Block 4 Office Tower
Financial Park Complex
Jalan Merdeka
87000 Wilayah Persekutuan Labuan
Tel: (6)087-582 588
Fax: (6)087-583 588
Website: www.etiga.com.my
Email: info@etiga.com.my

Etiga Insurance Berhad Etiga Takaful Berhad

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59000 Kuala Lumpur
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Fax: (6)03-2297 3800
Website: www.etiga.com.my
Email: info@etiga.com.my

Others

Mayban Investment Management Sdn Bhd

Level 13, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel: (6)03-2297 7888
Fax: (6)03-2297 7800
Website: www.maybank.com

Mayban Trustees Berhad

34th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
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Fax: (6)03-2070 9387
Website: www.maybank.com
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Mayban Ventures Sdn Bhd Mayban Venture Capital Company Sdn Bhd Mayban Agro Fund Sdn Bhd

41st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
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Fax: (6)03-2031 2188
Website: www.mayban-ventures.com.my

Mayban (Nominees) Sendirian Berhad Mayban Nominees (Tempatan) Sdn Bhd Mayban Nominees (Asing) Sdn Bhd

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel: (6)03-2070 8833
Fax: (6)03-2031 0071
Website: www.maybank.com

Mayban Securities Nominees (Tempatan) Sdn. Bhd. Mayban Securities Nominees (Asing) Sdn. Bhd.

Level 8, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel: (6)03-2297 8888
Fax: (6)03-2282 5136



**We have come a long way
together, Malaysia.
And there is still a long way to go.
But we are glad we are going
there with you.**

Thank you for sharing your lives, hopes and dreams with us. Celebrating 50 years, close to you.



| | | | | | | | | | | | | | |
|-----------------------|-----------------|--|--|---|--|--|--|---|--|--|--|--|--|
| Number of shares held | CDS Account No. | | | | | | | | | | | | |
| | | | | - | | | | - | | | | | |

Please refer to the notes below before completing this Form of Proxy.

I/We _____ NRIC/Passport/Co. No. _____
(full name in block letters)

of _____ Telephone No. _____
(full address)

a shareholder/shareholders of MALAYAN BANKING BERHAD, hereby appoint

_____ NRIC/Passport/Co. No. _____
(full name in block letters)

of _____
(full address)

or failing him/her _____ NRIC/Passport/Co. No. _____
(full name in block letters)

of _____
(full address)

or failing him/her, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the 50th Annual General Meeting of Malayan Banking Berhad to be held at Grand Ballroom, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 29 September 2010 at 10.00 a.m. and at any adjournment thereof for the following resolutions as set out in the Notice of the Annual General Meeting:-

| No. | Resolution | For | Against |
|-----|---|-----|---------|
| | Ordinary resolutions: | | |
| 1 | Receipt of Audited Financial Statements and Reports. | | |
| 2 | Declaration of Final Dividend. | | |
| | Re-election of the following Directors in accordance with Articles 96 and 97:- | | |
| 3 | i. Dato' Sri Abdul Wahid Omar | | |
| 4 | ii. Tan Sri Datuk Dr Hadenan A. Jalil | | |
| 5 | iii. Dato' Seri Ismail Shahudin | | |
| | Re-election of the following Directors in accordance with Article 100:- | | |
| 6 | i. Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor | | |
| 7 | ii. Dato' Mohd Salleh Hj Harun | | |
| 8 | To approve the following directors' remuneration:- | | |
| | (a) payment of directors' fees amounting to RM300,000 per annum for the Non-Executive Chairman, RM285,000 per annum for Non-Executive Vice Chairman and RM190,000 per annum for each of the Non-Executive Directors for the financial year ended 30 June 2010; and | | |
| | (b) increase in directors' meeting allowances for Board meetings from RM750 per meeting per director to RM1,500 per meeting per director and Board Committees meetings from RM750 per meeting per director to RM1,000 per meeting per director effective 1 July 2009. | | |
| 9 | Re-appointment of Messrs. Ernst & Young as Auditors. | | |
| 10 | Authorisation for Directors to issue shares pursuant to Section 132D of Companies Act, 1965. | | |
| 11 | Allotment and issuance of new ordinary shares of RM1.00 each in Maybank in relation to the recurrent and optional dividend reinvestment plan (Dividend Reinvestment Plan). | | |

My/Our proxy is to vote on the resolutions as indicated by an "X" in the appropriate space above. If no indication is given, my/our proxy shall vote or abstain as he/she thinks fit.

Dated this _____ day of _____ 2010

Signature(s) of shareholder(s)

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and on a show of hands or on a poll, to vote in his stead. A proxy shall be a member of the Company, an Advocate, an approved Company Auditor or a person approved by the Companies Commission of Malaysia. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal or in some other manner approved by its directors.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the meeting provided that where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least one proxy but not more than two proxies each in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. Duly completed Forms of Proxy must be deposited at the office of the appointed share registrar for this AGM, Tricor Investor Services Sdn Bhd (formerly known as Tenaga Koperat Sdn Bhd) at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur no later than 27 September 2010 at 10.00 a.m.
4. For a Form of Proxy executed outside Malaysia, the signature must be attested to by a Solicitor, Notary Public, Consul or Magistrate.
5. Only members registered in the Record of Depositors as at 23 September 2010 shall be eligible to attend the AGM or appoint proxy to attend and vote on his/her behalf.
6. If proxy or proxies appointed is/are not a member of Maybank, please ensure that the proof of eligibility of the proxy or proxies is/are enclosed with the Form of Proxy submitted and the original counterpart of such proof of eligibility is/are presented by your proxy or proxies for verification purposes during the registration process.

Fold here

Affix Stamp

Share Registrar for Maybank's 50th AGM
Tricor Investor Services Sdn Bhd
(formerly known as Tenaga Koperat Sdn Bhd)
Level 17, The Gardens
North Tower, Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

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MALAYAN BANKING BERHAD (3813-K)

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