**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED INCOME STATEMENTS**
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

| **Group** | Note | 2nd Quarter Ended 31 December 2011 RM'000 | 2nd Quarter Ended 31 December 2010 RM'000 | Cumulative 6 Months Ended 31 December 2011 RM'000 | Cumulative 6 Months Ended 31 December 2010 RM'000 |
|---|---|---|---|---|---|
| Interest income | A16 | **3,651,685** | 2,990,012 | **7,004,319** | 5,898,328 |
| Interest expense | A17 | **(1,499,018)** | (1,176,785) | **(2,978,041)** | (2,310,561) |
| Net interest income | | **2,152,667** | 1,813,227 | **4,026,278** | 3,587,767 |
| Income from Islamic Banking Scheme operations: | | | | | |
| Gross operating income | | **491,707** | 399,772 | **1,008,037** | 780,129 |
| Profit equalisation reserves | | **-** | (6,896) | **-** | (49,050) |
| | A29a | **491,707** | 392,876 | **1,008,037** | 731,079 |
| | | **2,644,374** | 2,206,103 | **5,034,315** | 4,318,846 |
| Net income from insurance business: | | | | | |
| Income from insurance business | | **648,246** | 137,338 | **826,031** | 295,492 |
| Claims incurred and expense liability | | **(325,915)** | (96,305) | **(407,203)** | (167,706) |
| | | **322,331** | 41,033 | **418,828** | 127,786 |
| | | **2,966,705** | 2,247,136 | **5,453,143** | 4,446,632 |
| Non-interest income | A18 | **1,151,478** | 1,034,948 | **2,374,180** | 1,989,151 |
| Net income | | **4,118,183** | 3,282,084 | **7,827,323** | 6,435,783 |
| Overhead expenses | A19 | **(2,053,954)** | (1,634,059) | **(3,941,839)** | (3,136,113) |
| | | **2,064,229** | 1,648,025 | **3,885,484** | 3,299,670 |
| Allowance for losses on loans, advances and financing | A20 | **(230,333)** | (117,513) | **(329,080)** | (382,248) |
| Impairment losses on securities, net | | **(68,255)** | (6,299) | **(67,237)** | (20,222) |
| Operating Profit | | **1,765,641** | 1,524,213 | **3,489,167** | 2,897,200 |
| Share of profits in associates | | **37,713** | 37,807 | **74,234** | 69,165 |
| **Profit before taxation and zakat** | | **1,803,354** | 1,562,020 | **3,563,401** | 2,966,365 |
| Taxation & Zakat | B5 | **(432,885)** | (435,386) | **(887,071)** | (786,091) |
| **Profit for the period** | | **1,370,469** | 1,126,634 | **2,676,330** | 2,180,274 |
| **Attributable to:** | | | | | |
| Equity holders of the Bank | | **1,296,679** | 1,125,248 | **2,583,069** | 2,153,362 |
| Non-controlling interest | | **73,790** | 1,386 | **93,261** | 26,912 |
| | | **1,370,469** | 1,126,634 | **2,676,330** | 2,180,274 |
| **Earnings per share attributable to equity holders of the Bank** | B12 | | | | |
| Basic | | **17.22 sen** | 15.72 sen | **34.42 sen** | 30.25 sen |
| Fully diluted | | **17.22 sen** | 15.63 sen | **34.42 sen** | 30.09 sen |

**(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)**

**(The income statements for the cumulative six months and second quarter ended 31 December 2010 have not been audited)**

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| **Group** | **31 December 2011 RM'000** | **31 December 2010 RM'000** | **31 December 2011 RM'000** | **31 December 2010 RM'000** |
| **Profit for the period** | **1,370,469** | 1,126,634 | **2,676,330** | 2,180,274 |
| **Other comprehensive (loss)/income:** | | | | |
| Net gain/(loss) on available-for-sale financial assets | **14,182** | (418,451) | **(68,851)** | (168,169) |
| Income tax relating to components of other comprehensive income | **(5,546)** | 119,372 | **(1,060)** | 58,568 |
| Foreign currency translation | **(448,638)** | 38,862 | **55,160** | (331,935) |
| Changes in other reserves | **(101)** | - | **(220)** | - |
| Other comprehensive loss: for the period, net of tax | **(440,103)** | (260,217) | **(14,971)** | (441,536) |
| Total comprehensive income for the period | **930,366** | 866,417 | **2,661,359** | 1,738,738 |
| **Total comprehensive income for the period attributable to:** | | | | |
| Equity holders of the Bank | **855,305** | 849,305 | **2,555,360** | 1,714,583 |
| Non-controlling interest | **75,061** | 17,112 | **105,999** | 24,155 |
| | **930,366** | 866,417 | **2,661,359** | 1,738,738 |

**(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)**

**(The statements of comprehensive income for the cumulative six months and second quarter ended 31 December 2010 have not been audited)**

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED INCOME STATEMENTS**
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

| **Bank** | **Note** | **2nd Quarter Ended** | | **Cumulative 6 Months Ended** | |
|---|---|---|---|---|---|
| | | **31 December 2011** | **31 December 2010** | **31 December 2011** | **31 December 2010** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Interest income | A16 | **2,809,550** | 2,299,926 | **5,359,581** | 4,541,963 |
| Interest expense | A17 | **(1,148,252)** | (883,282) | **(2,253,712)** | (1,744,276) |
| Net interest income | | **1,661,298** | 1,416,644 | **3,105,869** | 2,797,687 |
| Non-interest income | A18 | **800,055** | 894,539 | **1,861,209** | 1,545,651 |
| Net income | | **2,461,353** | 2,311,183 | **4,967,078** | 4,343,338 |
| Overhead expenses | A19 | **(1,052,675)** | (1,002,089) | **(2,072,888)** | (1,893,410) |
| | | **1,408,678** | 1,309,094 | **2,894,190** | 2,449,928 |
| Allowance for losses on loans, advances and financing | A20 | **(123,448)** | (5,736) | **(166,141)** | (138,878) |
| Impairment losses on securities, net | | **(63,122)** | (3,263) | **(57,864)** | (4,874) |
| **Profit before taxation and zakat** | | **1,222,108** | 1,300,095 | **2,670,185** | 2,306,176 |
| Taxation & Zakat | B5 | **(312,973)** | (316,388) | **(604,900)** | (577,969) |
| **Profit for the period** | | **909,135** | 983,707 | **2,065,285** | 1,728,207 |

**(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)**

**(The income statements for the cumulative six months and second quarter ended 31 December 2010 have not been audited)**

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

| **Bank** | **2nd Quarter Ended** | | **Cumulative 6 Months Ended** | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **31 December 2010 RM'000** | **31 December 2011 RM'000** | **31 December 2010 RM'000** |
| **Profit for the period** | **909,135** | 983,707 | **2,065,285** | 1,728,207 |
| **Other comprehensive (loss)/income:** | | | | |
| Net loss on available-for-sale financial assets | **(22,904)** | (454,157) | **(22,114)** | (277,103) |
| Income tax relating to components of other comprehensive income | **5,250** | 113,556 | **5,688** | 78,742 |
| Foreign currency translation | **(23,012)** | 74,528 | **(11,489)** | 126,020 |
| Other comprehensive loss: for the period, net of tax | **(40,666)** | (266,073) | **(27,915)** | (72,341) |
| Total comprehensive income for the period | **868,469** | 717,634 | **2,037,370** | 1,655,866 |

**(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)**

**(The statements of comprehensive income for the cumulative six months and second quarter ended 31 December 2010 have not been audited)**

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011**

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | **31 December 2011** | **30 June 2011** | **31 December 2011** | **30 June 2011** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **ASSETS** | | | | | |
| Cash and short-term funds | | **49,089,088** | 38,803,519 | **35,966,579** | 25,803,796 |
| Deposits and placements with financial institutions | | **6,452,978** | 10,291,513 | **6,246,093** | 7,644,471 |
| Securities purchased under resale agreements | | **1,397,235** | - | **1,397,235** | - |
| Securities portfolio - Held-for-trading | A9(i) | **9,665,997** | 4,141,978 | **7,325,466** | 2,884,895 |
| Securities portfolio - Available-for-sale | A9(ii) | **48,504,468** | 47,258,558 | **39,618,975** | 40,262,042 |
| Securities portfolio - Held-to-maturity | A9(iii) | **9,880,899** | 9,638,714 | **8,804,797** | 8,339,494 |
| Loans, advances and financing | A10 | **274,430,691** | 253,976,426 | **194,174,085** | 181,572,844 |
| Derivative assets | A27 | **1,954,476** | 1,652,182 | **1,949,344** | 1,626,415 |
| Other assets | A11 | **6,661,305** | 6,735,522 | **2,240,433** | 1,420,365 |
| Investment properties | | **62,007** | 45,051 | - | - |
| Statutory deposits with Central Banks | | **10,577,416** | 7,698,425 | **6,095,129** | 4,313,116 |
| Investment in subsidiaries | | **-** | - | **17,230,202** | 17,070,392 |
| Interest in associates | | **2,406,462** | 2,439,654 | **456,512** | 454,412 |
| Property, plant and equipment | | **2,372,534** | 2,168,986 | **1,298,891** | 1,170,183 |
| Intangible assets | | **6,507,949** | 6,509,048 | **173,933** | 177,270 |
| Deferred tax assets | | **1,421,934** | 1,402,705 | **867,163** | 920,837 |
| Life, general takaful and family takaful fund assets | | **19,903,312** | 19,196,413 | - | - |
| **TOTAL ASSETS** | | **451,288,751** | 411,958,694 | **323,844,837** | 293,660,532 |
| **LIABILITIES** | | | | | |
| Deposits from customers | A12 | **313,709,780** | 281,976,379 | **222,895,293** | 201,465,408 |
| Deposits and placements of banks and other financial institutions | A13 | **36,760,978** | 33,303,655 | **35,555,592** | 31,441,675 |
| Obligations on securities sold under repurchase agreements | | **267,652** | 373,562 | **267,652** | 373,562 |
| Bills and acceptances payable | | **4,472,872** | 8,513,401 | **3,610,141** | 7,115,673 |
| Derivative liabilities | A27 | **2,162,709** | 1,533,935 | **2,072,731** | 1,446,311 |
| Other liabilities | A15 | **10,576,494** | 11,311,854 | **6,351,178** | 4,240,156 |
| Recourse obligation on loans sold to Cagamas | | **715,603** | 528,285 | **715,603** | 528,285 |
| Provision for taxation and zakat | | **320,212** | 134,620 | - | - |
| Deferred tax liabilities | | **263,605** | 247,892 | **-** | - |
| Borrowings | A14(i) | **7,185,230** | 5,447,120 | **4,208,282** | 3,420,499 |
| Subordinated obligations | A14(ii) | **14,160,553** | 10,800,539 | **12,574,919** | 9,509,786 |
| Capital Securities | A14(iii) | **6,113,761** | 6,120,774 | **6,113,761** | 6,120,774 |
| Life, general takaful and family takaful fund liabilities | | **2,886,104** | 5,408,600 | **-** | - |
| Life, general takaful and family takaful policy holders' funds | | **17,017,208** | 13,787,813 | **-** | - |
| **TOTAL LIABILITIES** | | **416,612,761** | 379,488,429 | **294,365,152** | 265,662,129 |

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011**

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 31 December 2011 | 30 June 2011 | 31 December 2011 | 30 June 2011 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Share capital | | **7,639,437** | 7,478,206 | **7,639,437** | 7,478,206 |
| Reserves | | **25,805,990** | 23,983,293 | **21,840,248** | 20,520,197 |
| | | **33,445,427** | 31,461,499 | **29,479,685** | 27,998,403 |
| Non-controlling interests | | **1,230,563** | 1,008,766 | - | - |
| Total equity | | **34,675,990** | 32,470,265 | **29,479,685** | 27,998,403 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **451,288,751** | 411,958,694 | **323,844,837** | 293,660,532 |
| **COMMITMENTS AND CONTINGENCIES** | A25 | **370,709,695** | 292,201,755 | **336,480,160** | 265,846,025 |
| **CAPITAL ADEQUACY** | A26 | | | | |
| Based on credit, market and operational risk: | | | | | |
| **Basel II** | | | | | |
| **Before deducting proposed dividend*:** | | | | | |
| Core capital ratio | | **11.74%** | 11.93% | **15.80%** | 13.44% |
| Risk-weighted capital ratio | | **16.46%** | 15.45% | **15.80%** | 13.44% |
| **After deducting proposed dividend:** | | | | | |
| Core capital ratio, assuming: | | | | | |
| - full electable portion paid in cash | | **10.95%** | 11.21% | **14.73%** | 12.49% |
| - full electable portion reinvested | | **11.65%** | 11.84% | **15.68%** | 13.32% |
| Risk-weighted capital ratio, assuming: | | | | | |
| - full electable portion paid in cash | | **15.66%** | 14.72% | **14.73%** | 12.49% |
| - full electable portion reinvested | | **16.37%** | 15.36% | **15.68%** | 13.32% |
| Net assets per share attributable to equity holders of the parent | | **RM4.38** | RM4.21 | **RM3.86** | RM3.74 |

* In arriving at the capital base used in the ratio calculations of the Group and the Bank, the proposed dividends were not deducted.

**(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)**

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

| | <========== Non-Distributable ==========> | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | **Share Capital RM'000** | **Share Premium RM'000** | **Statutory Reserve RM'000** | **Capital Reserve RM'000** | **Unrealised Holding Reserve/ (Deficit) RM'000** | **Exchange Fluctuation Reserve RM'000** | **ESS Reserve RM'000** | **Revaluation Reserve RM'000** | **PER Reserve RM'000** | **Distributable Retained Profits RM'000** | **Total Shareholders' Equity RM'000** | **Non-controlling Interests RM'000** | **Total Equity RM'000** |
| **At 1 July 2011** | **7,478,206** | **8,583,711** | **6,409,922** | **15,250** | **417,065** | **(1,007,977)** | **65,000** | **9,057** | **-** | **9,491,265** | **31,461,499** | **1,008,766** | **32,470,265** |
| Profit for the period | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,583,069** | **2,583,069** | **93,261** | **2,676,330** |
| Other comprehensive income/(loss) | **-** | **-** | **20** | **-** | **(66,084)** | **38,595** | **-** | **(240)** | **-** | **-** | **(27,709)** | **12,738** | **(14,971)** |
| **Total comprehensive income/(loss) for the period** | **-** | **-** | **20** | **-** | **(66,084)** | **38,595** | **-** | **(240)** | **-** | **2,583,069** | **2,555,360** | **105,999** | **2,661,359** |
| Effect of adopting BNM's Revised Guidelines for Profit Equalisation Reserves ("PER") | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **34,456** | **34,456** | **-** | **34,456** |
| Net transfer for the period | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **34,456** | **(34,456)** | **-** | **-** | **-** |
| Share-based payment under Employees' Share Scheme ("ESS") | **-** | **-** | **-** | **-** | **-** | **-** | **62,323** | **-** | **-** | **-** | **62,323** | **-** | **62,323** |
| Net effect of acquisition from/disposal to non-controlling interests | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(49,800)** | **(49,800)** | **120,262** | **70,462** |
| Net effect of disposal of indirect subsidiaries | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,132)** | **(1,132)** |
| Transfer to statutory reserves | **-** | **-** | **516,441** | **-** | **-** | **-** | **-** | **-** | **-** | **(516,441)** | **-** | **-** | **-** |
| Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note A7) | **161,221** | **1,015,052** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,176,273** | **-** | **1,176,273** |
| Issue of shares pursuant to ESS (Note A7) | **10** | **84** | **-** | **-** | **-** | **-** | **(6)** | **-** | **-** | **-** | **88** | **-** | **88** |
| Dividend paid (Note A8) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,794,772)** | **(1,794,772)** | **(3,332)** | **(1,798,104)** |
| **Total transactions with shareholders** | **161,231** | **1,015,136** | **516,441** | **-** | **-** | **-** | **62,317** | **-** | **34,456** | **(2,361,013)** | **(571,432)** | **115,798** | **(455,634)** |
| **At 31 December 2011** | **7,639,437** | **9,598,847** | **6,926,383** | **15,250** | **350,981** | **(969,382)** | **127,317** | **8,817** | **34,456** | **9,713,321** | **33,445,427** | **1,230,563** | **34,675,990** |

**(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)**

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

| | <========== Non-Distributable ==========> | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | **Share Capital RM'000** | **Share Premium RM'000** | **Statutory Reserve RM'000** | **Capital Reserve RM'000** | **Unrealised Holding Reserve/ (Deficit) RM'000** | **Exchange Fluctuation Reserve RM'000** | **Revaluation Reserve RM'000** | **Distributable Retained Profits RM'000** | **Total Shareholders' Equity RM'000** | **Non-controlling Interests RM'000** | **Total Equity RM'000** |
| **At 1 July 2010** | 7,077,983 | 5,903,497 | 5,553,999 | 15,250 | 293,015 | (949,434) | 9,057 | 9,755,600 | 27,658,967 | 782,785 | 28,441,752 |
| Profit for the period | - | - | - | - | - | - | - | 2,153,362 | 2,153,362 | 26,912 | 2,180,274 |
| Other comprehensive (loss)/income | - | - | - | - | (108,466) | (330,313) | - | - | (438,779) | (2,757) | (441,536) |
| **Total comprehensive (loss)/income for the period** | - | - | - | - | (108,466) | (330,313) | - | 2,153,362 | 1,714,583 | 24,155 | 1,738,738 |
| Net effect of disposal to non-controlling interests | - | - | - | - | - | - | - | 8,609 | 8,609 | 3,346 | 11,955 |
| Effect of Redemption on Redeemable Convertible Preference Shares ("RCPS") | - | - | - | - | - | - | - | - | - | (46,500) | (46,500) |
| Transfer to statutory reserves | - | - | 432,100 | - | - | - | - | (432,100) | - | - | - |
| Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") | 244,257 | 1,635,901 | - | - | - | - | - | - | 1,880,158 | - | 1,880,158 |
| Dividend paid | - | - | - | - | - | - | - | (2,335,734) | (2,335,734) | - | (2,335,734) |
| **Total transactions with shareholders** | 244,257 | 1,635,901 | 432,100 | - | - | - | - | (2,759,225) | (446,967) | (43,154) | (490,121) |
| **At 31 December 2010** | 7,322,240 | 7,539,398 | 5,986,099 | 15,250 | 184,549 | (1,279,747) | 9,057 | 9,149,737 | 28,926,583 | 763,786 | 29,690,369 |

**(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)**

**(The consolidated statements of changes in equity for the cumulative six months ended 31 December 2010 have not been audited)**

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

| | <========== Non-Distributable ==========> | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Bank** | **Share Capital RM'000** | **Share Premium RM'000** | **Statutory Reserve RM'000** | **Unrealised Holding Reserve/(Deficit) RM'000** | **Exchange Fluctuation Reserve RM'000** | **ESS Reserve RM'000** | **Distributable Retained Profits RM'000** | **Total Equity RM'000** |
| **At 1 July 2011** | **7,478,206** | **8,583,711** | **6,212,460** | **278,860** | **239,261** | **65,000** | **5,140,905** | **27,998,403** |
| Profit for the period | **-** | **-** | **-** | **-** | **-** | **-** | **2,065,285** | **2,065,285** |
| Other comprehensive loss | **-** | **-** | **-** | **(16,426)** | **(11,489)** | **-** | **-** | **(27,915)** |
| **Total comprehensive (loss)/income for the period** | **-** | **-** | **-** | **(16,426)** | **(11,489)** | **-** | **2,065,285** | **2,037,370** |
| Share-based payment under Employees' Share Scheme ("ESS") | **-** | **-** | **-** | **-** | **-** | **62,323** | **-** | **62,323** |
| Transfer to statutory reserve | **-** | **-** | **516,406** | **-** | **-** | **-** | **(516,406)** | **-** |
| Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note A7) | **161,221** | **1,015,052** | **-** | **-** | **-** | **-** | **-** | **1,176,273** |
| Issue of shares pursuant to ESS (Note A7) | **10** | **84** | **-** | **-** | **-** | **(6)** | **-** | **88** |
| Dividend paid (Note A8) | **-** | **-** | **-** | **-** | **-** | **-** | **(1,794,772)** | **(1,794,772)** |
| **Total transactions with shareholders** | **161,231** | **1,015,136** | **516,406** | **-** | **-** | **62,317** | **(2,311,178)** | **(556,088)** |
| **At 31 December 2011** | **7,639,437** | **9,598,847** | **6,728,866** | **262,434** | **227,772** | **127,317** | **4,895,012** | **29,479,685** |

**(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)**

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

| | <========== Non-Distributable ==========> | | | | | | |
|---|---|---|---|---|---|---|---|
| **Bank** | **Share Capital RM'000** | **Share Premium RM'000** | **Statutory Reserve RM'000** | **Unrealised Holding Reserve/(Deficit) RM'000** | **Exchange Fluctuation Reserve RM'000** | **Distributable Retained Profits RM'000** | **Total Equity RM'000** |
| **At 1 July 2010** | 7,077,983 | 5,903,497 | 5,372,770 | 228,648 | (12,495) | 6,495,300 | 25,065,703 |
| Profit for the period | - | - | - | - | - | 1,728,207 | 1,728,207 |
| Other comprehensive (loss)/income | - | - | - | (198,361) | 126,020 | - | (72,341) |
| **Total comprehensive (loss)/income for the period** | - | - | - | (198,361) | 126,020 | 1,728,207 | 1,655,866 |
| Transfer to statutory reserves | - | - | 432,100 | - | - | (432,100) | - |
| Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") | 244,257 | 1,635,901 | - | - | - | - | 1,880,158 |
| Dividend paid | - | - | - | - | - | (2,335,734) | (2,335,734) |
| **Total transactions with shareholders** | 244,257 | 1,635,901 | 432,100 | - | - | (2,767,834) | (455,576) |
| **At 31 December 2010** | 7,322,240 | 7,539,398 | 5,804,870 | 30,287 | 113,525 | 5,455,673 | 26,265,993 |

**(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)**

**(The consolidated statements of changes in equity for the cumulative six months ended 31 December 2010 have not been audited)**

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED CASH FLOW STATEMENTS**
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **31 December 2010 RM'000** | **31 December 2011 RM'000** | **31 December 2010 RM'000** |
| **Cash flows from operating activities** | | | | |
| Profit before taxation and zakat | **3,563,401** | 2,966,365 | **2,670,185** | 2,306,176 |
| Adjustments for non-operating and non-cash items: | | | | |
| Depreciation | **104,363** | 81,248 | **56,642** | 57,218 |
| Share of associates' profit | **(74,234)** | (69,165) | **-** | - |
| Amortisation of intangible assets | **78,110** | 69,963 | **21,136** | 23,254 |
| Net gain on disposal of held-for-trading securities | **(17,858)** | (22,135) | **(23,872)** | (17,089) |
| Net gain on disposal of available-for-sale securities | **(271,636)** | (253,680) | **(249,361)** | (214,692) |
| Net gain on redemption of held-to-maturity securities | **(132)** | (461) | **(132)** | (461) |
| Unrealised (loss)/gain on revaluation of securities held-for-trading and derivatives | **293,973** | (199,768) | **174,627** | (193,697) |
| Loan and financing loss and allowances | **777,490** | 737,542 | **491,411** | 358,971 |
| Allowance made/(written back) for other debts | **14,928** | 877 | **1,707** | (332) |
| Dividend income | **(19,780)** | (13,164) | **(372,368)** | (200,142) |
| Share options granted under ESS | **56,848** | - | **41,765** | - |
| Impairment losses on securities, net | **67,237** | 20,222 | **57,864** | 4,874 |
| Transfer of life, general takaful and family takaful fund surplus | **(503,053)** | 16,835 | **-** | - |
| Other adjustments for non-operating and non-cash items: | **(44,408)** | 40,815 | **(1,518)** | (20,038) |
| Operating profit before working capital changes | **4,025,249** | 3,375,494 | **2,868,086** | 2,104,042 |
| Change in deposits and placements with banks and other financial institutions | **2,937,600** | (2,956,725) | **1,206,938** | (3,249,473) |
| Change in securities portfolio | **(6,892,328)** | (7,644,351) | **(4,010,580)** | (7,611,188) |
| Change in loans, advances and financing | **(21,231,755)** | (14,568,170) | **(13,092,652)** | (8,022,407) |
| Change in statutory deposits with Central Banks | **(2,878,991)** | 258,909 | **(1,782,013)** | (309,410) |
| Change in deposits from customers | **31,733,401** | 11,227,966 | **21,429,885** | 7,492,759 |
| Change in deposits and placements of banks and other financial institutions | **3,457,323** | 5,587,556 | **4,113,917** | 6,610,907 |
| Change in life, general takaful and family takaful fund assets | **(202,575)** | (704,761) | **-** | - |
| Change in life, general takaful and family takaful fund liabilities and policy holder's funds | **706,898** | 836,474 | **-** | - |
| Change in other operating activities | **(5,389,508)** | 1,706,348 | **(3,580,317)** | 2,391,033 |
| Exchange fluctuation | **(82,621)** | 39,676 | **(368,609)** | (44,273) |
| Cash generated/(used in) from operations | **6,182,693** | (2,841,584) | **6,784,655** | (638,010) |
| Taxes and zakat paid | **(732,707)** | (553,980) | **(544,631)** | (492,196) |
| Net cash generated/(used in) from operating activities | **5,449,986** | (3,395,564) | **6,240,024** | (1,130,206) |

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED CASH FLOW STATEMENTS**
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **31 December 2010 RM'000** | **31 December 2011 RM'000** | **31 December 2010 RM'000** |
| **Cash flows from investing activities** | | | | |
| Dividend received | | | | |
| - from securities | **19,780** | 13,164 | **9,111** | 7,682 |
| - from associates | **37,120** | 35,559 | **5,231** | 5,913 |
| - from subsidiaries | **-** | - | **358,026** | 186,547 |
| Purchase of property, plant and equipment | **(323,398)** | (67,142) | **(200,439)** | (68,817) |
| Proceeds from disposal of property, plant and equipment | **35,685** | 8,891 | **8,684** | 8,351 |
| Purchase of intangible assets | **(24,066)** | (45,715) | **(5,653)** | (41,792) |
| Purchase of additional ordinary shares in new and existing subsidiaries | **(401,155)** | - | **(159,600)** | (154,919) |
| Acquisition of subsidiaries | **13,335** | - | **-** | - |
| Proceeds from disposal of subsidiaries | **(1,132)** | - | **-** | - |
| Subscription to additional ordinary shares and private debt securities in associates | **(3,562)** | (34,467) | **(2,100)** | (34,712) |
| Redemption of RCPS | **-** | (46,500) | **-** | 108,500 |
| Proceeds from transaction with non-controlling interests | **72,514** | 11,955 | **-** | - |
| Net cash (used in)/generated from investing activities | **(574,879)** | (124,255) | **13,260** | **16,753** |
| **Cash flows from financing activities** | | | | |
| Proceeds from share issuance | **1,176,361** | 1,880,158 | **1,176,361** | 1,880,158 |
| Drawdown/(repayment) of borrowings | **1,395,812** | 462,310 | **610,675** | 462,310 |
| Issuance/(redemption) of subordinated obligations | **3,306,484** | (998,992) | **3,000,322** | (998,992) |
| Loans sold to Cagamas, net | **187,318** | (100,037) | **187,318** | (100,037) |
| Dividends paid | **(1,794,772)** | (2,335,734) | **(1,794,772)** | (2,335,734) |
| Dividends paid to non-controlling interests | **(3,332)** | - | **-** | - |
| Net cash generated/(used in) from financing activities | **4,267,871** | (1,092,295) | **3,179,904** | (1,092,295) |

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**CONDENSED FINANCIAL STATEMENTS**
**AUDITED CASH FLOW STATEMENTS**
**FOR THE QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **31 December 2010 RM'000** | **31 December 2011 RM'000** | **31 December 2010 RM'000** |
| Net change in cash and cash equivalents | **9,142,978** | (4,612,114) | **9,433,188** | (2,205,748) |
| Cash and cash equivalents at beginning of period * | **37,431,229** | 28,265,858 | **26,998,352** | 19,080,922 |
| Cash and cash equivalents at end of period | **46,574,207** | 23,653,744 | **36,431,540** | 16,875,174 |

Cash and cash equivalents included in the cash flow statements comprise the following amounts in Statements of Financial Position:

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **31 December 2010 RM'000** | **31 December 2011 RM'000** | **31 December 2010 RM'000** |
| Cash and short-term funds | **49,089,088** | 24,599,921 | **35,966,579** | 16,403,255 |
| Deposits with financial institution maturing within 1 month | **53,663** | 499,161 | **464,961** | 471,919 |
| | **49,142,751** | 25,099,082 | **36,431,540** | 16,875,174 |
| Less : Monies held in trusts | **(2,568,544)** | (1,445,338) | **-** | - |
| | **46,574,207** | 23,653,744 | **36,431,540** | 16,875,174 |
| * Cash and cash equivalents at beginning of period | | | | |
| Cash and short term funds as previously reported | **36,899,656** | 28,707,992 | **26,460,197** | 19,403,616 |
| Effects of foreign exchange rate changes | **531,573** | (442,134) | **538,155** | (322,694) |
| As restated | **37,431,229** | 28,265,858 | **26,998,352** | 19,080,922 |

**(These audited condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)**

**(The cash flow statements for the cumulative six months ended 31 December 2010 have not been audited)**

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**Part A: Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134") and Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) Issued by Bank Negara Malaysia**

## A1. Basis of Preparation

The audited condensed interim financial statements for the Group and of the Bank have been prepared under the historical cost convention except for the following assets and liabilities that are stated at fair values: securities held-for-trading and available-for-sale, derivative financial instruments and investment properties.

The audited condensed interim financial statements have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The audited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011. These explanatory notes attached to the audited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2011.

The audited condensed interim financial statements incorporated those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposit and granting of financing under the principles of Shariah.

The significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited annual financial statements for the year ended 30 June 2011 except for adoption of the following Financial Reporting Standards ("FRSs"), Amendments to FRSs, Interpretations of the Issues Committee ("IC Interpretations") and Technical Release ("TR"):

(i) Amendment to FRS 1: First-time Adoption of Financial Reporting Standards, Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters, Additional Exemptions for First-time Adopters.
(ii) Amendments to FRS 2: Group Cash-Settled Share-based Payment Transactions
(iii) Amendments to FRS 3: Business Combinations
(iv) Amendments to FRS 7: Financial Instruments: Disclosures, Improving Disclosures about Financial Instruments
(v) Amendments to FRS 101: Presentation of Financial Statements
(vi) Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates
(vii) Amendments to FRS 128: Investments in Associates
(viii) Amendments to FRS 131: Interests in Joint Ventures
(ix) Amendments to FRS 132: Financial Instruments: Presentation
(x) Amendments to FRS 134: Interim Financial Reporting
(xi) Amendments to FRS 139: Financial Instruments: Recognition and Measurement
(xii) IC Interpretation 4: Determining Whether an Arrangement contains a Lease
(xiii) IC Interpretation 18: Transfers of Assets from Customers
(xiv) IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
(xv) Amendments to IC Interpretation 13: Customer Loyalty Programmes
(xvi) Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
(xvii) TR 3: Guidance on Disclosures of Transition to IFRSs
(xviii) TR i-4: Shariah Compliant Sale Contracts

The adoption of the above new/amendments to FRSs, IC Interpretations and TR did not have any material impact on the accounting policies, financial position or performance of the Group and the Bank, except for the adoption of Amendments to FRS 7: Financial Instruments: Disclosures, Improving Disclosures about Financial Instruments.

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the MFRS Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012.

**A1. Basis of Preparation (cont'd.)**

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will need to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

In addition, the Group has adopted BNM's Revised Guidelines for Profit Equalisation Reserve ("PER") issued on May 2011, (“the Revised Guideline”). The Revised Guideline is effective for financial year beginning 1 July 2011 and is required to be applied prospectively. The Group is in the process of obtaining the required approvals prior to implementing an alternative technique to manage the Displaced Commercial Risk as allowed under the Revised Guideline and currently accounts for PER as follows:

(i) The creation of PER establishes an obligation to manage distribution to the Investment Account Holders ("IAH") from a Shariah perspective. The PER of the IAH is classified as a liability and recognised at cost. The subsequent apportionments of profit to the IAH are recognised in the income statement. The eventual distribution of PER as profit distributable to IAH will be treated as an outflow of funds due to the settlement of obligation to the IAH; and

(ii) The PER of the Islamic Banking Institution ("IBI") is allocated from retained profits and classified as a separate reserve in equity and is non-distributable. Subsequent apportionments from and distributions to retained profits are treated as transfers between reserves.

On 1 July 2011, the Group's subsidiary, Etiqa Takaful Berhad (“ETB”) has also adopted the new Guidelines issued by BNM. All takaful operators licensed under the Takaful Act 1984 are required to adopt these new Guidelines from financial periods beginning on or after 1 July 2011.

One of the new Guidelines include BNM’s Guidelines on Financial Reporting for Takaful Operators (the “FRG”). Certain requirements of the FRG had been early adopted for the financial year ended 30 June 2011 including disclosure requirements stipulated in the new Guidelines.

In addition to the FRG, ETB has also adopted two BNM's Guidelines which stipulate the valuation bases for liabilities of general and family takaful business (collectively known as “Valuation Guidelines”). Amongst the requirements of Valuation Guidelines are relating to the need for takaful operators to recognise expense liabilities pertaining to the Shareholder’s Fund as well as a change in the methodology for the estimation of the actuarial liabilities of the Family Takaful Fund. The management of ETB have determined that the adoption of these new practices and methodologies are changes in accounting policies as defined under FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors and accordingly requires a retrospective adjustment to be applied. However, the Group has adopted these new Valuation Guidelines prospectively as the application of these new Valuation Guidelines did not have a material impact on the financial results of the Group.

The adoption of the above revised and new BNM's Guidelines does not have any material impact on the financial statements of the Group and the Bank, except for the adoption of Revised Guideline on PER which resulted in changes in presentation of PER of the IAH and PER of the IBI.

**A2. Significant Accounting Estimates and Judgements**

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

**A2. Significant Accounting Estimates and Judgements (cont'd.)**

(i) **Fair Value Estimation of Securities Held-for-trading (Note A9(i)), Securities Available-for-sale (Note A9(ii)) and Derivative Financial Instruments (Note A27)**

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 reporting date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows method.

(ii) **Valuation of Investment Properties**

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**

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 growth rate, may significantly affect the results of the impairment.

(iv) **Impairment of Other Intangible Assets**

The Group's and the Bank's intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful life.

The determination of the estimated useful life of these intangible assets requires the Bank's management to analyse the circumstances, the industry and market practice and also to use judgment. At each reporting 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**

(a) **Life Fund**

Liabilities of the life 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 a provision of risk margin for adverse deviation on a 75% confidence level at the overall subsidiary.

(b) **Family Takaful Fund**

Liabilities of the Family Takaful fund is determined based on annual actuarial valuation whereby estimates are made for future deaths, disabilities, maturities, instruments 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. The eventual developments of premium/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.

**A2. Significant Accounting Estimates and Judgements (cont'd.)**

(vi) **Deferred Tax and Income Taxes**

The Group and the Bank are subject to income taxes in many jurisdictions and significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are 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) **Impairment Losses on Loans, Advances and Financing**

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

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), and concentrations of risks (such as the performance of difference individual groups).

(viii) **Impairment of Investments in Subsidiaries and Interests in Associates**

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 reporting date.

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

Judgements made by management in the process of applying the Group's and 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 reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

**A2. Significant Accounting Estimates and Judgements (cont'd.)**

(ix) **Impairment of Securities Portfolio - Available-for-Sale and Held-to-Maturity**

The Group and the Bank review the Securities Portfolio specifically for Available-for-Sale and Held-to-Maturity 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 or triggers such as, among 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 evaluates various factors, such as historical fair value movement and the significant reduction in fair value.

**A3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited annual financial statements for the financial year ended 30 June 2011 was not qualified.

**A4. Seasonal or Cyclical Factors**

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the second quarter and financial period ended 31 December 2011.

**A5. Unusual Items Due to Their Nature, Size or Incidence**

During the second quarter and financial period ended 31 December 2011, save as disclosed in Note A7, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank.

**A6. Changes in Estimates**

There were no material changes in estimates during the second quarter and financial period ended 31 December 2011.

## A7. Changes in Debt and Equity Securities

Save as disclosed below, there were no cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Group and Bank.

(a) **Issuance of Shares**

The issued and paid-up share capital of the Bank was increased from RM7,478,206,067 as at 30 June 2011 to RM7,639,437,483 as at 31 December 2011 via:

(i) issuance of 10,000 new ordinary shares of RM1 each for cash, to eligible persons who exercised their options under the current Maybank Group Employees' Share Scheme ("ESS") which commenced on 23 June 2011, for a period of 7 years.

(ii) issuance of 161,221,416 new ordinary shares of RM1 each arising from the Dividend Reinvestment Plan (“DRP”) relating to the final dividend of 32 sen less 25% taxation in respect of financial year ended 30 June 2011.

(b) **Issuance of Subordinated Notes under a subordinated note programme of up to RM3.0 billion in nominal value**

(i) On 15 August 2011, Maybank has successfully completed the issuance of RM2.0 billion Tier 2 Capital Subordinated Notes.

(ii) On 28 December 2011, Maybank has successfully completed the subsequent issuance of RM1.0 billion Tier 2 Capital Subordinated Notes. The Subordinated Notes issued comprise the following tranches:

- RM750.0 million of Subordinated Notes with tenure of 10 years on a 10 non-callable 5 basis (“Tranche 1”); and
- RM250.0 million of Subordinated Notes with tenure of 12 years on a 12 non-callable 7 basis (“Tranche 2”).

(c) **Issuance of subordinated bonds, medium term notes and borrowings by PT Bank Internasional Indonesia and its subsidiaries**

During the financial period ended 31 December 2011, PT Bank Internasional Indonesia ("BII") and its subsidiaries, the subsidiaries of Maybank, had issued subordinate bonds, bonds, medium term notes and borrowings amounting to approximately RM938.3 million. The proceeds from such issuances were used by BII and its subsidiaries for its working capital purposes.

(d) **Issuance of Fixed Rate Notes of HKD572.0 million under the USD2.0 billion Multicurrency Medium Term Note Programme**

On 7 December 2011, Maybank has successfully completed the issuance of HKD572.0 million Fixed Rate Notes in nominal value under the USD2.0 billion Multicurrency Medium Term Note Programme.

(e) **Issuance of Fixed Rate Notes of JPY10.0 billion under the USD2.0 billion Multicurrency Medium Term Note Programme**

On 22 December 2011, Maybank has successfully completed the issuance of JPY10.0 billion Fixed Rate Notes in nominal value under the USD2.0 billion Multicurrency Medium Term Note Programme.

## A8. Dividends Paid

(a) Dividend paid during the financial period ended 31 December 2011 are as follows:

During the Annual General Meeting held on 29 September 2011, a final dividend in respect of the financial year ended 30 June 2011 of 32 sen per share less 25% taxation, was approved by the shareholders.

The dividend consists of cash portion of 4 sen (net 3 sen) per ordinary share to be paid in cash amounting to RM224,346,482 and an electable portion of 28 sen (net 21 sen) per ordinary share amounting to RM1,570,425,374 which could be elected to be reinvested in new Maybank shares in accordance with the Dividend Reinvestment Plan ("DRP").

The payment date for cash dividends and crediting of shares under the DRP was completed on 28 December 2011.

(b) Dividends paid by Maybank's subsidiaries to non-controlling interest amounting to RM3,332,000 during the financial period ended 31 December 2011.

## A9. Securities Portfolio

| | Note | Group 31 December 2011 RM'000 | Group 30 June 2011 RM'000 | Bank 31 December 2011 RM'000 | Bank 30 June 2011 RM'000 |
|---|---|---|---|---|---|
| Securities held-for-trading | (i) | **9,665,997** | 4,141,978 | **7,325,466** | 2,884,895 |
| Securities available-for-sale | (ii) | **48,504,468** | 47,258,558 | **39,618,975** | 40,262,042 |
| Securities held-to-maturity | (iii) | **9,880,899** | 9,638,714 | **8,804,797** | 8,339,494 |
| | | **68,051,364** | 61,039,250 | **55,749,238** | 51,486,431 |
| **(i) Securities Held-for-trading** | | | | | |
| **At Fair value** | | | | | |
| **Money market instruments:-** | | | | | |
| Malaysian Government Securities | | **572,088** | 311,479 | **572,088** | 311,479 |
| Malaysian Government Treasury Bills | | **24,109** | 111,888 | **24,109** | 111,888 |
| Malaysian Government Investment Issues | | **266,872** | 50,537 | **51,160** | 20,256 |
| Bank Negara Malaysia Bills and Notes | | **1,476,873** | 3,658 | **1,476,873** | 3,658 |
| Khazanah Bonds | | **407,614** | 59,953 | **407,614** | 59,953 |
| Bank Negara Malaysia Monetary Notes | | **4,351,525** | 251,412 | **2,468,677** | 9,060 |
| Foreign Government Treasury Bills | | **23,738** | 155,361 | **-** | 155,360 |
| Foreign Government Securities | | **313,489** | 315,915 | **-** | - |
| Foreign Certificates of Deposits | | **145,985** | 240,590 | **-** | - |
| Cagamas Bonds | | **20,146** | - | **20,146** | - |
| Negotiable Instruments of Deposits | | **-** | - | **610,093** | - |
| Sukuk Bank Negara Malaysia Ijarah | | **116,331** | - | **-** | - |
| | | **7,718,770** | 1,500,793 | **5,630,760** | 671,654 |
| **Quoted securities:** | | | | | |
| Shares | | **216,787** | 358,871 | **4,815** | 12,104 |
| | | **216,787** | 358,871 | **4,815** | 12,104 |
| **Unquoted securities:** | | | | | |
| Private and Islamic Debt Securities in Malaysia | | **1,384,432** | 1,109,414 | **1,384,432** | 1,109,414 |
| Foreign Government Bonds | | **3,239** | - | **-** | - |
| Foreign Private Debt Securities | | **333,150** | 1,172,900 | **295,840** | 1,091,723 |
| Malaysia Global Sukuk | | **9,619** | - | **9,619** | - |
| | | **1,730,440** | 2,282,314 | **1,689,891** | 2,201,137 |
| **Total securities held-for-trading** | | **9,665,997** | 4,141,978 | **7,325,466** | 2,884,895 |
| **(ii) Securities Available-for-sale** | | | | | |
| **At Fair value, or at cost less impairment losses for certain unquoted equity instruments** | | | | | |
| **Money market instruments:-** | | | | | |
| Malaysian Government Securities | | **2,242,451** | 3,750,910 | **2,169,811** | 3,679,217 |
| Sukuk Bank Negara Malaysia Ijarah | | **11,132** | 11,104 | **-** | - |
| Cagamas Bonds | | **1,588,212** | 1,526,312 | **1,438,321** | 1,342,316 |
| Foreign Government Securities | | **7,743,133** | 9,053,992 | **5,414,453** | 6,751,494 |
| Malaysian Government Investment Issues | | **5,021,404** | 7,070,669 | **1,951,840** | 3,349,048 |
| Foreign Government Treasury Bills | | **4,092,851** | 1,157,497 | **3,720,121** | 842,567 |
| Negotiable Instruments of Deposits | | **1,589,712** | 775,683 | **3,907,136** | 4,798,186 |
| Bankers' Acceptances and Islamic Accepted Bills | | **1,502,726** | 588,285 | **1,498,610** | 367,352 |
| Khazanah Bonds | | **1,532,266** | 1,173,829 | **1,212,374** | 867,407 |
| | | **25,323,887** | 25,108,281 | **21,312,666** | 21,997,587 |

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **30 June 2011 RM'000** | **31 December 2011 RM'000** | **30 June 2011 RM'000** |
| **A9. Securities Portfolio (cont'd.)** | | | | |
| **(ii) Securities Available-for-sale (cont'd.)** | | | | |
| **Quoted Securities: -** | | | | |
| In Malaysia: | | | | |
| Shares, Warrants, Trust Units and Loan Stocks | **352,034** | 406,380 | **84,100** | 104,814 |
| Outside Malaysia: | | | | |
| Shares, Warrants, Trust Units and Loan Stocks | **321,925** | 311,845 | **18,766** | 18,722 |
| | **673,959** | 718,225 | **102,866** | 123,536 |
| **Unquoted Securities:-** | | | | |
| Shares, trust units and loan stocks in Malaysia | **635,871** | 571,573 | **369,359** | 376,358 |
| Shares, trust units and loan stocks outside Malaysia | **35,055** | 36,112 | **13,599** | 13,908 |
| Private and Islamic Debt Securities in Malaysia | **10,046,084** | 9,791,228 | **7,223,992** | 7,633,368 |
| Malaysian Government Bonds | **6,633** | 135,336 | **6,633** | 135,336 |
| Foreign Government Bonds | **880,538** | 1,329,748 | **786,558** | 1,248,718 |
| Foreign Private and Islamic Debt Securities | **10,549,662** | 9,284,751 | **9,683,921** | 8,612,607 |
| Credit Linked Notes | **-** | 75,439 | **-** | 75,439 |
| Malaysia Global Sukuk | **306,085** | 162,485 | **119,381** | 45,185 |
| Structured Deposits | **46,694** | 45,380 | **-** | - |
| | **22,506,622** | 21,432,052 | **18,203,443** | 18,140,919 |
| **Total securities available-for-sale** | **48,504,468** | 47,258,558 | **39,618,975** | 40,262,042 |
| **(iii) Securities Held-To-Maturity** | | | | |
| **At Amortised cost less impairment losses** | | | | |
| **Money market instruments:-** | | | | |
| Malaysian Government Securities | **6,235,270** | 6,275,068 | **6,235,162** | 6,274,961 |
| Cagamas Bonds | **-** | 11,738 | **-** | 11,738 |
| Foreign Government Securities | **795,114** | 801,772 | **-** | - |
| Malaysian Government Investment Issues | **495,392** | 495,864 | **353,843** | 353,971 |
| Khazanah Bonds | **196,528** | 17,362 | **196,528** | 17,362 |
| | **7,722,304** | 7,601,804 | **6,785,533** | 6,658,032 |
| **Unquoted Securities:-** | | | | |
| Private and Islamic Debt Securities in Malaysia | **1,641,842** | 1,451,903 | **1,611,474** | 1,421,871 |
| Malaysian Government Bonds | **-** | 6,056 | **-** | 6,056 |
| Foreign Government Bonds | **176,222** | 49,438 | **175,929** | 49,162 |
| Foreign Islamic Private Debt Securities | **354,529** | 558,757 | **245,859** | 233,616 |
| Others | **2,044** | 2,044 | **2,044** | 2,044 |
| | **2,174,637** | 2,068,198 | **2,035,306** | 1,712,749 |
| Accumulated impairment losses | **(16,042)** | (31,288) | **(16,042)** | (31,287) |
| **Total securities held-to-maturity** | **9,880,899** | 9,638,714 | **8,804,797** | 8,339,494 |

## A10. Loans, Advances and Financing

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011** | **30 June 2011** | **31 December 2011** | **30 June 2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At amortised cost** | | | | |
| Overdrafts | **15,951,027** | 15,602,979 | **11,081,901** | 11,130,114 |
| Term loans | | | | |
| - Housing loans/financing | **50,570,121** | 42,588,643 | **40,273,945** | 33,710,861 |
| - Syndicated loan/financing | **19,728,351** | 16,156,890 | **16,120,492** | 13,020,361 |
| - Hire purchase receivables | **48,099,062** | 46,847,564 | **23,931,788** | 23,088,371 |
| - Lease receivables | **3,819** | 4,495 | **3,270** | 3,264 |
| - Other loans/financing | **116,491,349** | 107,382,363 | **65,721,789** | 62,659,172 |
| Credit card receivables | **6,214,321** | 5,773,326 | **5,296,328** | 4,863,738 |
| Bills receivable | **5,370,780** | 4,069,296 | **5,343,156** | 4,038,085 |
| Trust receipts | **2,556,914** | 2,394,297 | **2,092,697** | 1,976,949 |
| Claims on customers under acceptance credits | **11,367,524** | 12,201,913 | **7,859,708** | 8,554,699 |
| Loans/financing to banks and other financial institutions | **6,329,311** | 6,714,542 | **6,183,626** | 7,255,622 |
| Revolving credits | **27,084,954** | 25,876,169 | **17,379,831** | 18,392,134 |
| Staff loans | **1,608,343** | 1,976,167 | **957,077** | 1,001,750 |
| Loans to | | | | |
| - Executive directors of subsidiaries | **2,957** | 3,416 | **159** | 123 |
| Others | **1,807,604** | 1,764,438 | **-** | - |
| | **313,186,437** | 289,356,498 | **202,245,767** | 189,695,243 |
| Unearned interest and income | **(31,773,463)** | (28,176,735) | **(2,871,895)** | (2,826,729) |
| Gross loans, advances and financing | **281,412,974** | 261,179,763 | **199,373,872** | 186,868,514 |
| Allowances for impaired loans and financing: | | | | |
| - individual | **(2,812,309)** | (2,932,129) | **(2,102,421)** | (2,115,897) |
| - collective | **(4,169,974)** | (4,271,208) | **(3,097,366)** | (3,179,773) |
| Net loans, advances and financing | **274,430,691** | 253,976,426 | **194,174,085** | 181,572,844 |

### (i) By type of customer

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011** | **30 June 2011** | **31 December 2011** | **30 June 2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Domestic banking institutions | **57,323** | 55,896 | **57,323** | 55,896 |
| Domestic non-bank financial institutions | | | | |
| - Stockbroking companies | **815** | 664 | **815** | 664 |
| - Others | **18,949,977** | 17,648,972 | **13,350,685** | 13,026,400 |
| Domestic business enterprise | | | | |
| - Small and medium enterprise | **54,048,038** | 45,677,647 | **45,245,694** | 39,498,099 |
| - Others | **55,456,073** | 57,198,653 | **36,419,915** | 38,861,878 |
| Government and statutory bodies | **2,890,246** | 2,973,103 | **2,525,386** | 2,638,335 |
| Individuals | **125,454,869** | 119,733,544 | **83,227,586** | 79,854,546 |
| Other domestic entities | **1,769,201** | 1,785,113 | **504,713** | 497,646 |
| Foreign entities | **22,786,432** | 16,106,171 | **18,041,755** | 12,435,050 |
| Gross loans, advances and financing | **281,412,974** | 261,179,763 | **199,373,872** | 186,868,514 |

**A10. Loans, Advances and Financing (cont'd.)**

**(ii) By geographical distribution**

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **30 June 2011 RM'000** | **31 December 2011 RM'000** | **30 June 2011 RM'000** |
| Malaysia | **177,833,498** | 169,773,543 | **127,349,799** | 123,380,078 |
| Singapore | **60,758,571** | 54,830,450 | **60,335,903** | 54,283,692 |
| Indonesia | **24,027,545** | 21,328,288 | **-** | - |
| Hong Kong SAR | **6,507,669** | 4,471,402 | **6,405,881** | 4,347,640 |
| Labuan offshore | **4,486,178** | 3,875,185 | **-** | - |
| Philippines | **1,856,284** | 1,419,000 | **-** | - |
| United Kingdom | **1,364,150** | 1,357,952 | **1,364,150** | 1,357,952 |
| United States of America | **1,105,244** | 1,176,644 | **1,105,244** | 1,176,644 |
| People's Republic of China | **1,209,861** | 986,362 | **1,209,861** | 986,362 |
| Vietnam | **556,362** | 524,916 | **556,362** | 524,916 |
| Cambodia | **534,861** | 425,790 | **534,861** | 425,790 |
| Bahrain | **346,415** | 226,106 | **346,415** | 226,106 |
| Brunei | **165,396** | 159,334 | **165,396** | 159,334 |
| Papua New Guinea | **128,380** | 115,297 | **-** | - |
| Thailand | **502,706** | 466,214 | **-** | **-** |
| Others | **29,854** | 43,280 | **-** | **-** |
| Gross loans, advances and financing | **281,412,974** | 261,179,763 | **199,373,872** | 186,868,514 |

**(iii) By interest/profit rate sensitivity**

| | | | | |
|---|---|---|---|---|
| Fixed rate | | | | |
| - Housing loans/financing | **12,152,191** | 11,855,759 | **9,183,813** | 9,147,350 |
| - Hire purchase receivables | **36,660,189** | 35,588,698 | **20,769,134** | 19,968,614 |
| - Other fixed rate loans/financing | **45,564,837** | 45,359,517 | **35,089,279** | 35,226,310 |
| Variable rate | | | | |
| - Base lending rate plus | **100,064,634** | 94,310,265 | **81,819,101** | 78,337,866 |
| - Cost plus | **34,915,664** | 31,832,925 | **31,101,405** | 27,507,286 |
| - Other variable rates | **52,055,459** | 42,232,599 | **21,411,140** | 16,681,088 |
| Gross loans, advances and financing | **281,412,974** | 261,179,763 | **199,373,872** | 186,868,514 |

**A10. Loans, Advances and Financing (cont'd.)**

**(iv) Total loans by economic purpose**

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **30 June 2011 RM'000** | **31 December 2011 RM'000** | **30 June 2011 RM'000** |
| Purchase of securities | **21,804,073** | 20,743,919 | **12,548,429** | 11,575,901 |
| Purchase of transport vehicles | **41,511,231** | 39,687,127 | **20,508,025** | 19,967,508 |
| - Less: Islamic loans sold to Cagamas | **(1,499,270)** | (682,679) | **-** | - |
| Purchase of landed properties | | | | |
| - Residential | **51,419,270** | 46,621,777 | **41,539,480** | 38,190,785 |
| - Non-residential | **17,500,708** | 14,623,280 | **15,777,574** | 13,435,251 |
| Purchase of fixed assets (exclude landed properties) | **4,005,398** | 2,966,538 | **3,994,116** | 2,963,248 |
| Personal use | **7,182,915** | 6,362,067 | **6,093,855** | 5,456,581 |
| Credit card | **6,261,455** | 5,772,335 | **5,339,988** | 4,874,082 |
| Purchase of consumer durables | **286,319** | 254,744 | **286,316** | 254,744 |
| Construction | **13,626,455** | 13,861,422 | **10,687,729** | 11,526,219 |
| Merger and acquisition | **72,367** | 52,405 | **72,367** | 52,405 |
| Working capital | **104,214,753** | 96,753,084 | **74,583,152** | 71,342,270 |
| Others | **15,027,300** | 14,163,744 | **7,942,841** | 7,229,520 |
| Gross loans, advances and financing | **281,412,974** | 261,179,763 | **199,373,872** | 186,868,514 |

**(v) The maturity structure of the loans, advances and financing are as follows:**

| | | | | |
|---|---|---|---|---|
| Maturing within one year | **79,432,121** | 75,170,061 | **60,875,951** | 58,385,457 |
| One year to three years | **34,309,197** | 27,181,422 | **23,473,618** | 17,817,419 |
| Three years to five years | **37,591,705** | 35,685,924 | **23,458,349** | 22,244,753 |
| After five years | **130,079,951** | 123,142,356 | **91,565,954** | 88,420,885 |
| Gross loans, advances and financing | **281,412,974** | 261,179,763 | **199,373,872** | 186,868,514 |

**A10. Loans, Advances and Financing (cont'd.)**

**(vi) Movements in impaired loans, advances and financing ("impaired loans") are as follows:**

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **30 June 2011 RM'000** | **31 December 2011 RM'000** | **30 June 2011 RM'000** |
| At beginning of the period/year | **8,756,862** | 9,958,863 | **6,377,496** | 7,828,774 |
| Impaired during the period/year | **2,628,313** | 5,929,985 | **1,647,483** | 3,211,874 |
| Reclassified as non-impaired | **(1,087,435)** | (2,730,159) | **(657,256)** | (1,677,728) |
| Recovered during the period/year | **(1,383,829)** | (2,004,428) | **(635,858)** | (1,420,027) |
| Amount written off | **(997,038)** | (2,610,648) | **(560,393)** | (1,624,278) |
| Converted to securities | **(9,327)** | (37,863) | **(9,327)** | (37,863) |
| Exchange differences and expenses debited | **106,025** | 89,751 | **83,691** | 96,744 |
| Acquisition of subsidiaries | **22,474** | 161,361 | **-** | - |
| At end of the period/year | **8,036,045** | 8,756,862 | **6,245,836** | 6,377,496 |
| Less: Individual allowance on impaired loans | **(2,812,309)** | (2,932,129) | **(2,102,421)** | (2,115,897) |
| Net impaired loans, advances and financing | **5,223,736** | 5,824,733 | **4,143,415** | 4,261,599 |
| Ratio of net impaired loans | **1.86%** | 2.25% | **2.10%** | 2.31% |

**(vii) Impaired loans, advances and financing by economic purpose are as follows:**

| | | | | |
|---|---|---|---|---|
| Purchase of securities | **101,559** | 116,667 | **67,796** | 82,257 |
| Purchase of transport vehicles | **231,073** | 276,671 | **112,702** | 111,271 |
| Purchase of landed properties | | | | |
| - Residential | **1,038,738** | 1,277,777 | **869,346** | 1,058,965 |
| - Non-residential | **201,064** | 290,538 | **181,813** | 264,828 |
| Personal use | **114,208** | 126,271 | **97,976** | 111,542 |
| Credit card | **90,160** | 77,764 | **64,708** | 53,642 |
| Purchase of consumer durables | **1,165** | 1,163 | **1,162** | 1,159 |
| Construction | **540,445** | 523,361 | **428,638** | 433,545 |
| Working capital | **4,794,683** | 5,575,238 | **3,889,018** | 3,996,647 |
| Others | **922,950** | 491,412 | **532,677** | 263,640 |
| | **8,036,045** | 8,756,862 | **6,245,836** | 6,377,496 |

**A10. Loans, Advances and Financing (cont'd.)**

**(viii) Impaired loans, advances and financing by geographical distribution are as follows:**

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **30 June 2011 RM'000** | **31 December 2011 RM'000** | **30 June 2011 RM'000** |
| Malaysia | **6,308,041** | 6,712,570 | **5,482,340** | 5,769,484 |
| Singapore | **379,834** | 330,730 | **312,294** | 242,169 |
| Indonesia | **538,420** | 874,375 | **-** | - |
| Labuan Offshore | **230,647** | 351,094 | **-** | - |
| Hong Kong SAR | **72,093** | 85,675 | **71,228** | 84,853 |
| Brunei | **768** | 2,613 | **768** | 2,613 |
| Vietnam | **80,335** | 75,692 | **80,335** | 75,692 |
| United Kingdom | **215,719** | 141,478 | **215,719** | 141,478 |
| People's Republic of China | **5,932** | - | **5,932** | - |
| Cambodia | **18,602** | 12,499 | **18,602** | 12,499 |
| Philippines | **73,677** | 50,733 | **-** | - |
| Bahrain | **58,618** | 48,708 | **58,618** | 48,708 |
| Thailand | **25,672** | 28,953 | **-** | - |
| Others | **27,687** | 41,742 | **-** | - |
| | **8,036,045** | 8,756,862 | **6,245,836** | 6,377,496 |

**(ix) Movements in the allowances for impaired loans, advances and financing are as follows:**

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **30 June 2011 RM'000** | **31 December 2011 RM'000** | **30 June 2011 RM'000** |
| Individual Allowance | | | | |
| At beginning of the period/year | **2,932,129** | 3,981,073 | **2,115,897** | 2,909,013 |
| Allowance made during the period/year | **535,890** | 651,725 | **464,602** | 471,883 |
| Amount written back | **(296,458)** | (291,066) | **(192,817)** | (207,265) |
| Transferred to impairment losses in securities | **(9,327)** | (51,475) | **(9,327)** | (51,475) |
| Amount written off | **(364,074)** | (1,185,904) | **(269,614)** | (936,464) |
| Transferred to collective allowance | **(15,628)** | (173,038) | **(14,411)** | (57,227) |
| Acquisition of subsidiaries | **20,553** | 50,315 | **-** | - |
| Exchange differences | **9,224** | (49,501) | **8,091** | (12,568) |
| At end of the period/year | **2,812,309** | 2,932,129 | **2,102,421** | 2,115,897 |
| Collective Allowance | | | | |
| At beginning of the period/year | **4,271,208** | 4,741,229 | **3,179,773** | 3,665,506 |
| Allowance made during the period/year | **504,176** | 774,955 | **187,383** | 117,091 |
| Amount written back | **(306)** | (42) | **-** | - |
| Transferred from impairment losses in securities | **-** | 13,612 | **-** | 13,612 |
| Amount written off | **(632,964)** | (1,424,744) | **(290,779)** | (687,814) |
| Transferred from individual allowance | **15,628** | 173,038 | **14,411** | 57,227 |
| Exchange differences | **12,232** | (6,840) | **6,578** | 14,151 |
| At end of the period/year | **4,169,974** | 4,271,208 | **3,097,366** | 3,179,773 |
| As as percentage of gross loans, advances and financing (including Islamic Loans sold to Cagamas), less individual allowance | **1.49%** | 1.65% | **1.57%** | 1.72% |

## A11. Other Assets

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **30 June 2011 RM'000** | **31 December 2011 RM'000** | **30 June 2011 RM'000** |
| Other debtors | **4,306,187** | 3,643,484 | **2,015,839** | 1,146,591 |
| Amount due from brokers and clients | **1,131,928** | 2,016,672 | - | - |
| Development properties | **448,015** | 345,616 | - | - |
| Prepayments and deposits | **461,199** | 330,525 | **87,130** | 71,098 |
| Tax recoverable | **200,325** | 274,266 | **97,337** | 159,874 |
| Foreclosed properties | **113,651** | 124,959 | **40,127** | 42,802 |
| | **6,661,305** | 6,735,522 | **2,240,433** | 1,420,365 |

## A12. Deposits from Customers

### (i) By type of deposit

| | | | | |
|---|---|---|---|---|
| Fixed deposits and negotiable instruments of deposits | | | | |
| - One year or less | **174,467,186** | 147,568,388 | **110,905,963** | 94,306,204 |
| - More than one year | **8,025,679** | 5,307,137 | **7,405,262** | 4,547,863 |
| | **182,492,865** | 152,875,525 | **118,311,225** | 98,854,067 |
| Money market deposits | **24,001,969** | 24,614,815 | **24,001,969** | 24,614,815 |
| Savings deposits | **47,084,107** | 44,128,596 | **33,362,552** | 32,024,849 |
| Demand deposits | **58,040,842** | 57,696,718 | **45,329,984** | 43,853,536 |
| Structured deposits * | **2,089,997** | 2,660,725 | **1,889,563** | 2,118,141 |
| | **313,709,780** | 281,976,379 | **222,895,293** | 201,465,408 |

* Structured deposits represent foreign currency time deposits with embedded foreign exchange option and commodity-linked time deposits

### (ii) By type of customer

| | | | | |
|---|---|---|---|---|
| Business enterprises | **145,925,810** | 125,471,400 | **102,072,245** | 88,232,244 |
| Individuals | **134,090,970** | 123,589,127 | **104,366,059** | 96,557,071 |
| Government and statutory bodies | **11,079,037** | 10,418,229 | **3,605,807** | 3,464,642 |
| Others | **22,613,963** | 22,497,623 | **12,851,182** | 13,211,451 |
| | **313,709,780** | 281,976,379 | **222,895,293** | 201,465,408 |

### (iii) The maturity structure of fixed deposits and negotiable instruments of deposits are as follows:

| | | | | |
|---|---|---|---|---|
| Due within six months | **146,602,625** | 121,375,160 | **88,693,115** | 70,896,420 |
| Six months to one year | **27,864,561** | 26,193,228 | **22,212,848** | 23,409,784 |
| One year to three years | **7,561,996** | 4,876,438 | **7,252,759** | 4,414,265 |
| Three years to five years | **457,574** | 424,590 | **152,503** | 133,598 |
| After five years | **6,109** | 6,109 | **-** | - |
| | **182,492,865** | 152,875,525 | **118,311,225** | 98,854,067 |

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM'000** | **30 June 2011 RM'000** | **31 December 2011 RM'000** | **30 June 2011 RM'000** |
| **A13. Deposits and Placements of Banks and Other Financial Institutions** | | | | |
| Licensed banks | **33,009,801** | 23,712,986 | **32,320,588** | 24,816,195 |
| Licensed finance companies | **219,805** | 41,326 | **181,228** | 30,652 |
| Licensed investment banks | **527,377** | 429,662 | **527,377** | 429,663 |
| Other financial institutions | **3,003,995** | 9,119,681 | **2,526,399** | 6,165,165 |
| | **36,760,978** | 33,303,655 | **35,555,592** | 31,441,675 |
| Maturity structure of deposits and placements of banks and other financial institutions | | | | |
| - One year or less | **35,088,093** | 27,731,454 | **34,036,472** | 26,060,606 |
| - More than one year | **1,672,885** | 5,572,201 | **1,519,120** | 5,381,069 |
| | **36,760,978** | 33,303,655 | **35,555,592** | 31,441,675 |
| **A14. Borrowings, Subordinated Obligations and Capital Securities** | | | | |
| (i) Borrowings | | | | |
| Secured | | | | |
| - less than one year | **599,246** | 727,523 | **-** | - |
| - more than one year | **959,559** | 666,667 | **-** | - |
| | **1,558,805** | 1,394,190 | **-** | - |
| Unsecured | | | | |
| - less than one year | **812,876** | 630,446 | **95,501** | 120,920 |
| - more than one year | **4,813,549** | 3,422,484 | **4,112,781** | 3,299,579 |
| | **5,626,425** | 4,052,930 | **4,208,282** | 3,420,499 |
| | **7,185,230** | 5,447,120 | **4,208,282** | 3,420,499 |
| (ii) Subordinated obligations | | | | |
| Unsecured | | | | |
| - more than one year | **14,160,553** | 10,800,539 | **12,574,919** | 9,509,786 |
| (iii) Capital Securities | | | | |
| Unsecured | | | | |
| - more than one year | **6,113,761** | 6,120,774 | **6,113,761** | 6,120,774 |
| **A15. Other Liabilities** | | | | |
| Due to brokers and clients | **3,692,268** | 4,200,630 | **-** | - |
| Deposits and other creditors | **3,608,396** | 3,870,733 | **4,958,097** | 2,631,835 |
| Provisions and accruals | **2,417,181** | 2,356,192 | **1,393,081** | 1,608,321 |
| Provision for outstanding claims | **488,658** | 464,123 | **-** | - |
| Unearned premium reserves | **310,139** | 324,929 | **-** | - |
| Profit equalisation reserves | **59,852** | 95,247 | **-** | - |
| | **10,576,494** | 11,311,854 | **6,351,178** | 4,240,156 |

## A16. Interest Income

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | 31 December 2011 RM'000 | 31 December 2010 RM'000 | 31 December 2011 RM'000 | 31 December 2010 RM'000 |
| **Group** | | | | |
| Loans, advances and financing | **2,946,476** | 2,340,536 | **5,630,652** | 4,692,745 |
| Money at call and deposit placements with financial institutions | **174,201** | 119,846 | **321,898** | 196,531 |
| Securities purchased under resale agreements | **1,189** | 2,774 | **2,529** | 4,630 |
| Securities held-for-trading | **31,894** | 22,944 | **64,105** | 41,070 |
| Securities available-for-sale | **360,837** | 383,373 | **753,393** | 760,735 |
| Securities held-to-maturity | **115,340** | 109,157 | **225,376** | 216,987 |
| | **3,629,937** | 2,978,630 | **6,997,953** | 5,912,698 |
| Amortisation of premium less accretion of discounts | **21,748** | 1,023 | **6,366** | (14,370) |
| Net interest income clawed back/suspended | **-** | 10,359 | **-** | - |
| | **3,651,685** | 2,990,012 | **7,004,319** | 5,898,328 |
| **Bank** | | | | |
| Loans, advances and financing | **2,209,454** | 1,741,910 | **4,187,422** | 3,488,116 |
| Money at call and deposit placements with financial institutions | **130,469** | 94,056 | **243,430** | 182,159 |
| Securities purchased under resale agreements | **78** | 2 | **141** | 10 |
| Securities held-for-trading | **33,665** | 18,915 | **65,233** | 33,618 |
| Securities available-for-sale | **314,366** | 341,710 | **662,867** | 670,813 |
| Securities held-to-maturity | **101,135** | 93,368 | **196,742** | 183,929 |
| | **2,789,167** | 2,289,961 | **5,355,835** | 4,558,645 |
| Amortisation of premium less accretion of discounts | **20,383** | (394) | **3,746** | (16,682) |
| Net interest income clawed back/suspended | **-** | 10,359 | **-** | - |
| | **2,809,550** | 2,299,926 | **5,359,581** | 4,541,963 |

## A17. Interest Expense

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| **Group** | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits and placements of banks and other financial institutions | **113,617** | 85,856 | **219,732** | 155,710 |
| Deposits from customers | **1,088,026** | 872,103 | **2,169,377** | 1,692,496 |
| Loans sold to Cagamas | **-** | 239 | **-** | 1,121 |
| Floating rate certificates of deposits | **807** | 419 | **1,617** | 928 |
| Borrowings | **78,977** | 54,242 | **153,233** | 102,502 |
| Subordinated notes | **78,839** | 33,421 | **146,823** | 66,898 |
| Subordinated bonds | **34,481** | 40,606 | **67,852** | 85,680 |
| Capital Securities | **100,832** | 100,129 | **201,406** | 199,701 |
| Net interest on derivatives | **3,439** | (10,230) | **18,001** | 5,525 |
| | **1,499,018** | 1,176,785 | **2,978,041** | 2,310,561 |
| **Bank** | | | | |
| Deposits and placements of banks and other financial institutions | **110,951** | 85,349 | **218,732** | 147,175 |
| Deposits from customers | **813,326** | 628,661 | **1,589,815** | 1,232,957 |
| Loans sold to Cagamas | **-** | 239 | **-** | 1,121 |
| Floating rate certificates of deposits | **807** | 419 | **1,617** | 928 |
| Borrowings | **13,178** | 7,717 | **24,094** | 10,412 |
| Subordinated notes | **78,839** | 33,421 | **146,823** | 66,898 |
| Subordinated bonds | **33,979** | 40,606 | **67,852** | 85,680 |
| Capital Securities | **100,832** | 100,129 | **201,406** | 199,701 |
| Net interest on derivatives | **(3,660)** | (13,259) | **3,373** | (596) |
| | **1,148,252** | 883,282 | **2,253,712** | 1,744,276 |

## A18. Non-interest Income

| | | | | |
|---|---|---|---|---|
| **Group** | | | | |
| (a) Fee income: | | | | |
| Commission | **204,910** | 172,831 | **391,696** | 338,856 |
| Service charges and fees | **244,202** | 278,754 | **595,097** | 532,181 |
| Underwriting fees | **9,558** | 10,805 | **18,087** | 14,760 |
| Brokerage income | **116,580** | 35,704 | **277,187** | 63,542 |
| Other loans related fee income | **132,261** | 143,664 | **285,072** | 280,876 |
| | **707,511** | 641,758 | **1,567,139** | 1,230,215 |
| (b) Net gain/(loss) arising from: | | | | |
| Sale of securities held-for trading | **(4,982)** | (2,256) | **17,858** | 22,135 |
| Sale of securities available-for-sale | **70,499** | 148,969 | **271,636** | 253,680 |
| Redemption of securities held-to-maturity | **133** | 469 | **132** | 461 |
| Net gain from sale of associate company | **30,274** | - | **30,274** | - |
| Net gain from sale of subsidiary company | **(7)** | - | **2,052** | - |
| | **95,917** | 147,182 | **321,952** | 276,276 |
| (c) Gross dividend from securities portfolio | **11,157** | 3,559 | **19,780** | 13,164 |
| (d) Unrealised gain/(loss) on revaluation of: | | | | |
| - securities held-for-trading | **22,039** | (52,361) | **(52,564)** | (37,965) |
| - derivatives | **(13,188)** | 66,049 | **(241,409)** | 237,733 |
| | **8,851** | 13,688 | **(293,973)** | 199,768 |
| (e) Other income: | | | | |
| Foreign exchange profit | **230,374** | 185,116 | **529,283** | 179,884 |
| Rental income | **4,987** | 5,661 | **10,681** | 12,218 |
| (Loss)/Gain on disposal of property and equipment (net) | **(542)** | 1,279 | **4,998** | 4,819 |
| Gain on disposal of foreclosed properties | **373** | 849 | **782** | 1,291 |
| Sale of development properties | **11,805** | - | **53,560** | - |
| Others | **81,045** | 35,856 | **159,978** | 71,516 |
| | **328,042** | 228,761 | **759,282** | 269,728 |
| Total non-interest income | **1,151,478** | 1,034,948 | **2,374,180** | 1,989,151 |

**A18. Non-interest Income (cont'd.)**

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| **Bank** | RM'000 | RM'000 | RM'000 | RM'000 |
| (a) Fee income: | | | | |
| Commission | **176,825** | 151,837 | **338,033** | 298,692 |
| Service charges and fees | **150,985** | 201,484 | **383,132** | 394,144 |
| Underwriting fees | **7,773** | 3,893 | **13,399** | 6,511 |
| Brokerage income | **3** | 12 | **649** | 209 |
| Other loans related fee income | **50,383** | 33,804 | **99,374** | 61,645 |
| | **385,969** | 391,030 | **834,587** | 761,201 |
| (b) Net gain/(loss) arising from: | | | | |
| Sale of securities held-for trading | **(661)** | 159 | **23,872** | 17,089 |
| Sale of securities available-for-sale | **71,550** | 129,257 | **249,361** | 214,692 |
| Gain on disposal and liquidation of subsidiaries | **210** | - | **210** | 595 |
| Redemption of securities held-to-maturity | **133** | 469 | **132** | 461 |
| | **71,232** | 129,885 | **273,575** | 232,837 |
| (c) Gross dividend income from: | | | | |
| Securities portfolio | **7,610** | 2,223 | **9,111** | 7,682 |
| Subsidiary companies | **46,134** | 186,547 | **358,026** | 186,547 |
| Associated companies | **-** | - | **5,231** | 5,913 |
| | **53,744** | 188,770 | **372,368** | 200,142 |
| (d) Unrealised gain/(loss) on revaluation of: | | | | |
| - securities held-for-trading | **75,167** | (45,562) | **62,586** | (35,518) |
| - derivatives | **(20,705)** | 49,255 | **(237,213)** | 229,215 |
| | **54,462** | 3,693 | **(174,627)** | 193,697 |
| (e) Other income: | | | | |
| Foreign exchange profit | **203,925** | 165,011 | **489,010** | 131,301 |
| Rental income | **4,914** | 5,418 | **10,288** | 11,540 |
| Gain on disposal of property and equipment (net) | **119** | 277 | **5,348** | 2,866 |
| Others | **25,690** | 10,455 | **50,660** | 12,067 |
| | **234,648** | 181,161 | **555,306** | 157,774 |
| Total non-interest income | **800,055** | 894,539 | **1,861,209** | 1,545,651 |

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

**A19. Overhead Expenses**

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| **Group** | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel costs | | | | |
| - Salaries, allowances and bonuses | **824,909** | 643,030 | **1,589,912** | 1,279,242 |
| - Pension costs | **83,350** | 78,720 | **171,992** | 155,954 |
| - Shares/Options granted under Employee's Shares Scheme | **20,089** | - | **56,848** | - |
| - Others | **143,228** | 116,444 | **277,963** | 235,665 |
| | **1,071,576** | 838,194 | **2,096,715** | 1,670,861 |
| Establishment costs | | | | |
| - Depreciation | **53,207** | 40,266 | **104,363** | 81,248 |
| - Amortisation of intangible assets | **37,492** | 35,390 | **78,110** | 69,963 |
| - Rental of leasehold land and premises | **60,317** | 42,052 | **113,656** | 82,269 |
| - Repairs and maintenance of property and equipment | **39,401** | 31,808 | **81,583** | 59,289 |
| - Information technology expenses | **141,070** | 122,262 | **272,959** | 233,439 |
| - Others | **20,025** | 3,803 | **25,817** | 8,712 |
| | **351,512** | 275,581 | **676,488** | 534,920 |
| Marketing expenses | | | | |
| - Advertisement and publicity | **112,271** | 100,822 | **178,608** | 166,663 |
| - Others | **30,647** | 22,776 | **61,515** | 44,236 |
| | **142,918** | 123,598 | **240,123** | 210,899 |
| Administration and general expenses | | | | |
| - Fees and brokerage | **157,570** | 102,614 | **312,693** | 216,183 |
| - Administrative expenses | **165,108** | 121,155 | **293,291** | 212,560 |
| - General expenses | **156,515** | 166,159 | **269,030** | 270,393 |
| - Cost of development properties | **(2,440)** | - | **34,762** | - |
| - Others | **11,195** | 6,758 | **18,737** | 20,297 |
| | **487,948** | 396,686 | **928,513** | 719,433 |
| | **2,053,954** | 1,634,059 | **3,941,839** | 3,136,113 |

**A19. Overhead Expenses (cont'd.)**

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | 31 December 2011 RM'000 | 31 December 2010 RM'000 | 31 December 2011 RM'000 | 31 December 2010 RM'000 |
| **Bank** | | | | |
| Personnel costs | | | | |
| - Salaries, allowances and bonuses | **506,706** | 452,426 | **988,701** | 919,687 |
| - Pension costs | **70,196** | 69,495 | **146,784** | 138,930 |
| - Shares/Options granted under Employee's Shares Scheme | **10,852** | - | **41,765** | - |
| - Others | **73,488** | 83,088 | **160,091** | 150,415 |
| | **661,242** | 605,009 | **1,337,341** | 1,209,032 |
| Establishment costs | | | | |
| - Depreciation | **28,228** | 27,736 | **56,642** | 57,218 |
| - Amortisation of intangible assets | **10,530** | 12,237 | **21,136** | 23,254 |
| - Rental of leasehold land and premises | **27,602** | 21,859 | **51,882** | 42,841 |
| - Repairs and maintenance of property and equipment | **16,308** | 15,753 | **33,668** | 32,879 |
| - Information technology expenses | **116,665** | 115,116 | **231,787** | 215,993 |
| - Others | **1,857** | 2,106 | **6,599** | 5,616 |
| | **201,190** | 194,807 | **401,714** | 377,801 |
| Marketing expenses | | | | |
| - Advertisement and publicity | **63,510** | 44,876 | **94,714** | 76,632 |
| - Others | **25,581** | 21,436 | **51,886** | 41,248 |
| | **89,091** | 66,312 | **146,600** | 117,880 |
| Administration and general expenses | | | | |
| - Fees and brokerage | **127,655** | 88,339 | **259,271** | 174,837 |
| - Administrative expenses | **66,674** | 70,379 | **126,778** | 114,007 |
| - General expenses | **33,047** | 85,437 | **62,862** | 118,590 |
| - Others | **340** | 2,666 | **1,753** | 4,184 |
| | **227,716** | 246,821 | **450,664** | 411,618 |
| Overhead expenses allocated to subsidiaries | **(126,564)** | (110,860) | **(263,431)** | (222,921) |
| | **1,052,675** | 1,002,089 | **2,072,888** | 1,893,410 |

**A20. Allowances for Losses on Loans, Advances and Financing**

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | 31 December 2011 RM'000 | 31 December 2010 RM'000 | 31 December 2011 RM'000 | 31 December 2010 RM'000 |
| **Group** | | | | |
| Allowances for impaired loans and financing: | | | | |
| - collective allowance made | **213,563** | 104,019 | **503,870** | 256,869 |
| - individual allowance made | **284,956** | 282,795 | **535,890** | 634,930 |
| - individual allowance written back | **(92,192)** | (79,793) | **(296,458)** | (169,387) |
| Impaired loans and financing written off | **22,002** | 7,825 | **34,188** | 15,130 |
| Impaired loans and financing recovered | **(211,076)** | (196,793) | **(463,338)** | (356,171) |
| Allowance made/(written back) for other debts | **13,080** | (540) | **14,928** | 877 |
| | **230,333** | 117,513 | **329,080** | 382,248 |
| **Bank** | | | | |
| Allowances for impaired loans and financing: | | | | |
| - collective allowance made | **63,514** | 49,472 | **187,383** | 163,826 |
| - individual allowance made | **254,340** | 143,474 | **464,602** | 300,004 |
| - individual allowance written back | **(73,134)** | (63,599) | **(192,817)** | (116,690) |
| Impaired loans and financing written off | **21,114** | 6,408 | **32,243** | 11,831 |
| Impaired loans and financing recovered | **(143,179)** | (130,550) | **(326,977)** | (219,761) |
| Allowance made/(written back) for other debts | **793** | 531 | **1,707** | (332) |
| | **123,448** | 5,736 | **166,141** | 138,878 |

## A21. Segment Information

The Group determines and presents operating segments based on information provided to the board and senior management.

The Group is organised into four (4) segments based on services and products available within the group as follows:

(a) Community Financial Services ("CFS")

(i) 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.

(ii) Small, Medium Enterprise ("SME") Banking

Small, Medium Enterprise banking comprises the full range of products and services offered to small and medium enterprises in Malaysia. 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.

(iii) Business Banking

Business banking comprises the full range of products and services offered to commercial enterprises in Malaysia. 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.

(b) Global Wholesale Banking ("GWB")

(i) Corporate Banking Malaysia

Corporate Banking comprises the full range of products and services offered to business customers in the region, ranging from large corporate and the public sector. 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.

(ii) Global Markets Malaysia

Global markets comprise the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market.

**A21. Segment Information (cont'd.)**

(b) Global Wholesale Banking ("GWB") (cont'd.)

(iii) Investment Banking (Maybank IB and Kim Eng Group)

Investment banking comprises the investment banking and securities broking business. This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include corporate advisory services, bond issuance, equity issuance, syndicated acquisition advisory services, debt restructuring advisory services, and share and futures dealings.

(c) Insurance, Takaful and Asset Management

Insurance, takaful 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.

(d) International banking

On the international front, the domestic CFS business is driven in-country whilst the wholesale banking for each country has a reporting line to the Global Wholesale Banking ("GWB"). For purpose of management information reporting, the GWB performance is shown separately and comprises Corporate Banking and Global Market in Malaysia as well as the investment banking business, whilst the international banking performance comprises both the wholesale banking and CFS banking outside of Malaysia for example, Singapore and Indonesia.

**A21. Segment Information (cont'd.)**

**By Business Segments**

| | <========== Business Segments ==========> | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | <========== GWB ==========> | | | | | |
| **Six Months Ended 31 December 2011** | **Community Financial Services RM'000** | **Corporate Banking RM'000** | **Global Markets RM'000** | **Investment Banking RM'000** | **International Banking RM'000** | **Insurance, Takaful and Asset Management RM'000** | **Head Office and Others RM'000** | **Total RM'000** |
| Net interest income and Islamic banking income | | | | | | | | |
| - external | **2,621,474** | **574,796** | **311,919** | **125,771** | **1,606,402** | **25,754** | **(231,801)** | **5,034,315** |
| - Inter-segment | **-** | **-** | **-** | **(735)** | **(6,775)** | **9,411** | **(1,901)** | **-** |
| | **2,621,474** | **574,796** | **311,919** | **125,036** | **1,599,627** | **35,165** | **(233,702)** | **5,034,315** |
| Net interest income and Islamic banking income | **2,621,474** | **574,796** | **311,919** | **125,036** | **1,599,627** | **35,165** | **(233,702)** | **5,034,315** |
| Net income from insurance business | **-** | **-** | **-** | **-** | **-** | **418,828** | **-** | **418,828** |
| Non-interest income | **764,847** | **231,574** | **477,926** | **425,356** | **838,765** | **140,674** | **(504,962)** | **2,374,180** |
| Net income | **3,386,321** | **806,370** | **789,845** | **550,392** | **2,438,392** | **594,667** | **(738,664)** | **7,827,323** |
| Overhead expenses | **(1,674,045)** | **(188,444)** | **(128,797)** | **(481,647)** | **(1,255,661)** | **(213,245)** | **-** | **(3,941,839)** |
| Allowance for losses on loans, advances and financing | **(23,442)** | **(22,152)** | **-** | **(13,769)** | **(278,781)** | **9,064** | **-** | **(329,080)** |
| Impairment losses on securities, net | **-** | **-** | **(58,957)** | **(5,160)** | **1,697** | **(4,817)** | **-** | **(67,237)** |
| Operating Profit | **1,688,834** | **595,774** | **602,091** | **49,816** | **905,647** | **385,669** | **(738,664)** | **3,489,167** |
| Share of profits in associates | **-** | **-** | **-** | **2,619** | **71,615** | **-** | **-** | **74,234** |
| **Profit before taxation and zakat** | **1,688,834** | **595,774** | **602,091** | **52,435** | **977,262** | **385,669** | **(738,664)** | **3,563,401** |
| Taxation and zakat | | | | | | | | **(887,071)** |
| **Profit after taxation and zakat** | | | | | | | | **2,676,330** |
| Non-controlling interest | | | | | | | | **(93,261)** |
| **Profit for the year** | | | | | | | | **2,583,069** |

**A21. Segment Information (cont'd.)**

**By Business Segments**

| | <========== Business Segments ==========> | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | <========== GWB ==========> | | | | | | | |
| **Six Months Ended 31 December 2010** | **Community Financial Services RM'000** | **Corporate Banking RM'000** | **Global Markets RM'000** | **Investment Banking RM'000** | **International Banking RM'000** | **Insurance, Takaful and Asset Management RM'000** | **Head Office and Others RM'000** | **Total RM'000** |
| Net interest income and Islamic banking income | | | | | | | | |
| - external | 2,343,046 | 412,700 | 337,000 | 6,409 | 1,383,970 | 34,432 | (198,711) | 4,318,846 |
| - Inter-segment | - | - | - | 1,191 | (3,470) | 8,468 | (6,189) | - |
| | 2,343,046 | 412,700 | 337,000 | 7,600 | 1,380,500 | 42,900 | (204,900) | 4,318,846 |
| Net interest income and Islamic banking income | 2,343,046 | 412,700 | 337,000 | 7,600 | 1,380,500 | 42,900 | (204,900) | 4,318,846 |
| Net income from insurance business | - | - | - | - | - | 127,786 | - | 127,786 |
| Non-interest income | 641,901 | 181,600 | 475,040 | 136,800 | 758,900 | 124,310 | (329,400) | 1,989,151 |
| Net income | 2,984,947 | 594,300 | 812,040 | 144,400 | 2,139,400 | 294,996 | (534,300) | 6,435,783 |
| Overhead expenses | (1,586,197) | (84,462) | (75,349) | (73,700) | (1,120,300) | (196,105) | - | (3,136,113) |
| Allowance for losses on loans, advances and financing | 33,031 | (70,704) | (71,600) | (1,192) | (271,517) | (266) | - | (382,248) |
| Impairment losses on securities, net | - | - | (6,201) | (7,956) | 1,400 | (7,465) | - | (20,222) |
| Operating Profit | 1,431,781 | 439,134 | 658,890 | 61,552 | 748,983 | 91,160 | (534,300) | 2,897,200 |
| Share of profits in associates | - | - | - | - | 69,165 | - | - | 69,165 |
| **Profit before taxation and zakat** | 1,431,781 | 439,134 | 658,890 | 61,552 | 818,148 | 91,160 | (534,300) | 2,966,365 |
| Taxation and zakat | | | | | | | | (786,091) |
| **Profit after taxation and zakat** | | | | | | | | 2,180,274 |
| Non-controlling interest | | | | | | | | (26,912) |
| **Profit for the year** | | | | | | | | 2,153,362 |

## A22. Carrying Amount of Revalued Assets

The Group's and the Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property and equipment that were brought forward from the previous audited annual financial statements for the year ended 30 June 2011.

## A23. Subsequent Events

There were no material events subsequent to the reporting date, other than as disclosed in Note B6.

## A24. Changes in the Composition of the Group

The changes to the composition of the Group during the financial period ended 31 December 2011 are further elaborated in Note B6.

## A25. Commitments and Contingencies

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

The risk-weighted exposures of the Bank and its subsidiaries as at the following dates are as follows:

| | As at 31 December 2011 | | | As at 30 June 2011 | | |
|---|---|---|---|---|---|---|
| **Group** | **Full commitment RM'000** | **Credit equivalent amount* RM'000** | **Risk weighted amount* RM'000** | **Full commitment RM'000** | **Credit equivalent amount* RM'000** | **Risk weighted amount* RM'000** |
| **Credit-related** | | | | | | |
| Direct credit substitutes | **8,260,162** | **7,864,786** | **5,463,701** | 6,752,978 | 6,227,511 | 4,099,984 |
| Certain transaction-related contingent items | **13,333,375** | **5,797,032** | **4,339,391** | 11,877,557 | 5,432,538 | 4,249,138 |
| Short-term self-liquidating trade-related contingencies | **3,316,365** | **1,243,447** | **704,094** | 2,568,575 | 823,220 | 466,841 |
| Islamic hire purchase loans sold to Cagamas Berhad | **1,499,270** | **1,499,266** | **498,592** | 682,679 | 623,084 | 226,105 |
| Obligations under underwriting agreements | **30,000** | **15,000** | **15,000** | - | - | - |
| Irrevocable commitments to extend credit: | | | | | | |
| - maturity within one year | **96,902,460** | **3,398,686** | **2,109,787** | 90,585,383 | 3,377,523 | 1,577,558 |
| - maturity exceeding one year | **19,584,365** | **11,669,069** | **4,829,809** | 17,429,274 | 6,027,366 | 2,818,245 |
| Miscellaneous commitments and contingencies | **8,782,439** | **97,824** | **73,043** | 9,605,986 | 95,365 | 71,442 |
| Total credit-related commitment and contingencies | **151,708,436** | **31,585,110** | **18,033,417** | 139,502,432 | 22,606,607 | 13,509,313 |

## A25. Commitments and Contingencies (cont'd.)

**Group (cont'd.)**

| | As at 31 December 2011 | | | As at 30 June 2011 | | |
|---|---|---|---|---|---|---|
| | **Full commitment RM'000** | **Credit equivalent amount* RM'000** | **Risk weighted amount* RM'000** | **Full commitment RM'000** | **Credit equivalent amount* RM'000** | **Risk weighted amount* RM'000** |
| **Derivative Financial Instruments** | | | | | | |
| Foreign exchange related contracts: | | | | | | |
| - less than one year | **89,127,406** | **1,697,361** | **589,459** | 73,596,336 | 999,219 | 341,316 |
| - one year to less than five years | **16,635,830** | **61,824** | **52,846** | 12,391,864 | 98,952 | 65,569 |
| - five years and above | **827,609** | **45,053** | **44,520** | 605,885 | 54,096 | 52,937 |
| | **106,590,845** | **1,804,238** | **686,825** | 86,594,085 | 1,152,267 | 459,822 |
| Interest rate related contracts: | | | | | | |
| - less than one year | **52,227,798** | **515,281** | **420,674** | 42,098,665 | 625,318 | 389,499 |
| - one year to less than five years | **50,556,677** | **3,275,364** | **1,408,777** | 17,922,122 | 2,944,133 | 1,495,547 |
| - five years and above | **9,176,736** | **1,133,644** | **528,435** | 5,120,193 | 733,014 | 316,936 |
| | **111,961,211** | **4,924,289** | **2,357,886** | 65,140,980 | 4,302,465 | 2,201,982 |
| Equity and commodity related contracts: | | | | | | |
| - less than one year | **71,611** | **-** | **-** | 808,651 | - | - |
| - one year to less than five years | **377,592** | **-** | **-** | 155,607 | - | - |
| | **449,203** | **-** | **-** | 964,258 | - | - |
| Total treasury-related commitments and contingencies | **219,001,259** | **6,728,527** | **3,044,711** | 152,699,323 | 5,454,732 | 2,661,804 |
| | **370,709,695** | **38,313,637** | **21,078,128** | 292,201,755 | 28,061,339 | 16,171,117 |

**A25. Commitments and Contingencies (cont'd.)**

| | As at 31 December 2011 | | | As at 30 June 2011 | | |
|---|---|---|---|---|---|---|
| **Bank** | **Full commitment RM'000** | **Credit equivalent amount* RM'000** | **Risk weighted amount* RM'000** | **Full commitment RM'000** | **Credit equivalent amount* RM'000** | **Risk weighted amount* RM'000** |
| **Credit-related** | | | | | | |
| Direct credit substitutes | **5,926,466** | **5,790,525** | **3,584,047** | 4,649,552 | 4,649,552 | 2,664,930 |
| Certain transaction-related contingent items | **11,673,152** | **4,944,380** | **3,558,588** | 10,543,747 | 4,935,629 | 3,801,327 |
| Short-term self-liquidating trade-related contingencies | **2,952,658** | **1,057,766** | **648,554** | 2,408,875 | 760,622 | 431,034 |
| Obligations under underwriting agreements | **-** | **-** | **-** | - | - | - |
| Irrevocable commitments to extend credit: | | | | | | |
| - maturity within one year | **82,414,863** | **2,586,209** | **1,767,836** | 78,255,915 | 2,613,454 | 1,366,897 |
| - maturity exceeding one year | **16,410,180** | **10,258,612** | **4,369,422** | 15,431,262 | 5,632,158 | 2,648,543 |
| Miscellaneous commitments and contingencies | **8,475,251** | **97,824** | **73,043** | 9,576,083 | 95,365 | 71,442 |
| Total credit-related commitment and contingencies | **127,852,570** | **24,735,316** | **14,001,490** | 120,865,434 | 18,686,780 | 10,984,173 |

**A25. Commitments and Contingencies (cont'd.)**

| | As at 31 December 2011 | | | As at 30 June 2011 | | |
|---|---|---|---|---|---|---|
| | **Full commitment RM'000** | **Credit equivalent amount* RM'000** | **Risk weighted amount* RM'000** | **Full commitment RM'000** | **Credit equivalent amount* RM'000** | **Risk weighted amount* RM'000** |
| **Bank (cont'd.)** | | | | | | |
| **Derivative Financial Instruments** | | | | | | |
| Foreign exchange related contracts: | | | | | | |
| - less than one year | **84,129,446** | **1,598,591** | **534,060** | 69,241,688 | 974,508 | 330,847 |
| - one year to less than five years | **13,766,757** | **61,824** | **52,846** | 11,703,995 | 98,952 | 65,569 |
| - five years and above | **827,609** | **43,500** | **42,967** | 605,885 | 54,096 | 52,937 |
| | **98,723,812** | **1,703,915** | **629,873** | 81,551,568 | 1,127,556 | 449,353 |
| Interest rate related contracts: | | | | | | |
| - less than one year | **52,092,953** | **245,271** | **150,835** | 39,794,395 | 618,202 | 386,088 |
| - one year to less than five years | **48,442,901** | **3,138,356** | **1,349,099** | 17,674,164 | 2,899,881 | 1,473,840 |
| - five years and above | **8,931,398** | **1,118,606** | **524,691** | 4,996,206 | 733,014 | 344,942 |
| | **109,467,252** | **4,502,233** | **2,024,625** | 62,464,765 | 4,251,097 | 2,204,870 |
| Equity and commodity related contracts: | | | | | | |
| - less than one year | **58,934** | **-** | **-** | 808,651 | - | - |
| - one year to less than five years | **377,592** | **-** | **-** | 155,607 | - | - |
| | **436,526** | **-** | **-** | 964,258 | - | - |
| Total treasury-related commitments and contingencies | **208,627,590** | **6,206,148** | **2,654,498** | 144,980,591 | 5,378,653 | 2,654,223 |
| | **336,480,160** | **30,941,464** | **16,655,988** | 265,846,025 | 24,065,433 | 13,638,396 |

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

**A25. Commitments and Contingencies (cont'd.)**

(i) The Group's and the Bank's derivative financial instruments are subject to market, credit and liquidity risk, as follows:

Market Risk

Market risk on derivatives is the potential loss to the value of these contracts due to changes in price of the underlying items such as equities, interest rates, foreign exchange, credit spreads, commodities or other indices. The notional or contractual amounts provide only the volume of transactions outstanding at the reporting date and do not represent the amount at risk. Exposure to market risk may be reduced through offsetting items from on and off-balance sheet positions.

Credit Risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank and certain subsidiaries have a gain position. As at 31 December 2011, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM1,954.5 million (30 June 2011: RM1,652.2 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity Risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

(ii) Cash requirements of the derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as fair value moves beyond the agreed upon treshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 31 December 2011, the Group and the Bank have posted cash collateral of RM232.8 million (30 June 2011: RM143.2 million) on their derivative contracts.

(iii) There have been no changes since the end of the previous financial year in respect of the following:

(a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;

(b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and

(c) the related accounting policies.

## A26. Capital Adequacy

### (a) Compliance and Application of Capital Adequacy Ratios

The capital adequacy ratios are computed as follows:

(a) Group, Bank and Maybank Islamic Berhad ("MIB")'s ratios are computed in accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II "RWCAF") as follows:

(i) Credit risk under Internal-Ratings Based Approach
(ii) Market risk under Standardised Approach
(iii) Operational risk under Basic Indicator Approach

The minimum regulatory capital adequacy requirement is 8% (2011: 8%) for the risk-weighted capital ratios.

(b) Maybank Investment Bank Berhad ("Maybank IB") on a standalone basis is computed in accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II "RWCAF") under Standardised Approach for credit and market, whereas operational risk is under the Basic Indicator Approach. The minimum regulatory capital adequacy requirement is 8% (2011: 8%) for the risk-weighted capital ratios.

(c) PT Bank Internasional Indonesia Tbk on a standalone basis is computed in accordance with local requirements, which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirement is 8% (2011: 8%) for the risk-weighted capital ratios. However, for disclosure at Maybank Group level, the computation is based on the capital adequacy rules of the overseas jurisdiction (parent company) namely Maybank Group, using Basel II RWCAF rules, as PT Bank Internasional Indonesia Tbk is considered a significant overseas subsidiary.

**A26. Capital Adequacy (cont'd.)**

**(b) The capital adequacy ratios of the Group and the Bank as at the following dates:**

In determining the capital adequacy ratio, the proposed gross dividend consists of an electable portion of 32 sen (net 24 sen) per ordinary share which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan.

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 electable portion dividend are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011** | **30 June 2011** | **31 December 2011** | **30 June 2011** |
| **Before deducting proposed dividend*:** | | | | |
| Core capital ratio | **11.74%** | 11.93% | **15.80%** | 13.44% |
| Risk-weighted capital ratio | **16.46%** | 15.45% | **15.80%** | 13.44% |
| **After deducting proposed dividend:** | | | | |
| Core capital ratio, assuming: | | | | |
| - full electable portion paid in cash | **10.95%** | 11.21% | **14.73%** | 12.49% |
| - full electable portion reinvested | **11.65%** | 11.84% | **15.68%** | 13.32% |
| Risk-weighted capital ratio, assuming: | | | | |
| - full electable portion paid in cash | **15.66%** | 14.72% | **14.73%** | 12.49% |
| - full electable portion reinvested | **16.37%** | 15.36% | **15.68%** | 13.32% |

* In arriving at the capital based used in the ratio calculations of the Group and the Bank, the proposed dividends were not deducted.

**A26. Capital Adequacy (cont'd.)**

**(c) Components of Tier I and Tier II capital:**

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011 RM '000** | **30 June 2011 RM '000** | **31 December 2011 RM '000** | **30 June 2011 RM '000** |
| Tier I capital | | | | |
| Paid-up share capital | **7,639,437** | 7,478,206 | **7,639,437** | 7,478,206 |
| Share premium | **9,598,847** | 8,583,711 | **9,598,847** | 8,583,711 |
| Other reserves | **14,570,375** | 14,779,856 | **12,473,444** | 11,790,065 |
| Capital securities | **6,057,884** | 6,065,486 | **6,057,884** | 6,065,486 |
| | **37,866,543** | 36,907,259 | **35,769,612** | 33,917,468 |
| Less: Deferred tax assets [1] | **(1,406,712)** | (1,383,388) | **(867,163)** | (920,837) |
| Less: Goodwill [1] | **(6,031,401)** | (6,049,900) | **(81,015)** | (81,015) |
| Total Tier I capital | **30,428,430** | 29,473,971 | **34,821,434** | 32,915,616 |
| Tier II capital | | | | |
| Subordinated obligations | **13,889,529** | 10,732,475 | **12,491,343** | 9,458,980 |
| Collective allowance for bad and doubtful debts [4] | **892,370** | 995,632 | **430,448** | 449,884 |
| Surplus of total EP over total EL [3] | **359,978** | - | **384,425** | - |
| Total Tier II capital | **15,141,877** | 11,728,107 | **13,306,216** | 9,908,864 |
| Total capital | **45,570,307** | 41,202,078 | **48,127,650** | 42,824,480 |
| Less: Investment in subsidiary companies and associates [2] | **(2,891,773)** | (2,924,965) | **(17,467,920)** | (17,457,434) |
| Less: Other deductions | | | | |
| Liquidity reserve | **-** | (1,492) | **-** | (1,492) |
| Securitisation exposures held in the banking book | **(31,383)** | (16,796) | **(31,383)** | (16,796) |
| Excess of EL[3] over EP[3] | **-** | (108,217) | **-** | (37,149) |
| Capital base | **42,647,151** | 38,150,608 | **30,628,347** | 25,311,609 |

[1] Under Bank Negara Malaysia Guidelines, deferred tax and goodwill are required to be excluded from Tier I capital.

[2] Excludes the cost of investment in subsidiary companies and associates, except for: (i) Myfin Berhad of RM18,993,759, as its business, assets and liabilities have been transferred to the Bank; (ii) Maybank International (L) Ltd. of RM176,385,000, as its assets are included in the Bank's risk-weighted assets. For the Group, the cost of investment in insurance companies and associates are deducted from capital base.

[3] EP is defined as eligible provision and EL is defined as expected loss.

[4] Excluding collective allowance for certain loans, advances and financing.

The capital adequacy ratios of the Group consist of capital base and risk-weighted assets derived from consolidated balances of the Bank and its subsidiaries, excluding the investments in insurance entities and associates.

The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary company, Maybank International (L) Ltd., excluding the cost of investment in subsidiary companies and associates (except for Myfin Behad and Maybank International (L) Ltd. as disclosed above).

**A26. Capital Adequacy (cont'd.)**

**d) The capital adequacy ratios of the banking subsidiaries of Group are as follows:**

| | Maybank Islamic Berhad | Maybank Investment Bank Berhad | PT Bank Internasional Indonesia Tbk |
|---|---|---|---|
| **31 December 2011** | | | |
| **Before deducting proposed dividends*:** | | | |
| Core capital ratio | **9.89%** | **21.58%** | **-** |
| Risk-weighted capital ratio | **12.61%** | **21.58%** | **11.83%** |
| **After deducting proposed dividends:** | | | |
| Core capital ratio | **9.32%** | **21.58%** | **-** |
| Risk-weighted capital ratio | **12.04%** | **21.58%** | **11.83%** |
| **30 June 2011** | | | |
| **Before deducting proposed dividends*:** | | | |
| Core capital ratio | 10.31% | 24.72% | **-** |
| Risk-weighted capital ratio | 13.02% | 24.72% | 13.06% |
| **After deducting proposed dividends:** | | | |
| Core capital ratio | 9.46% | 24.72% | **-** |
| Risk-weighted capital ratio | 12.17% | 24.72% | 13.06% |

* In arriving at the capital base used in the ratio calculations of banking subsidiaries of the Group, the proposed dividend for respective financial period/year were not deducted.

**A26. Capital Adequacy (cont'd.)**

**e) The breakdown of Assets and Credit Equivalent values (including Off-Balance Sheet items) according to Risk-Weights is as follows:**

**At 31 December 2011**

| | Group | Bank | Maybank Islamic Berhad | Maybank Investment Bank Berhad | PT Bank Internasional Indonesia Tbk |
|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Standardised Approach exposure | **70,655,914** | **38,834,291** | **4,153,679** | **1,025,361** | **24,360,349** |
| IRB Approach exposure after scaling factor | **153,100,201** | **128,719,436** | **28,214,051** | **-** | **-** |
| Total risk-weighted assets for credit risk | **223,756,115** | **167,553,727** | **32,367,730** | **1,025,361** | **24,360,349** |
| Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad* | **-** | **-** | **(205,926)** | **-** | **-** |
| Total risk-weighted assets for market risk | **10,379,265** | **8,376,674** | **307,942** | **713,316** | **275,124** |
| Total risk-weighted assets for operational risk | **24,983,371** | **17,970,181** | **2,573,751** | **540,741** | **3,197,593** |
| Additional risk-weighted assets due to capital floor | - | **-** | **3,891,670** | **-** | **-** |
| Total risk-weighted assets | **259,118,751** | **193,900,582** | **38,935,167** | **2,279,418** | **27,833,066** |

**At 30 June 2011**

| | Group | Bank | Maybank Islamic Berhad | Maybank Investment Bank Berhad | PT Bank Internasional Indonesia Tbk |
|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Standardised Approach exposure | 60,236,549 | 31,459,666 | 3,753,922 | 1,040,223 | 21,381,949 |
| IRB Approach exposure after scaling factor | 147,528,075 | 129,381,636 | 23,571,746 | - | - |
| Total risk-weighted assets for credit risk | 207,764,624 | 160,841,302 | 27,325,668 | 1,040,223 | 21,381,949 |
| Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad* | - | - | (206,402) | - | - |
| Total risk-weighted assets for market risk | 15,991,249 | 9,692,832 | 149,810 | 156,475 | 270,737 |
| Total risk-weighted assets for operational risk | 23,223,860 | 17,738,110 | 2,334,044 | 476,309 | 3,215,865 |
| Additional risk-weighted assets due to capital floor | - | - | 7,154,554 | - | - |
| Total risk-weighted assets | 246,979,733 | 188,272,244 | 36,757,674 | 1,673,007 | 24,868,551 |

* In accordance with BNM's guideline on the recognition and measurement of Restricted Profit Sharing Investment Account ("RPSIA") as Risk Absorbent, the credit risk on the assets funded by the RPSIA are excluded from the risk weighted capital ("RWCR") calculation.

## A27. Derivative Financial Instruments

The following tables summarise the contractual or underlying principal amounts of trading derivatives and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the reporting date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively.

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | | Fair Value | | | Fair Value | |
| **As at 31 December 2011** | **Principal Amount RM'000** | **Assets Amount RM'000** | **Liabilities Amount RM'000** | **Principal Amount RM'000** | **Assets Amount RM'000** | **Liabilities Amount RM'000** |
| **Trading derivatives** | | | | | | |
| Foreign exchange related contracts | | | | | | |
| Currency forward | | | | | | |
| - Less than one year | **24,461,736** | **247,713** | **(116,156)** | **19,513,855** | **198,500** | **(78,223)** |
| - One year to three years | **2,538,409** | **6,875** | **(1,566)** | **287,337** | **6,875** | **(1,566)** |
| - More than three years | **277,627** | **7,367** | **(98)** | **277,627** | **7,367** | **(98)** |
| | **27,277,772** | **261,955** | **(117,820)** | **20,078,819** | **212,742** | **(79,887)** |
| Currency swaps | | | | | | |
| - Less than one year | **49,516,752** | **445,706** | **(628,263)** | **49,516,752** | **445,706** | **(628,263)** |
| - One year to three years | **334,788** | **6,232** | **(3,026)** | **334,788** | **6,232** | **(3,026)** |
| - More than three years | **277,627** | **111** | **(6,280)** | **277,627** | **111** | **(6,280)** |
| | **50,129,167** | **452,049** | **(637,569)** | **50,129,167** | **452,049** | **(637,569)** |
| Currency spots | | | | | | |
| - Less than one year | **7,111,247** | **3,718** | **(1,185)** | **7,061,168** | **3,704** | **(1,166)** |
| - One year to three years | **-** | **-** | **-** | **-** | **-** | **-** |
| - More than three years | **-** | **-** | **-** | **-** | **-** | **-** |
| | **7,111,247** | **3,718** | **(1,185)** | **7,061,168** | **3,704** | **(1,166)** |
| Currency options | | | | | | |
| - Less than one year | **4,854,026** | **24,068** | **(19,029)** | **4,854,026** | **24,068** | **(19,029)** |
| - One year to three years | **-** | **-** | **-** | **-** | **-** | **-** |
| - More than three years | **-** | **-** | **-** | **-** | **-** | **-** |
| | **4,854,026** | **24,068** | **(19,029)** | **4,854,026** | **24,068** | **(19,029)** |
| Cross currency interest rate swaps | | | | | | |
| - Less than one year | **2,378,245** | **9,269** | **(718)** | **2,378,245** | **10,620** | **(718)** |
| - One year to three years | **4,123,567** | **88,681** | **(80,564)** | **4,123,567** | **88,681** | **(80,564)** |
| - More than three years | **6,501,545** | **96,743** | **(48,083)** | **6,201,045** | **96,743** | **(48,083)** |
| | **13,003,357** | **194,693** | **(129,365)** | **12,702,857** | **196,044** | **(129,365)** |
| Interest rate derivatives | | | | | | |
| Interest rate swaps | | | | | | |
| - Less than one year | **14,504,033** | **13,168** | **(76,662)** | **14,504,033** | **53,059** | **(76,662)** |
| - One year to three years | **25,737,833** | **202,322** | **(199,308)** | **25,737,833** | **202,322** | **(199,308)** |
| - More than three years | **27,616,252** | **453,094** | **(611,730)** | **27,616,252** | **453,094** | **(611,730)** |
| | **67,858,118** | **668,584** | **(887,700)** | **67,858,118** | **708,475** | **(887,700)** |
| Interest rate futures | | | | | | |
| - Less than one year | **36,555,927** | **60,238** | **(60,238)** | **36,555,927** | **60,238** | **(60,238)** |
| - One year to three years | **-** | **-** | **-** | **-** | **-** | **-** |
| - More than three years | **-** | **-** | **-** | **-** | **-** | **-** |
| | **36,555,927** | **60,238** | **(60,238)** | **36,555,927** | **60,238** | **(60,238)** |
| Interest rate options | | | | | | |
| - Less than one year | **616,051** | **8,762** | **-** | **580,551** | **8,762** | **-** |
| - One year to three years | **1,422,250** | **14,601** | **(7,447)** | **1,422,250** | **14,601** | **(7,447)** |
| - More than three years | **756,079** | **2,263** | **(82,816)** | **556,079** | **1,541** | **(41,935)** |
| | **2,794,380** | **25,626** | **(90,263)** | **2,558,880** | **24,904** | **(49,382)** |

**A27. Derivative Financial Instruments (cont'd.)**

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | | Fair Value | | | Fair Value | |
| **As at 31 December 2011** | Principal Amount RM'000 | Assets Amount RM'000 | Liabilities Amount RM'000 | Principal Amount RM'000 | Assets Amount RM'000 | Liabilities Amount RM'000 |
| **Trading derivatives (cont'd.)** | | | | | | |
| Equity related derivatives | | | | | | |
| Equity options | | | | | | |
| - Less than one year | **71,612** | **-** | **(7,752)** | **58,935** | **-** | **-** |
| - One year to three years | **220,543** | **327** | **-** | **220,543** | **327** | **-** |
| - More than three years | **104,348** | **7,564** | **(7,564)** | **104,348** | **7,564** | **(7,564)** |
| | **396,503** | **7,891** | **(15,316)** | **383,826** | **7,891** | **(7,564)** |
| Commodity options | | | | | | |
| - Less than one year | **-** | **-** | **-** | **-** | **-** | **-** |
| - One year to three years | **-** | **-** | **-** | **-** | **-** | **-** |
| - More than three years | **52,700** | **3,267** | **(3,267)** | **52,700** | **3,267** | **(3,267)** |
| | **52,700** | **3,267** | **(3,267)** | **52,700** | **3,267** | **(3,267)** |
| **Hedging derivatives** | | | | | | |
| Interest rate swaps | | | | | | |
| - Less than one year | **551,788** | **536** | **(12,030)** | **452,443** | **-** | **(9,119)** |
| - One year to three years | **3,059,907** | **611** | **(121,903)** | **1,530,447** | **611** | **(121,673)** |
| - More than three years | **1,141,091** | **-** | **(51,019)** | **511,437** | **-** | **(50,767)** |
| | **4,752,786** | **1,147** | **(184,952)** | **2,494,327** | **611** | **(181,559)** |
| Cross currency interest rate swaps | | | | | | |
| - Less than one year | **805,400** | **74,214** | **(4,063)** | **805,400** | **74,214** | **(4,063)** |
| - One year to three years | **2,035,964** | **142,067** | **(10,794)** | **2,035,964** | **142,067** | **(10,794)** |
| - More than three years | **1,373,912** | **34,959** | **(1,148)** | **1,056,411** | **39,070** | **(1,148)** |
| | **4,215,276** | **251,240** | **(16,005)** | **3,897,775** | **255,351** | **(16,005)** |
| Total derivative assets / (liabilities) | **219,001,259** | **1,954,476** | **(2,162,709)** | **208,627,590** | **1,949,344** | **(2,072,731)** |

**A27. Derivative Financial Instruments (cont'd.)**

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | | Fair Value | | | Fair Value | |
| **As at 30 June 2011** | **Principal Amount RM'000** | **Assets Amount RM'000** | **Liabilities Amount RM'000** | **Principal Amount RM'000** | **Assets Amount RM'000** | **Liabilities Amount RM'000** |
| **Trading derivatives** | | | | | | |
| Foreign exchange related contracts | | | | | | |
| Currency forward | | | | | | |
| - Less than one year | 22,154,987 | 115,780 | (128,485) | 17,215,104 | 78,689 | (91,170) |
| - One year to three years | 428,114 | 11,639 | (13,146) | 428,114 | 11,639 | (13,146) |
| - More than three years | 290,945 | 18,349 | (111) | 290,945 | 18,349 | (111) |
| | 22,874,046 | 145,768 | (141,742) | 17,934,163 | 108,677 | (104,427) |
| Currency swaps | | | | | | |
| - Less than one year | 43,497,687 | 298,339 | (228,440) | 43,497,687 | 298,339 | (228,440) |
| - One year to three years | 589,231 | 19,791 | (7,071) | 589,231 | 19,791 | (7,071) |
| - More than three years | 290,944 | 123 | (17,160) | 290,945 | 123 | (17,160) |
| | 44,377,862 | 318,253 | (252,671) | 44,377,863 | 318,253 | (252,671) |
| Currency spots | | | | | | |
| - Less than one year | 2,305,804 | 8,571 | (15,047) | 2,203,170 | 8,541 | (14,977) |
| - One year to three years | - | - | - | - | - | - |
| - More than three years | - | - | - | - | - | - |
| | 2,305,804 | 8,571 | (15,047) | 2,203,170 | 8,541 | (14,977) |
| Currency options | | | | | | |
| - Less than one year | 4,546,215 | 13,388 | (8,344) | 4,546,215 | 13,388 | (8,344) |
| - One year to three years | - | - | - | - | - | - |
| - More than three years | - | - | - | - | - | - |
| | 4,546,215 | 13,388 | (8,344) | 4,546,215 | 13,388 | (8,344) |
| Cross currency interest rate swaps | | | | | | |
| - Less than one year | 607,365 | 26,284 | (26,006) | 607,365 | 26,284 | (26,006) |
| - One year to three years | 3,495,130 | 182,155 | (53,499) | 3,495,130 | 182,155 | (53,499) |
| - More than three years | 5,307,678 | 87,568 | (162,431) | 5,307,678 | 87,568 | (162,431) |
| | 9,410,173 | 296,007 | (241,936) | 9,410,173 | 296,007 | (241,936) |
| Interest rate derivatives | | | | | | |
| Interest rate swaps | | | | | | |
| - Less than one year | 12,300,584 | 105,386 | (113,058) | 10,700,584 | 104,483 | (112,623) |
| - One year to three years | 23,972,146 | 162,163 | (183,755) | 23,972,146 | 162,163 | (183,755) |
| - More than three years | 21,713,328 | 191,563 | (233,589) | 21,713,328 | 206,964 | (233,588) |
| | 57,986,058 | 459,112 | (530,402) | 56,386,058 | 473,610 | (529,966) |
| Interest rate futures | | | | | | |
| - Less than one year | 1,252,719 | 281 | - | 1,252,719 | 243 | - |
| - One year to three years | - | - | - | - | - | - |
| - More than three years | - | - | - | - | - | - |
| | 1,252,719 | 281 | - | 1,252,719 | 243 | - |
| Interest rate options | | | | | | |
| - Less than one year | 610,117 | 2,431 | (44,206) | 36,813 | - | - |
| - One year to three years | 1,483,240 | 14,548 | - | 1,483,240 | 14,548 | - |
| - More than three years | 872,904 | 1,110 | (105,905) | 872,904 | 1,110 | (105,905) |
| | 2,966,261 | 18,089 | (150,111) | 2,392,957 | 15,658 | (105,905) |

**A27. Derivative Financial Instruments (cont'd.)**

| As at 30 June 2011 | Group Principal Amount RM'000 | Group Fair Value Assets Amount RM'000 | Group Fair Value Liabilities Amount RM'000 | Bank Principal Amount RM'000 | Bank Fair Value Assets Amount RM'000 | Bank Fair Value Liabilities Amount RM'000 |
|---|---|---|---|---|---|---|
| **Trading derivatives (cont'd.)** | | | | | | |
| Equity related derivatives | | | | | | |
| Equity options | | | | | | |
| - Less than one year | 808,651 | 1,686 | (6,443) | 808,654 | 1,011 | (1,011) |
| - One year to three years | 44,468 | 2,231 | (2,231) | 44,468 | 2,231 | (2,231) |
| - More than three years | 55,074 | 5,822 | (5,822) | 55,074 | 5,822 | (5,822) |
| | 908,193 | 9,739 | (14,496) | 908,196 | 9,064 | (9,064) |
| Commodity options | | | | | | |
| - Less than one year | - | - | - | - | - | - |
| - One year to three years | - | - | - | - | - | - |
| - More than three years | 56,065 | 4,766 | (4,766) | 56,065 | 4,766 | (4,766) |
| | 56,065 | 4,766 | (4,766) | 56,065 | 4,766 | (4,766) |
| **Hedging derivatives** | | | | | | |
| Interest rate swaps | | | | | | |
| - Less than one year | 532,917 | 1 | (46,117) | 411,020 | 1 | (45,951) |
| - One year to three years | 516,860 | 1 | (46,539) | 441,263 | 1 | (46,539) |
| - More than three years | 1,886,165 | 324 | (79,661) | 1,580,744 | 324 | (79,661) |
| | 2,935,942 | 326 | (172,317) | 2,433,027 | 326 | (172,151) |
| Cross currency interest rate swaps | | | | | | |
| - Less than one year | - | - | - | - | - | - |
| - One year to three years | 2,472,085 | 316,017 | (2,103) | 2,472,085 | 316,017 | (2,104) |
| - More than three years | 607,900 | 61,865 | - | 607,900 | 61,865 | - |
| | 3,079,985 | 377,882 | (2,103) | 3,079,985 | 377,882 | (2,104) |
| Total derivative assets / (liabilities) | 152,699,323 | 1,652,182 | (1,533,935) | 144,980,591 | 1,626,415 | (1,446,311) |

## A28. Credit Exposure Arising From Credit Transactions With Connected Parties

| | Group | | Bank | |
|---|---|---|---|---|
| | **31 December 2011** | **30 June 2011** | **31 December 2011** | **30 June 2011** |
| Outstanding credit exposures with connected parties (RM'000) | **24,765,729** | 26,226,304 | **22,922,705** | 21,934,288 |
| Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures | **9.0%** | 10.3% | **11.8%** | 12.1% |
| Percentage of outstanding credit exposures to connected parties which is non-performing or in default | **0.0%** | 0.0% | **0.0%** | 0.0% |

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

**MALAYAN BANKING BERHAD**
**(3813-K)**
**(Incorporated in Malaysia)**

## A29. The Operations of Islamic Banking Scheme

### A29a. Audited Income Statements for the Quarter and Financial Period Ended 31 December 2011

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| **Group** | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of depositors' funds | **761,760** | 586,008 | **1,585,183** | 1,143,199 |
| Expenses directly attributable to depositors and Islamic Banking Funds | **(19,521)** | (9,430) | **(36,625)** | (16,498) |
| Transfer to profit equalisation reserve | **-** | (6,896) | **-** | (49,050) |
| Gross attributable income | **742,239** | 569,682 | **1,548,558** | 1,077,651 |
| Allowance for losses on financing and advances | **(31,301)** | (7,559) | **(61,343)** | (11,655) |
| **Total attributable income** | **710,938** | 562,123 | **1,487,215** | 1,065,996 |
| Income attributable to the depositors | **(378,185)** | (252,820) | **(729,158)** | (479,531) |
| **Income attributable to the Group** | **332,753** | 309,303 | **758,057** | 586,465 |
| Income derived from investment of Islamic Banking Funds | **112,178** | 59,525 | **155,131** | 101,492 |
| | **444,931** | 368,828 | **913,188** | 687,957 |
| Finance cost | **(10,607)** | - | **(21,186)** | - |
| Overhead expenses | **(159,449)** | (134,141) | **(324,877)** | (258,011) |
| **Profit before taxation and zakat** | **274,875** | 234,687 | **567,125** | 429,946 |
| Taxation | **(67,609)** | (57,539) | **(136,866)** | (105,092) |
| Zakat | **(905)** | (2,654) | **(5,673)** | (4,198) |
| **Profit for the period** | **206,361** | 174,494 | **424,586** | 320,656 |

For consolidation and amalgamation with the conventional operations, net income from Islamic Banking Scheme comprises the following items:

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| **Group** | RM'000 | RM'000 | RM'000 | RM'000 |
| Gross attributable income | **742,239** | 569,682 | **1,548,558** | 1,077,651 |
| Income derived from investment of Islamic Banking Funds | **112,178** | 59,525 | **155,131** | 101,492 |
| Total income before allowance for losses on financing and advances and overhead expenses | **854,417** | 629,207 | **1,703,689** | 1,179,143 |
| Income attributable to the depositors | **(378,185)** | (252,820) | **(729,158)** | (479,531) |
| | **476,232** | 376,387 | **974,531** | 699,612 |
| Finance cost | **(10,607)** | - | **(21,186)** | - |
| Net of intercompany income & expenses | **26,082** | 16,489 | **54,692** | 31,467 |
| Income from Islamic Banking Scheme | **491,707** | 392,876 | **1,008,037** | 731,079 |

**(The income statements for the cumulative six months and second quarter ended 31 December 2010 have not been audited)**

**A29. The Operations of Islamic Banking Scheme (cont'd.)**

**A29b. Audited Statements of Comprehensive Income for the Quarter and Financial Period Ended 31 December 2011**

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | 31 December 2011 RM'000 | 31 December 2010 RM'000 | 31 December 2011 RM'000 | 31 December 2010 RM'000 |
| **Group** | | | | |
| **Profit for the period** | **206,361** | 174,494 | **424,586** | 320,656 |
| Other comprehensive income/(loss): | | | | |
| Currency translation differences in respect of foreign operations | **3,071** | (74) | **3,438** | (132) |
| Net gain/(loss) on revaluation of financial investments available-for-sale | **11,468** | (40,741) | **48,652** | 3,793 |
| Income tax relating to components of other comprehensive income | **(2,905)** | 9,627 | **(12,220)** | 463 |
| Other comprehensive income/(loss) for the period, net of tax | **11,634** | (31,188) | **39,870** | 4,124 |
| Total comprehensive income for the period | **217,995** | 143,306 | **464,456** | 324,780 |

**(The statements of comprehensive income for the cumulative six months and second quarter ended 31 December 2010 have not been audited)**

**A29c. Audited Statements of Financial Position as at 31 December 2011**

| **Group** | Note | 31 December 2011 RM'000 | 30 June 2011 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term funds | | **8,971,617** | 9,684,169 |
| Deposits and placements with banks and other financial institutions | | **429,910** | 394,136 |
| Securities portfolio | | **8,640,930** | 6,823,392 |
| Financing and advances | A29d | **50,926,004** | 46,244,031 |
| Deferred tax assets | | **178,148** | 161,550 |
| Derivative assets | | **28,198** | 14,646 |
| Other assets | | **4,492,748** | 4,737,314 |
| Statutory deposit with Bank Negara Malaysia | | **1,834,800** | 913,900 |
| Intangible assets | | **3,701** | 918 |
| Property, plant and equipment | | **2,551** | 347 |
| **Total Assets** | | **75,508,607** | 68,974,403 |
| **LIABILITIES** | | | |
| Deposits from customers | A29e | **59,090,400** | 50,890,270 |
| Deposit and placements of banks and other financial institutions | | **9,449,458** | 11,292,077 |
| Bills and acceptances payable | | **504,237** | 1,115,350 |
| Derivatives liabilities | | **96,179** | 53,504 |
| Other liabilities | | **193,515** | 175,494 |
| Provision for taxation and zakat | | **109,256** | 52,931 |
| Subordinated Sukuk | A29f | **1,010,723** | 1,010,637 |
| **Total Liabilities** | | **70,453,768** | 64,590,263 |
| **ISLAMIC BANKING FUNDS** | | | |
| Islamic Banking Funds | | **943,296** | 459,287 |
| Reserves | | **4,111,543** | 3,924,853 |
| | | **5,054,839** | 4,384,140 |
| **Total Liabilities and Islamic Banking Funds** | | **75,508,607** | 68,974,403 |
| **COMMITMENTS AND CONTINGENCIES** | | **22,853,525** | 18,643,612 |

**A29. The Operations of Islamic Banking Scheme (cont'd.)**

**A29d. Financing and Advances**

| | Group | |
|---|---|---|
| | **31 December 2011 RM'000** | **30 June 2011 RM'000** |
| Cashline | **2,103,900** | 2,027,371 |
| Term financing | | |
| - Housing financing | **7,275,137** | 6,237,944 |
| - Syndicated financing | **632,750** | 235,582 |
| - Hire purchase receivables | **18,167,588** | 18,198,072 |
| - Other financing | **43,787,468** | 37,591,734 |
| Bills receivable | **4,610** | 2,201 |
| Trust receipts | **204,263** | 170,724 |
| Claims on customers under acceptance credits | **3,507,816** | 3,648,182 |
| Staff financing | **427,004** | 782,675 |
| Credit card receivables | **340,254** | 307,454 |
| Revolving credits | **4,315,880** | 3,319,247 |
| | **80,766,670** | 72,521,186 |
| Unearned income | **(28,894,399)** | (25,341,649) |
| Gross financing and advances* | **51,872,271** | 47,179,537 |
| Allowance for bad and doubtful financing: | | |
| - individual allowance | **(298,840)** | (354,688) |
| - collective allowance | **(647,427)** | (580,818) |
| Net financing and advances | **50,926,004** | 46,244,031 |

***** Included in financing and advances are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), an arrangement between Maybank Islamic Berhad and the Bank, where the risks and rewards of the RPSIA will be accounted by the Bank including the collective and individual allowances for the impaired financing arising thereon.

**A29d.** (i) Movements in impaired financing and advances are as follows:

| | Group | |
|---|---|---|
| | **31 December 2011 RM'000** | **30 June 2011 RM'000** |
| At beginning of the period/year | **928,549** | 1,155,639 |
| Impaired during the period/year | **316,586** | 770,551 |
| Recovered/regularised during the period/year | **(340,991)** | (700,306) |
| Amount written off | **(101,619)** | (326,880) |
| Expenses debited to customers' accounts | **9,448** | 29,545 |
| At end of the period/year | **811,973** | 928,549 |
| Less: Individual allowance | **(298,840)** | (354,688) |
| Net impaired financing and advances | **513,133** | 573,861 |
| Gross financing and advances (excluding RPSIA financing) | **51,222,271** | 46,529,537 |
| Less: | | |
| - Individual allowance | **(298,840)** | (354,688) |
| Net financing and advances | **50,923,431** | 46,174,849 |
| Ratio of net impaired financing and advances | **1.01%** | 1.24% |

**A29. The Operations of Islamic Banking Scheme (cont'd.)**

**A29d.** (ii) Movement in the allowance for impaired financing and advances are as follows:

| | Group | |
|---|---|---|
| | **31 December 2011 RM'000** | **30 June 2011 RM'000** |
| Individual allowance | | |
| At beginning of the period/year | **354,688** | 473,823 |
| Allowance made during the period/year | **28,449** | 94,775 |
| Amount written back | **(38,004)** | (41,822) |
| Amount written off | **(45,554)** | (165,650) |
| Amount transfer to collective allowance | **(739)** | (6,438) |
| At end of the period/year | **298,840** | 354,688 |
| Collective allowance | | |
| At beginning of the period/year | **580,818** | 713,938 |
| Amount transfer from MILL conventional banking | **4,153** | - |
| Amount transfer from MSI from conventional banking | **-** | 3,925 |
| Allowance made during the period/year * | **117,604** | 17,668 |
| Amount written off | **(56,065)** | (161,230) |
| Amount transfer from individual allowance | **739** | 6,438 |
| Exchange difference | **178** | 79 |
| At end of the period/year | **647,427** | 580,818 |
| As a percentage of gross financing and advances less individual allowance | **1.27%** | 1.26% |

* As at 31 December 2011, the gross exposures to RPSIA financing is RM650.0 million (30.6.2011: RM650.0 million) is excluded from gross financing and advances for the individual and collective allowance computation. The collective allowance relating to this RPSIA amounting RM1.5 million (30.6.2011: RM1.8 million) is recognised in the Bank. There was no individual allowance provided on this RPSIA financing.

**A29. The Operations of Islamic Banking Scheme (cont'd.)**

**A29e. Deposits from Customers**

| | Group | |
|---|---|---|
| | **31 December 2011** | **30 June 2011** |
| | **RM'000** | **RM'000** |
| **(i) By type of deposit** | | |
| Mudharabah Fund | | |
| Demand deposits | **3,603,096** | 3,777,414 |
| Savings deposits | **508,499** | 423,091 |
| General Investment deposits | **20,917,948** | 17,146,396 |
| Negotiable instruments of deposits | **257,716** | 242,829 |
| | **25,287,259** | 21,589,730 |
| Non-Mudharabah Fund | | |
| Demand deposits | **5,866,894** | 5,734,190 |
| Savings deposits | **6,689,436** | 6,178,284 |
| Fixed return investment deposits | **21,046,377** | 16,845,483 |
| Structured deposits | **200,434** | 542,583 |
| | **33,803,141** | 29,300,540 |
| Total deposit from customers | **59,090,400** | 50,890,270 |

**A29f. Subordinated Sukuk**

| | Group | |
|---|---|---|
| | **31 December 2011** | **30 June 2011** |
| | **RM'000** | **RM'000** |
| RM1.0 billion Islamic Subordinated Sukuk due in 2021 | **1,010,723** | 1,010,637 |

**Part B: Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

## B1. Performance Review

### (i) Current Period-to-Date vs Previous Corresponding Period-to-Date

The Group posted profit after tax attributable to equity holders of RM2,583.1 million for the 6 months financial period ended 31 December 2011, an increase of RM429.7 million or 20.0% over the corresponding 6 months financial period ended 31 December 2010.

The Group's net interest income and Islamic banking income for the 6 months financial period ended 31 December 2011 increased by RM715.5 million or 16.6% compared to the corresponding 6 months financial period ended 31 December 2010. This is largely due to the 23.7% year-on-year growth in Group's gross loans and advances (including Islamic finance).

Non-interest income of the Group for the 6 months financial period ended 31 December 2011 increased by RM385.0 million or 19.4% compared to the corresponding 6 months financial period ended 31 December 2010. The increase is mainly attributed to the fee income of RM249.6 million contributed by Kim Eng Group during the 6 months financial period ended 31 December 2011 whereas in the preceding corresponding period, Kim Eng Group's financial results were not consolidated as the Kim Eng Group acquisition was completed in May 2011.

The Group's overhead expenses for the 6 months financial period ended 31 December 2011 increased by RM805.7 million or 25.7% compared to the corresponding 6 months financial period ended 31 December 2010. The major contributors to the increase in overhead expenses were Kim Eng Group (NIL in previous corresponding period), PT Bank Internasional Indonesia Tbk ("BII") and the Bank itself. The Group's personnel costs increased by RM425.9 million and were 52.9% of the total increase in Group's overhead expenses of RM805.7 million.RM805.7 million.

Allowance for losses on loans, advances and financing decreased by RM53.2 million or 13.9% to RM329.1million. The decrease was mainly due to higher recoveries and lower individual allowances, but was mitigated by the increase in collective allowances due to the growth in loans, advances and financing. Assets quality continued to improve with net impaired loans ratio improving to 1.87% as at 31 December 2011, compared to 2.25% as at 30 June 2011.

The improvement in Group's profit before tax can be further analysed based on the operating segment of the Group as follows:

**Community Financial Services ("CFS"), Malaysia**

CFS' profit before tax increased by RM257.1 million or 18.0% to RM1,688.8 million for the 6 months financial period ended 31 December 2011 from RM1,431.8 million for the corresponding 6 months financial period ended 31 December 2010. The increase was mainly due to higher net interest income which increased by RM278.4 million or 11.9% arising from strong loan growth in retail mortgages (16%) and auto financing (14%). In addition, there was strong fee income growth of RM122.9 million or 19.2%, primarily from credit cards. Allowance for losses on loans, advances and financing increased by RM56.5 million from the corresponding period, mainly from higher collective allowance of the consumer portfolio.

**Global Wholesale Banking**

**a) Corporate Banking, Malaysia**

Corporate Banking's profit before tax increased by RM156.6 million or 35.7% to RM595.8 million for the 6 months financial period ended 31 December 2011, from RM439.1 million for the corresponding 6 months financial period ended 31 December 2010. The increase was driven by higher net interest income by 39.3% arising from strong loan growth of 25%. In addition, fee and commission income increased by RM50.0 million or 27.5% mainly attributable to loan processing and syndication fees. Allowance for losses on loans, advances and financing for the corresponding period improved by RM48.6 million.

**B1. Performance Review (cont'd.)**

**(i) Current Period-to-Date vs Previous Corresponding Period-to-Date (cont'd.)**

**b) Global Markets, Malaysia**

Global Markets' profit before tax decreased by RM56.8 million to RM602.1 million for the 6 months financial period ended 31 December 2011 from RM658.9 million for the corresponding 6 months financial period ended 31 December 2010. The decrease was mainly due to a combination of lower net interest income, unrealised loss on revaluation of securities and higher overhead expenses.

**c) Investment Banking (Maybank IB and Kim Eng Group)**

Investment Banking's profit before tax declined by RM9.2 million to RM52.4 million for the 6 months financial period ended 31 December 2011 from RM61.6 million for the corresponding 6 months financial period ended 31 December 2010 whilst Maybank Investment Bank Berhad's ("Maybank IB") profit before tax improved from RM68.7 million for the 6 months financial period ended 31 December 2010 to RM103.9 million for the 6 months financial period ended 31 December 2011, mainly due to sizeable increase in the number of investment banking mandates. Kim Eng Group recorded an operating loss of RM14.7 million, mainly attributable to unrealised loss on revaluation of securities and derivatives of RM35.3 million.

The Islamic operations of Maybank IB recorded significant increase in fee base income of RM63.9 million due to sizeable sukuk capital market transactions.

**International Banking**

International Banking's profit before tax increased by RM159.1 million or 19.4% to RM977.2 million for the 6 months financial period ended 31 December 2011 from RM818.1 million for the corresponding 6 months financial period ended 31 December 2010. The increase was driven by higher net interest income which increased by RM219.1 million or 15.9% arising from strong loan growth of 34.0%. In addition, there was strong fee income growth of RM79.9 million or 10.5%, primarily from Singapore.

The increase in profit before tax for International Banking was mainly contributed by Singapore (RM191.9 million) and BII (RM56.4 million).

Higher net interest income was contributed by strong loans growth of 32.6% in Singapore, 27.6% at BII and 60.6% in the growth market.

**Insurance, Takaful and Asset Management**

Profit before tax increased by RM294.5 million to RM385.7 million for the 6 months financial period ended 31 December 2011 from RM91.2 million for the corresponding 6 months financial period ended 31 December 2010. The increase was contributed mainly by Life/Family Fund Surplus Transfer from Revenue Account of RM178.3 million for the current 6 months period (Note: NIL in the preceding corresponding period) and a one-off RM98.3 million net surplus adjustment arising from the adoption of new Valuation Guidelines issued Bank Negara Malaysia with effect from 1 July 2011.

**(ii) Current Quarter vs Previous Period Corresponding Quarter**

The Group posted profit after tax attributable to equity holders of RM1,296.7 million for the quarter ended 31 December 2011, an increase of RM171.4 million or 15.2% over the previous period corresponding quarter ended 31 December 2010.

The Group's net interest income and Islamic banking income for the quarter ended 31 December 2011 increased by RM438.3 million or 19.9% compared to the previous period corresponding quarter ended 31 December 2010. This is largely due to the growth in Group's gross loans and advances (including Islamic finance).

Non-interest income of the Group for the quarter ended 31 December 2011 increased by RM116.5 million or 11.3% compared to the previous period corresponding quarter ended 31 December 2010. The increase is mainly attributed to the fee income of RM106.7 million contributed by Kim Eng Group during the quarter ended 31 December 2011 whereas in the previous period corresponding quarter, Kim Eng Group's financial results were not consolidated as the Kim Eng Group acquisition was completed in May 2011.

**B1. Performance Review (cont'd.)**

**(ii) Current Quarter vs Previous Period Corresponding Quarter (cont'd.)**

The Group's overhead expenses for the quarter ended 31 December 2011 increased by RM419.9 million or 25.7% compared to the previous period corresponding quarter ended 31 December 2010. The major contributors to the increase in overhead expenses were Kim Eng Group (NIL in previous period corresponding quarter), PT Bank Internasional Indonesia Tbk ("BII") and the Bank itself. The Group's personnel costs increased by RM233.4 million and were 55.6% of the total increase in Group's overhead expenses of RM419.9 million.

Allowance for losses on loans, advances and financing increased by RM112.8 million or 96.0% to RM230.3 million. The increase was mainly due to higher collective allowances made as a result from growth in loans, advances and financing. Assets quality continued to improve with net impaired loans ratio improving to 1.87% as at 31 December 2011, compared to 2.74% as at 31 December 2010.

The improvement in Group's profit before tax for the quarter ended 31 December 2011 as compared to the previous period corresponding quarter ended 31 December 2010 can be further analysed based on the operating segment of the Group as follows:

**Community Financial Services ("CFS"), Malaysia**

CFS' profit before tax decreased by RM17.2 million or 1.9% to RM872.6 million for the quarter ended 31 December 2011 from RM889.8 million for the previous period corresponding quarter ended 31 December 2010 whilst its net interest income and Islamic banking income increased by RM174.3 million to RM1,403.4 million for the quarter ended 31 December 2011 from RM1,229.1 million for the previous previous corresponding quarter ended 31 December 2010 arising from strong loan growth in retail mortgages and auto financing. The increase was mitigated by higher allowance for losses on loans, advances and financing amounted to RM172.7 million mainly attributable to higher collective allowance of the consumer portfolio.

**Global Wholesale Banking**

**a) Corporate Banking, Malaysia**

Corporate Banking's profit before tax decreased by RM73.0 million or 26.5% to RM202.1 million for the quarter ended 31 December 2011 from RM275.1 million for the previous period corresponding quarter ended 31 December 2010 whilst its net interest income increased by RM62.4 million to RM288.4 million for the quarter ended 31 December 2011 from RM226.0 million for the previous period corresponding quarter ended 31 December 2010 arising from strong loan growth. However, the increase in net interest income was mitigated by a combination of higher overhead expenses of RM48.6 million and higher allowance for losses on loans, advances and financing of RM46.8 million.

**b) Global Markets, Malaysia**

Global Markets' profit before tax decreased by RM95.4 million or 33.0% to RM193.8 million for the quarter ended 31 December 2011 from RM289.2 million for the previous period corresponding quarter ended 31 December 2010. The decrease was mainly due to a combination of lower net interest income, unrealised loss on revaluation of securities and higher overhead expenses.

**c) Investment Banking (Maybank IB and Kim Eng Group)**

Investment Banking's profit before tax declined by RM49.1 million to RM5.1 million for the quarter ended 31 December 2011 from RM54.2 million for the previous period corresponding quarter ended 31 December 2010. This was mainly attributed to Maybank Investment Bank Berhad's ("Maybank IB") fee income decreased by RM26.4 million and overhead expenses increased by RM18.2 million.

The Islamic operations of Maybank IB recorded an increase in fee based income of RM25.9 million for the quarter ended 31 December 2011 due to sizeable sukuk capital market transactions.

**B1. Performance Review (cont'd.)**

**(ii) Current Quarter vs Previous Period Corresponding Quarter (cont'd.)**

**International Banking**

International Banking's profit before tax decreased by RM4.5 million to RM523.4 million for the quarter ended 31 December 2011 from RM527.9 million for the previous period corresponding quarter ended 31 December 2010 whilst its net interest income increased by RM124.4 million to RM847.4 million for the quarter ended 31 December 2011 from RM723.0 million for the previous period corresponding quarter ended 31 December 2010 arising from strong loan growth of 34%. However, the increase in net interest income was mitigated by a combination of higher overhead expenses of RM120.0 million and lower fee and commission income of RM42.9 million.

Higher net interest income was contributed by strong loans growth of 32.6% in Singapore, 27.6% at BII and 60.6% in the growth market.

**Insurance, Takaful and Asset Management**

Profit before tax increased by RM275.5 million to RM287.7 million for the quarter ended 31 December 2011 from RM12.2 million for the previous period corresponding quarter ended 31 December 2010. The increase was contributed mainly by Life/Family Fund Surplus Transfer from Revenue Account of RM178.3 million for the current quarter ended 31 December 2011 (Note: NIL in the previous period corresponding quarter) and a one-off RM98.3 million net surplus adjustment arising from the adoption of new Valuation Guidelines issued by Bank Negara Malaysia with effect from 1 July 2011.

**B2. Variation of Current Quarter Results Against Preceding Quarter**

The Group posted profit after tax attributable to equity holders of RM1,296.7 million for the 2nd quarter ended 31 December 2011, an increase of RM10.3 million over the preceding quarter ended 30 September 2011.

The Group's net interest income for the 2nd quarter ended 31 December 2011 increased by RM279.1 million or 14.9% to RM2,152.7 million against the preceding quarter due to growth in loans base and securities portfolio assets. Income from Islamic Banking Scheme operations decreased by RM24.6 million or 4.8% to RM491.7 million over the amount in the preceding quarter, mainly due to higher income attributable to depositors.

Net income from insurance business for the quarter increased significantly by RM225.8 million to RM322.3 million due to transfer of actuarial surplus from insurance and takaful revenue account in the 2nd quarter ended 31 December 2011. (Note: NIL in the 1st quarter ended 30 September 2011).

Non-interest income for the quarter decreased by RM71.2 million or 5.8% to RM1,151.5 million compared to that in the preceding quarter. The decrease was mainly attributable to lower fee income, lower gain on sale of securities and foreign exchange profits, but mitigated by the higher unrealised gain on revaluation of securities held-for trading and lower unrealised loss on revaluation of derivatives.

Overhead expenses for the quarter increased by RM166.1 million or 8.8% over that of the preceding quarter mainly due to higher personnel costs, marketing expenses, administration and general expenses.

Compared to the preceding quarter, allowance for losses on loans, advances and financing was higher by RM131.6 million mainly due to higher individual assessment inpairment and lower recoveries of written-off impaired loan accounts in the domestic banking operations. Impairment losses on securities increased by RM69.3 million due to deterioration in value for certain securities in the 2nd quarter ended 31 December 2011.

## B3. Prospects

2012 Global GDP is expected to grow 3.0%, a decline from a forecast growth of 3.3% in 2011 as the current negative global economic environment persists. The Eurozone is expected to fall into a recession as it continues to struggle with huge debt problems. The US is expected to grow at a lower rate and China will see slower economic growth in 2012.

Despite this challenging time globally, the Group expects to see reasonable growth in its business for the financial year ending December 2012. In the three home markets that Maybank Group operates, namely Malaysia, Singapore and Indonesia, which collectively contributes 95.3% and 94.3% of the Group's income and profit respectively, the 2012 GDP is expected to grow 3.5%-4.0%, 3.0% and 6.3% respectively, albeit more moderately from 2011. Domestic investment, led by the implementation of various projects under the Economic Transformation Programme ("ETP") will be the key drivers for growth in Malaysia where the Overnight Policy Rate ("OPR") is expected to remain at 3.0% throughout 2012 which will help accommodate growth.

In Indonesia, strong domestic demand, coupled with the relatively under-penetrated banking loans to the overall economy will generate one of the strongest economic growth rates in ASEAN. Singapore being an expert-oriented economy will see a slower growth from 5.1% experienced in 2011.

With the greater downside risk, the Group will adopt a strategy of responsible growth with equal focus on managing asset quality and liquidity through sound risk management practices.

In 2012, regionalisation continues to be a major theme for the Group, particularly in building a truly regional organisation and governance structure across all functions, in building physical infrastructure such as IT (for example branch front end and cash management system) and in delivering value (for example investment banking and global wholesale banking, credit cards, global markets, payments). This year will also see the Group's focus on further raising customer service quality, embedding the right risk culture, and driving greater effectiveness and efficiency to improve the cost structure.

Bank Negara Malaysia (BNM) has recently announced the implementation of Basel III Capital Rules which were essentially in accordance with globally agreed standards. BNM is expected to release the capital computation method in April 2012, and the Bank will be able to comply with BNM requirements from January 2013.

Notwithstanding the global challenges, the Group expects to maintain a satisfactory financial performance for the next financial year ending 31 December 2012 in view of expected growth in key ASEAN markets that the Group operates. The Group has set two key performance indicators (KPIs) for the next financial year ending 31 December 2012 of Return on Equity of 15.6% on an enlarged capital base (actual financial period ended 31 December 2011: 16.2% annualised) and growth in loans and debt securities of 15.2% (actual financial period ended 31 December 2011: 16.3% annualised).

## B4. Profit Forecast or Profit Guarantee

Neither the Group nor the Bank has made any profit forecast or issued any profit guarantee for the 2nd quarter and Financial Period Ended 31 December 2011.

## B5. Tax Expense and Zakat

The analysis of the tax expense for the 2nd quarter and Financial Period Ended 31 December 2011 are as follows:

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| **Group** | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian income tax | **361,825** | 406,558 | **786,379** | 699,934 |
| Foreign income tax | **56,990** | 65,892 | **120,462** | 102,427 |
| | **418,815** | 472,450 | **906,841** | 802,361 |
| Under provision in respect of prior period: | | | | |
| Malaysian income tax | **-** | 18,516 | **-** | 18,516 |
| Foreign income tax | **97** | - | **97** | - |
| Deferred tax expense | | | | |
| - Origination and reversal of temporary differences | **10,357** | (59,176) | **(30,282)** | (41,407) |
| Tax expense for the period | **429,269** | 431,790 | **876,656** | 779,470 |
| Zakat | **3,616** | 3,596 | **10,415** | 6,621 |
| | **432,885** | 435,386 | **887,071** | 786,091 |

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | 31 December 2011 | 31 December 2010 | 31 December 2011 | 31 December 2010 |
| **Bank** | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian income tax | **240,657** | 352,531 | **543,043** | 591,417 |
| Foreign income tax | **105** | (351) | **1,566** | 1,357 |
| | **240,762** | 352,180 | **544,609** | 592,774 |
| Deferred tax expense | | | | |
| - Origination and reversal of temporary differences | **72,189** | (35,792) | **60,269** | (14,805) |
| Tax expense for the period | **312,951** | 316,388 | **604,878** | 577,969 |
| Zakat | **22** | - | **22** | - |
| | **312,973** | 316,388 | **604,900** | 577,969 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

**B6. Status of Corporate Proposals Announced but Not Completed**

(a) (i) **Acquisition by Kim Eng Holdings Limited ("Kim Eng"), a subsidiary of Mayban IB Holdings Sdn. Bhd. (formerly known as Aseam Credit Sdn. Bhd.) ("Mayban IB Holdings"), which in turn is a wholly-owned subsidiary of Maybank, of an aggregate of 344,427,134 common shares in ATR KimEng Financial Corporation ("ATR KE"), representing approximately 32.24% of the total number of issued common shares of ATR KE ("Acquisition"); and**

(ii) **Mandatory Tender Offer for all the remaining ATR KE Shares not already owned, controlled or agreed to be acquired by Kim Eng**

Maybank had on 9 December 2011 announced that following the completion of the Acquisition, Kim Eng had on 24 October 2011 launched a tender offer to acquire all the remaining ATR KE shares that it did not own, at an offer price of PhP4.38 (equivalent to approximately RM0.31755, at the exchange rate of PhP1.00 : RM0.0725, as at 24 October 2011, Source: Bloomberg) for each share in ATR KE ("Tender Offer"). Subsequently, the Tender Offer closed on 29 November 2011.

Pursuant to the Tender Offer result, Kim Eng received valid acceptances in respect of an aggregate of 261,518,034 ATR KE shares, representing approximately 24.48% of ATR KE shares. Prior to the Tender Offer, Kim Eng owned 797,405,432 ATR KE shares or approximately 74.64% of the ATR KE shares. Upon closing of the tendered shares on 9 December 2011, Kim Eng ownership in ATR KE has increased to 1,058,923,466 shares, representing approximately 99.11% of ATR KE shares.

Based on the above results, ATR KE's public ownership level would fall to 0.89%, which is below the 10% minimum public ownership required of listed firms. That being the case, ATR KE is evaluating steps it can take to address the matter and shall disclose the same as soon as the appropriate course of action has been finalised.

(b) **Proposed establishment of Subordinated Note Programme of up to RM7.0 billion in nominal value ("Subordinated Note Programme")**

Maybank had obtained approval from the Securities Commission vide their letter dated 15 February 2012 for the establishment of the Subordinated Note Programme and the issuance of Subordinated Notes thereunder.

In addition, the approval from Bank Negara Malaysia ("BNM") for the issuance of Subordinated Notes had also been obtained on 14 December 2011 (upon terms and conditions therein contained).

The Subordinated Notes issued under the Subordinated Note Programme will qualify as Tier 2 capital of Maybank subject to compliance with the requirements as specified in the Risk Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components) guideline issued by BNM.

The tenure of the Subordinated Note Programme is up to 20 years from the date of first issuance of Subordinated Notes under the Subordinated Note Programme and each Subordinated Note issued shall have a tenure of either the following; 10-year non-callable basis; 15 years on a 15 non-callable 10 basis; 12 years on a 12 non-callable 7 basis or 10 years on a 10 non-callable 5 basis.

Each issuance of Subordinated Notes under the Subordinated Note Programme, save and except for Subordinated Notes issued on a 10-year non-callable basis, shall have a callable option allowing Maybank, and subject to the redemption conditions being satisfied, redeem (in whole, but not in part) that tranche of Subordinated Notes on the call date at their principal amount together with accrued but unpaid coupon (if any) ("Optional Redemption"). Further to the Optional Redemption, Maybank may also, at its option and subject to the redemption conditions being satisfied, redeem a tranche of Subordinated Notes (in whole, but not in part) if a regulatory event occurs at the principal amount together with accrued but unpaid coupon (if any).

The net proceeds from the issuance of the Subordinated Notes will be utilised to fund Maybank's working capital, general banking and other corporate purposes.

## B7. Deposits and Placements of Financial Institutions and Debt Securities

Please refer to note A12, A13 and A14.

## B8. Derivative Financial Instruments

Please refer to note A27.

## B9. Changes in Material Litigation

(a) 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 judgment by consent against certain defendants for the sum of RM149.3 million. The entering of the said judgment 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 on the bonds. The defendant had however on 25 August 2009 withdrawn the counterclaim against MTB.

The High Court on 30 June 2010 awarded judgment against MTB and another defendant, being the Arranger for the bonds, for RM149.3 million. The judgment 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.

Upon appeal by the parties, the Court of Appeal on 8 November 2011 ruled that MTB and the other defendant are instead to be equally liable to the plaintiffs/bondholders. In addition, the Court of Appeal ordered them to pay penalty charges on the judgment sum at the rate of 3% from 30 September 2005 to date of judgment. However, the Court of Appeal allowed MTB and the other defendant to seek indemnity against the issuer of the bonds, the issuer's Chief Executive Officer, one of the issuer's directors and associate companies of the said Chief Executive Officer and the said director for one half of the 2/3 of the total liability. Further the Court of Appeal allowed MTB to seek indemnity against one of the plaintiffs for 1/3 of its liability (after deducting the sum to be indemnified by the issuer, the issuer's Chief Executive Officer, one of the issuer's directors and associate companies of the said Chief Executive Officer and the said director). MTB and the other parties to the suit have filed their respective applications for leave of the Federal Court to appeal against the decision of the Court of Appeal and these leave applications are fixed for hearing on 5 April 2012.

Further to a suit unrelated to this suit, a third party has, pursuant to a winding-up petition against the issuer of the bonds, appointed a provisional liquidator against the issuer of the bonds on 16 February 2012 until 15 March 2012 for the purpose of monitoring and completing the sale of assets charged to the third party.

As a result of the appointment of the said provisional liquidator, all pending proceedings by all parties against the issuer of the bonds are effectively stayed and these include MTB's applications for leave at the Federal Court referred to above.

MTB's Counsel is now in the process of drafting the necessary papers to obtain leave to continue with the pending proceedings against the issuer of the bonds.

MTB's Counsel is of the opinion that MTB is likely to obtain leave to proceed with the pending actions against the issuer of the bonds.

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.

**B9. Changes in Material Litigation (cont'd.)**

(b) 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 installments.

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. It is alleged that the 1st Defendant was unable to carry on its project and therefore suffered loss and damage.

On 14 May 2009, the Court allowed ETB’s application for summary judgment, 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. All 4 Defendants filed their respective applications for stay of execution of the summary judgment.

On 4 March 2010 the Court of Appeal reversed the decision of the High Court granting the earlier summary judgment and ordered that the matter be returned to the High Court for full hearing. The full trial including the counterclaim concluded on 4 May 2011. The High Court on 21 September 2011 entered judgment in favour of ETB and allowed ETB’s claim (with costs) and dismissed the 1st Defendant’s counterclaim (with costs). All 4 Defendants have filed Notices of Appeal against the said decision and also applied for stay of the judgment. No hearing date has been fixed for the Appeal. The application for stay of the judgment, fixed for 25 January 2012 was dismissed with costs.

(c) A corporate borrower had issued a writ of summons and statement of claim against a subsidiary, Maybank Investment Bank Berhad (“Maybank IB”), in 2005 in the latter’s capacity as agent bank for three financial institutions, claiming general, special and exemplary damages arising from alleged breach of duty owed by Maybank IB in connection with a syndicated facility.

The credit facilities consist of a bridging loan of RM58.5 million and a revolving credit facility of RM4 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 said credit facilities. The 2 claims were heard together.

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

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

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

Maybank IB’s solicitors are of the view that Maybank IB has a more than even chance of succeeding in the Appeal against the said Judgement.

The Appeal came up for hearing on 10 February 2012, The corporate borrower requested for the matter to be mediated which was agreed to by the syndicated lenders. As such, the matter is now fixed for mediation on 9 March 2012.

**B9. Changes in Material Litigation (cont'd.)**

(d) Mayban Trustees Berhad ("MTB"), as Trustee and Maybank Investment Bank Berhad ("Maybank IB") as Security Agent for the Senior Bonds and Junior Notes issued by a corporation were served with a Writ of Summons, Statement of Claim and Amended Statement of Claim on 29 December 2010 and 30 December 2010 respectively.

An individual as the sole Junior Noteholder of the Junior Notes issued, claimed against both MTB and Maybank IB, the sum of RM556.5 million together with interests and costs arising from the declaration made by MTB of an Event Of Default of the Senior Bonds and subsequent Event Of Default of the Junior Notes and for an alleged breach of fiduciary duties and duty of care by Maybank IB. On 30 September 2011, the High Court gave judgment in favour of Maybank IB and MTB by dismissing the claim against Maybank IB and MTB with costs. The individual has filed an appeal to the Court of Appeal against the said decision which is fixed for hearing on 5 March 2012.

(e) On 8 April 2010, a corporate borrower (“the Plaintiff”) had filed a civil suit against Malayan Banking Berhad (“Maybank”) and two other Defendants at the Johor Bahru High Court (“JB High Court Suit”) alleging that Maybank was in breach of its obligations to the Plaintiff under several banking facilities between them for refusing to allow the drawdown and/or refusing to allow the further drawdown of the banking facilities.

Maybank had offered several banking facilities to finance the Plaintiff’s development in a mixed development project. Amongst the many securities granted were several debentures which gave Maybank a right to appoint a receiver and manager over the Plaintiff in the event of default of the banking facilities.

The 2nd and 3rd Defendants were receivers and managers (“R&M”) appointed by Maybank under debentures given by the Plaintiff.

The Plaintiff had defaulted under the banking facilities granted by Maybank resulting in Maybank appointing the R&M.

Concurrent with this suit, the Plaintiff also filed an application for an interlocutory injunction to restrain Maybank from exercising its right to appoint a R&M. The application was heard on 23 November 2010 and allowed.

Maybank has filed an application to strike out the JB High Court Suit and the said application was dismissed by the JB High Court on 12 April 2011. Maybank’s solicitors had filed an appeal on 25 April 2011. Maybank has also filed a counterclaim in the JB High Court Suit against the Plaintiff and its guarantors to recover all sums due and owing under the banking facilities granted to the Plaintiff. Pursuant thereto, Maybank has also filed an application for summary judgment against the Plaintiff and its guarantors that was fixed for case management on 13 May 2011. The case management was deferred to 31 May 2011 where the JB High Court has allowed Maybank’s application to transfer the JB High Court Suit to KL High Court to be heard with the KL High Court Suit described below. As for the appeal, Maybank had requested the Court of Appeal to fix an early hearing date thereto.

Maybank was also subsequently served with a Writ of Summons and Statement of Claim on 25 March 2011 by the Plaintiff at the Kuala Lumpur High Court ("KL High Court Suit") for a sum of RM1.2 billion alleging that the appointment of the R&M was *mala fide* and with malice and that as a consequence thereof, it has purportedly suffered loss and damages.

On 24 October 2011, the KL High Court had allowed Maybank’s counterclaim and dismissed the claims, ie JB High Court Suit and KL High Court Suit against Maybank with costs. Maybank has also filed an application to strike out the KL High Court Suit which is fixed for hearing on 1 December 2011. The KL High Court allowed the Bank’s withdrawal of this striking out application with no order as to cost and the hearing on 1 December 2011 is vacated.

On 13 December 2011, the KL High Court had dismissed the Plaintiff’s application for stay of execution of the Court Order dated 24 October 2011 and an injunction against Maybank with costs.

## B10. Disclosure of Realised and Unrealised Retained Earnings

Pursuant to the Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements with the guidance notes from Malaysian Institute of Accountants ("MIA") issued on 20 December 2010, the key items contributing to the realised and unrealised retained earnings of the Group are disclosed as follows:

| | 31 December 2011 RM'000 | 30 June 2011 RM'000 |
|---|---|---|
| Total retained profits of the Bank and its subsidiaries: | | |
| - Realised | **7,379,347** | 8,213,749 |
| - Unrealised | **1,908,003** | 925,779 |
| | **9,287,350** | 9,139,528 |
| Total share of retained profits from associated companies: | | |
| - Realised | **425,971** | 351,737 |
| - Unrealised | **-** | - |
| | **425,971** | 351,737 |
| Total Group's retained profits as per consolidated accounts | **9,713,321** | 9,491,265 |

## B11. Proposed Final Dividend

The Board of Directors have proposed a final dividend in respect of the 6 months financial period ended 31 December 2011 of 36 sen less 25% taxation (30 June 2011: final dividend of 32 sen per share less 25% taxation) for the shareholders' approval.

The proposed gross dividend consists of an electable portion of 32 sen (24 sen net per ordinary share) which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP").

Pursuant to Section 8.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the final dividend, if approved, will be paid no later than three (3) months from the date of shareholders' approval.

The Books Closure Date will be announced by the Bank after the Annual General Meeting.

## B12. Earnings Per Share ("EPS")

### Basic

The basic EPS of the Group is calculated by dividing the net profit for the quarter/period attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the quarter/period.

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | **31 December 2011** | **31 December 2010** | **31 December 2011** | **31 December 2010** |
| Net profit for the quarter/period (RM'000) | **1,296,679** | 1,125,248 | **2,583,069** | 2,153,362 |
| Weighted average number of ordinary shares in issue ('000) | **7,531,947** | 7,159,402 | **7,505,086** | 7,118,692 |
| Basic earnings per share | **17.22 sen** | 15.72 sen | **34.42 sen** | 30.25 sen |

### Diluted

The diluted EPS of the Group is calculated by dividing the net profit for the quarter/period attributable to equity holders of the Bank 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 Maybank Group Employee Share Scheme ("ESS") and the Dividend Reinvestment Plan ("DRP").

In the diluted EPS calculation, it was assumed that the ESS relating to the RSU were vested and awarded to employees through issuance of additional ordinary shares and the electable portion of the dividends issued under the DRP 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 quarter/period) based on the monetary value of the ESS entitlement attached to the outstanding RSU granted and the number of shares that could have been issued at an assumed price (determined as the 5-day average price of the Bank's shares as at 31 December 2011 and 31 December 2010 respectively) based on the electable portion of the dividends issued under the DRP. These calculations serve 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 for the quarter/period.

Share options granted to employees under the ESS have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

| | 2nd Quarter Ended | | Cumulative 6 Months Ended | |
|---|---|---|---|---|
| | **31 December 2011** | **31 December 2010** | **31 December 2011** | **31 December 2010** |
| Net profit for the quarter/period (RM'000) | **1,296,679** | 1,125,248 | **2,583,069** | 2,153,362 |
| Weighted average number of ordinary shares in issue ('000) | **7,531,947** | 7,159,402 | **7,505,086** | 7,118,692 |
| Effects of dilution ('000) | **85** | 38,523 | **85** | 38,523 |
| Adjusted weighted average number of ordinary shares in shares in issue ('000) | **7,532,032** | 7,197,925 | **7,505,171** | 7,157,215 |
| Diluted earnings per share | **17.22 sen** | 15.63 sen | **34.42 sen** | 30.09 sen |

By Order of the Board

**Mohd Nazlan Mohd Ghazali**
LS0008977
Company Secretary
23 February 2012