

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2012**

<u>Group</u>	Note	Quarter Ended		Cumulative 6 Months Ended*	
		30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Interest income	A17	3,714,424	3,160,672	7,281,805	6,139,659
Interest expense	A18	(1,608,157)	(1,333,934)	(3,154,838)	(2,541,496)
Net interest income		2,106,267	1,826,738	4,126,967	3,598,163
Income from Islamic Banking					
Scheme operations:					
Gross operating income		566,841	468,806	1,101,667	873,061
Profit equalisation reserves		-	(25,784)	-	(42,267)
	A31a	566,841	443,022	1,101,667	830,794
		2,673,108	2,269,760	5,228,634	4,428,957
Net income from insurance and takaful business:					
Income from insurance and takaful business		314,227	425,279	514,902	587,661
Claims incurred and expense liability		(144,545)	(79,851)	(257,994)	(158,141)
		169,682	345,428	256,908	429,520
		2,842,790	2,615,188	5,485,542	4,858,477
Non-interest income	A19	1,344,334	1,196,660	2,752,349	2,125,504
Net income		4,187,124	3,811,848	8,237,891	6,983,981
Overhead expenses	A20	(1,982,303)	(1,962,115)	(3,977,111)	(3,516,071)
		2,204,821	1,849,733	4,260,780	3,467,910
Allowance for losses on loans, advances and financing	A21	(199,421)	(47,717)	(395,329)	(119,918)
Impairment losses on securities, net		(27,276)	(114,025)	(27,746)	(109,733)
Operating Profit		1,978,124	1,687,991	3,837,705	3,238,259
Share of profits in associates		47,740	40,538	82,731	65,843
<b>Profit before taxation and zakat</b>		<b>2,025,864</b>	<b>1,728,529</b>	<b>3,920,436</b>	<b>3,304,102</b>
Taxation & Zakat	B5	(546,213)	(475,307)	(1,075,115)	(864,618)
<b>Profit for the period</b>		<b>1,479,651</b>	<b>1,253,222</b>	<b>2,845,321</b>	<b>2,439,484</b>
<b>Attributable to:</b>					
Equity holders of the Bank		1,437,540	1,154,316	2,784,421	2,296,916
Non-controlling interest		42,111	98,906	60,900	142,568
		1,479,651	1,253,222	2,845,321	2,439,484
<b>Earnings per share attributable to   equity holders of the Bank</b>	B12				
Basic		18.64 sen	15.54 sen	36.28 sen	31.15 sen
Fully diluted		18.64 sen	15.54 sen	36.28 sen	31.15 sen

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

\*(The Group has changed its financial year-end from 30 June to 31 December. Comparatives for cumulative quarters consist of 6 months results beginning 1 January 2011 to 30 June 2011.)

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2012**

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended*	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
<b>Profit for the period</b>	<b>1,479,651</b>	<b>1,253,222</b>	<b>2,845,321</b>	<b>2,439,484</b>
<b>Other comprehensive income/(loss):</b>				
Net gain on available-for-sale financial assets	61,545	296,527	29,554	343,199
Income tax relating to components of other comprehensive income	(42,059)	(89,745)	(19,855)	(101,865)
Foreign currency translation	425,797	272,459	(164,934)	257,764
Changes in other reserves	(380)	-	1,085	-
Other comprehensive income/(loss): for the period, net of tax	<b>444,903</b>	<b>479,241</b>	<b>(154,150)</b>	<b>499,098</b>
Total comprehensive income for the period	<b>1,924,554</b>	<b>1,732,463</b>	<b>2,691,171</b>	<b>2,938,582</b>
<b>Total comprehensive income for the period attributable to:</b>				
Equity holders of the Bank	1,873,432	1,636,874	2,622,256	2,801,202
Non-controlling interest	51,122	95,589	68,915	137,380
	<b>1,924,554</b>	<b>1,732,463</b>	<b>2,691,171</b>	<b>2,938,582</b>

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2012**

<u>Bank</u>	Note	Quarter Ended		Cumulative 6 Months Ended*	
		30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Interest income	A17	<b>2,807,273</b>	2,397,373	<b>5,509,834</b>	4,652,975
Interest expense	A18	<b>(1,280,833)</b>	(996,673)	<b>(2,473,010)</b>	(1,910,242)
Net interest income		<b>1,526,440</b>	1,400,700	<b>3,036,824</b>	2,742,733
Non-interest income	A19	<b>803,159</b>	862,337	<b>1,898,933</b>	1,521,250
Net income		<b>2,329,599</b>	2,263,037	<b>4,935,757</b>	4,263,983
Overhead expenses	A20	<b>(1,082,361)</b>	(1,102,894)	<b>(2,151,166)</b>	(2,040,388)
		<b>1,247,238</b>	1,160,143	<b>2,784,591</b>	2,223,595
Allowance for losses on loans, advances and financing	A21	<b>(76,491)</b>	75,238	<b>(221,215)</b>	136,682
Impairment losses on securities, net		<b>1,962</b>	(110,803)	<b>15,749</b>	(105,024)
<b>Profit before taxation and zakat</b>		<b>1,172,709</b>	1,124,578	<b>2,579,125</b>	2,255,253
Taxation & Zakat	B5	<b>(321,150)</b>	(319,953)	<b>(645,919)</b>	(624,761)
<b>Profit for the period</b>		<b>851,559</b>	804,625	<b>1,933,206</b>	1,630,492

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

\*(The Group has changed its financial year-end from 30 June to 31 December. Comparatives for cumulative quarters consist of 6 months results beginning 1 January 2011 to 30 June 2011.)

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2012**

<u>Bank</u>	Quarter Ended		Cumulative 6 Months Ended*	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
<b>Profit for the period</b>	<b>851,559</b>	804,625	<b>1,933,206</b>	1,630,492
<b>Other comprehensive income/(loss):</b>				
Net gain/(loss) on available-for-sale financial assets	<b>69,625</b>	259,669	<b>(26,308)</b>	344,265
Income tax relating to components of other comprehensive income	<b>(17,406)</b>	(75,169)	<b>6,577</b>	(95,692)
Foreign currency translation	<b>157,223</b>	103,102	<b>106,467</b>	125,736
Other comprehensive income: for the period, net of tax	<b>209,442</b>	287,602	<b>86,736</b>	374,309
Total comprehensive income for the period	<b>1,061,001</b>	1,092,227	<b>2,019,942</b>	2,004,801

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**MALAYAN BANKING BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2012**

	Note	Group			Bank		
		30 June 2012 RM'000	31 December 2011 (Restated)* RM'000	1 July 2011 (Restated)* RM'000	30 June 2012 RM'000	31 December 2011 (Restated)* RM'000	1 July 2011 (Restated)* RM'000
<b>ASSETS</b>							
Cash and short-term funds		60,348,330	49,089,088	38,803,519	39,755,210	35,966,579	25,803,796
Deposits and placements with financial institutions		8,612,579	6,452,978	10,291,513	8,543,323	6,246,093	7,644,471
Securities purchased under resale agreements		1,777,656	1,397,235	-	1,777,656	1,397,235	-
Securities held-for-trading	A10(i)	11,198,385	9,665,997	4,141,978	9,234,655	7,325,466	2,884,895
Securities available-for-sale	A10(ii)	55,251,075	55,415,428	54,113,303	46,247,395	46,406,463	46,994,764
Securities held-to-maturity	A10(iii)	4,483,132	3,179,416	2,923,028	2,882,849	2,223,670	1,744,186
Loans, advances and financing	A11	295,663,090	274,430,691	253,976,426	208,660,775	194,174,085	181,572,844
Derivative assets	A28	2,390,015	1,954,476	1,652,182	2,325,172	1,949,344	1,626,415
Other assets	A12	8,064,816	8,039,986	8,137,103	2,136,625	2,240,433	1,420,365
Investment properties		46,266	62,007	45,051	-	-	-
Statutory deposits with Central Banks		11,725,658	10,577,416	7,698,425	6,932,266	6,095,129	4,313,116
Investment in subsidiaries		-	-	-	17,635,127	17,230,202	17,070,392
Interest in associates		2,334,269	2,406,462	2,439,654	456,512	456,512	454,412
Property, plant and equipment		2,552,445	2,372,534	2,168,986	1,455,915	1,298,891	1,170,183
Intangible assets		6,349,259	6,507,949	6,509,048	167,929	173,933	177,270
Deferred tax assets		1,414,380	1,369,565	1,367,940	883,932	815,573	886,484
Life, general takaful and family takaful fund assets		20,105,864	19,903,312	19,196,413	-	-	-
<b>TOTAL ASSETS</b>		<b>492,317,219</b>	<b>452,824,540</b>	<b>413,464,569</b>	<b>349,095,341</b>	<b>323,999,608</b>	<b>293,763,593</b>
<b>LIABILITIES</b>							
Deposits from customers	A13	340,265,196	313,709,780	281,976,379	243,237,726	222,895,293	201,465,408
Deposits and placements of banks and other financial institutions	A14	43,034,101	36,760,978	33,303,655	37,211,976	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		3,650,303	4,472,872	8,513,401	2,845,636	3,610,141	7,115,673
Derivative liabilities	A28	2,295,318	2,162,709	1,533,935	2,129,160	2,072,731	1,446,311
Other liabilities	A16	12,226,218	10,576,494	11,311,854	5,549,510	6,351,178	4,240,156
Recourse obligation on loans sold to Cagamas		700,853	715,603	528,285	700,853	715,603	528,285
Provision for taxation and zakat		591,001	320,212	134,620	229,333	-	-
Deferred tax liabilities		624,731	608,275	598,287	-	-	-
Borrowings	A15(i)	10,606,504	7,185,230	5,447,120	7,484,509	4,208,282	3,420,499
Subordinated obligations	A15(ii)	13,873,454	14,160,553	10,800,539	12,283,963	12,574,919	9,509,786
Capital securities	A15(iii)	6,148,456	6,113,761	6,120,774	6,148,456	6,113,761	6,120,774
Life, general takaful and family takaful fund liabilities		3,968,604	2,886,104	5,408,600	-	-	-
Life, general takaful and family takaful policy holders' funds		16,137,261	17,017,208	13,787,813	-	-	-
<b>TOTAL LIABILITIES</b>		<b>454,122,000</b>	<b>416,957,431</b>	<b>379,838,824</b>	<b>317,821,122</b>	<b>294,365,152</b>	<b>265,662,129</b>

\* Refer to Note A30 on financial effects arising from adoption of MFRS framework and changes in accounting policies.

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2012**

	Note	Group			Bank		
		30 June 2012 RM'000	31 December 2011 (Restated)* RM'000	1 July 2011 (Restated)* RM'000	30 June 2012 RM'000	31 December 2011 (Restated)* RM'000	1 July 2011 (Restated)* RM'000
<b>SHAREHOLDERS' EQUITY</b>							
Share capital		7,853,758	7,639,437	7,478,206	7,853,758	7,639,437	7,478,206
Reserves		28,830,591	26,677,082	24,813,431	23,520,461	21,995,019	20,623,258
Shares-held-in-trust		(100,000)	-	-	(100,000)	-	-
		<u>36,584,349</u>	<u>34,316,519</u>	<u>32,291,637</u>	<u>31,274,219</u>	<u>29,634,456</u>	<u>28,101,464</u>
Non-controlling interests		1,610,870	1,550,590	1,334,108	-	-	-
Total equity		<u>38,195,219</u>	<u>35,867,109</u>	<u>33,625,745</u>	<u>31,274,219</u>	<u>29,634,456</u>	<u>28,101,464</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
		<u>492,317,219</u>	<u>452,824,540</u>	<u>413,464,569</u>	<u>349,095,341</u>	<u>323,999,608</u>	<u>293,763,593</u>
<b>COMMITMENTS AND CONTINGENCIES</b>							
	A26	<u>426,445,300</u>	<u>370,709,695</u>	<u>292,201,755</u>	<u>385,989,776</u>	<u>336,480,160</u>	<u>265,846,025</u>
<b>CAPITAL ADEQUACY</b>							
	A27						
Based on credit, market and operational risk:							
<b>Basel II</b>							
<b>Before deducting proposed dividend:</b>							
Core capital ratio		11.59%	11.74%	11.93%	14.98%	15.80%	13.44%
Risk-weighted capital ratio		<u>15.66%</u>	<u>16.46%</u>	<u>15.45%</u>	<u>14.98%</u>	<u>15.80%</u>	<u>13.44%</u>
<b>After deducting proposed dividend:</b>							
Core capital ratio, assuming:							
- full electable portion paid in cash		10.92%	10.95%	11.21%	14.07%	14.73%	12.49%
- full electable portion reinvested		11.51%	11.65%	11.84%	14.86%	15.68%	13.32%
Risk-weighted capital ratio, assuming:							
- full electable portion paid in cash		14.99%	15.66%	14.72%	14.07%	14.73%	12.49%
- full electable portion reinvested		<u>15.57%</u>	<u>16.37%</u>	<u>15.36%</u>	<u>14.86%</u>	<u>15.68%</u>	<u>13.32%</u>
Net assets per share attributable to equity holders of the Bank		<u>RM4.66</u>	<u>RM4.49</u>	<u>RM4.32</u>	<u>RM3.98</u>	<u>RM3.88</u>	<u>RM3.76</u>

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2012**

Group	Non-Distributable													
	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	Profit Equalisation Reserve RM'000	Shares-held-in-trust RM'000	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
<b>At 1 January 2012</b>														
- as previously stated	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
- effect of adopting MFRS 1	-	-	-	-	157,108	-	-	-	-	-	- <sup>1</sup>	157,108	-	157,108
- effect of change in accounting policy	-	-	-	-	33,538	-	-	-	-	-	680,446	713,984	320,027	1,034,011
<b>At 1 January 2012, as restated</b>	<b>7,639,437</b>	<b>9,598,847</b>	<b>6,926,383</b>	<b>15,250</b>	<b>541,627</b>	<b>(969,382)</b>	<b>127,317</b>	<b>8,817</b>	<b>34,456</b>	<b>-</b>	<b>10,393,767</b>	<b>34,316,519</b>	<b>1,550,590</b>	<b>35,867,109</b>
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,784,421 <sup>2</sup>	2,784,421	60,900	2,845,321
Other comprehensive (loss)/income	-	-	(445)	256	(3,112)	(158,864)	-	-	-	-	-	(162,165)	8,015	(154,150)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(445)</b>	<b>256</b>	<b>(3,112)</b>	<b>(158,864)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,784,421</b>	<b>2,622,256</b>	<b>68,915</b>	<b>2,691,171</b>
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	-	60,142	-	-	-	-	60,142	-	60,142
Net effect of acquisition from/disposal to non-controlling interests	-	-	-	(323)	-	13,011	-	-	-	-	13,065	25,753	(932)	24,821
Transfer to statutory reserves	-	-	506,052	-	-	-	-	-	-	-	(506,052)	-	-	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note A8(A)(a)(i))	202,854	1,419,373	-	-	-	-	-	-	-	-	-	1,622,227	-	1,622,227
Issue of shares pursuant to ESS (Note A8(A)(a)(ii))	12	98	-	-	-	-	(7)	-	-	-	-	103	-	103
Issue of shares-held-in-trust (Note A8(A)(a)(iii))	11,455	88,545	-	-	-	-	-	-	-	(100,000)	-	-	-	-
Dividend paid (Note A9)	-	-	-	-	-	-	-	-	-	-	(2,062,651)	(2,062,651)	(7,703)	(2,070,354)
<b>Total transactions with shareholders</b>	<b>214,321</b>	<b>1,508,016</b>	<b>506,052</b>	<b>(323)</b>	<b>-</b>	<b>13,011</b>	<b>60,135</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>(2,555,638)</b>	<b>(354,426)</b>	<b>(8,635)</b>	<b>(363,061)</b>
<b>At 30 June 2012</b>	<b>7,853,758</b>	<b>11,106,863</b>	<b>7,431,990</b>	<b>15,183</b>	<b>538,515</b>	<b>(1,115,235)</b>	<b>187,452</b>	<b>8,817</b>	<b>34,456</b>	<b>(100,000)</b>	<b>10,622,550</b>	<b>36,584,349</b>	<b>1,610,870</b>	<b>38,195,219</b>

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

<sup>1</sup> The retained profits of the Group include the non-par unallocated surplus from an insurance subsidiary, net of tax at 25% which amounted to RM680.4 million. This unallocated surplus is only available for distribution to shareholder on the amount recommended by the Appointed Actuary in accordance with the Insurance Act,1996.

<sup>2</sup> The profit for the period of the Group include the non-par unallocated surplus from an insurance subsidiary, net of tax at 25% which amounted to RM64.6 million. This unallocated surplus is only available for distribution to shareholder on the amount recommended by the Appointed Actuary in accordance with the Insurance Act,1996.

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2012**

Group	<===== Non-Distributable =====>											
	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	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
<b>At 1 July 2010</b>	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)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	(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)
<b>Total transactions with shareholders</b>	<b>244,257</b>	<b>1,635,901</b>	<b>432,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,759,225)</b>	<b>(446,967)</b>	<b>(43,154)</b>	<b>(490,121)</b>
<b>At 31 December 2010/1 January 2011</b>	<b>7,322,240</b>	<b>7,539,398</b>	<b>5,986,099</b>	<b>15,250</b>	<b>184,549</b>	<b>(1,279,747)</b>	<b>-</b>	<b>9,057</b>	<b>9,149,737</b>	<b>28,926,583</b>	<b>763,786</b>	<b>29,690,369</b>
Profit for the period	-	-	-	-	-	-	-	-	2,296,916	2,296,916	142,568	2,439,484
Other comprehensive income/(loss)	-	-	-	-	232,516	271,770	-	-	-	504,286	(5,188)	499,098
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>232,516</b>	<b>271,770</b>	<b>-</b>	<b>-</b>	<b>2,296,916</b>	<b>2,801,202</b>	<b>137,380</b>	<b>2,938,582</b>
Net effect of disposal to non-controlling interests	-	-	-	-	-	-	-	-	6,105	6,105	69	6,174
Effect of acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	112,741	112,741
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	-	65,000	-	-	65,000	-	65,000
Transfer to statutory reserves	-	-	423,823	-	-	-	-	-	(423,823)	-	-	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	155,966	1,044,313	-	-	-	-	-	-	-	1,200,279	-	1,200,279
Transfer (from)/to share option reserve	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(1,537,670)	(1,537,670)	(5,210)	(1,542,880)
<b>Total transactions with shareholders</b>	<b>155,966</b>	<b>1,044,313</b>	<b>423,823</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,000</b>	<b>-</b>	<b>(1,955,388)</b>	<b>(266,286)</b>	<b>107,600</b>	<b>(158,686)</b>
<b>At 30 June 2011</b>	<b>7,478,206</b>	<b>8,583,711</b>	<b>6,409,922</b>	<b>15,250</b>	<b>417,065</b>	<b>(1,007,977)</b>	<b>65,000</b>	<b>9,057</b>	<b>9,491,265</b>	<b>31,461,499</b>	<b>1,008,766</b>	<b>32,470,265</b>

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)



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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2012**

<u>Bank</u>	<===== Non-Distributable =====>							Distributable Retained Profits RM'000	Total Equity RM'000
	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	Shares- held-in-trust RM'000		
<b>At 1 January 2012</b>									
- as previously stated	7,639,437	9,598,847	6,728,866	262,434	227,772	127,317	-	4,895,012	29,479,685
- effect of adopting MFRS 1	-	-	-	154,771	-	-	-	-	154,771
<b>At 1 January 2012, as restated</b>	<b>7,639,437</b>	<b>9,598,847</b>	<b>6,728,866</b>	<b>417,205</b>	<b>227,772</b>	<b>127,317</b>	-	<b>4,895,012</b>	<b>29,634,456</b>
Profit for the period	-	-	-	-	-	-	-	1,933,206	1,933,206
Other comprehensive (loss)/income	-	-	-	(19,731)	106,467	-	-	-	86,736
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,731)</b>	<b>106,467</b>	<b>-</b>	<b>-</b>	<b>1,933,206</b>	<b>2,019,942</b>
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	60,142	-	-	60,142
Transfer to statutory reserve	-	-	483,300	-	-	-	-	(483,300)	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note A8(A)(a)(i))	202,854	1,419,373	-	-	-	-	-	-	1,622,227
Issue of shares pursuant to ESS (Note A8(A)(a)(ii))	12	98	-	-	-	(7)	-	-	103
Issue of shares-held-in-trust (Note A8(A)(a)(iii))	11,455	88,545	-	-	-	-	(100,000)	-	-
Dividend paid (Note A9(a))	-	-	-	-	-	-	-	(2,062,651)	(2,062,651)
<b>Total transactions with shareholders</b>	<b>214,321</b>	<b>1,508,016</b>	<b>483,300</b>	<b>-</b>	<b>-</b>	<b>60,135</b>	<b>(100,000)</b>	<b>(2,545,951)</b>	<b>(380,179)</b>
<b>At 30 June 2012</b>	<b>7,853,758</b>	<b>11,106,863</b>	<b>7,212,166</b>	<b>397,474</b>	<b>334,239</b>	<b>187,452</b>	<b>(100,000)</b>	<b>4,282,267</b>	<b>31,274,219</b>

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

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**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2012**

<b>Bank</b>	<----- Non-Distributable ----->						<b>Distributable Retained Profits RM'000</b>	<b>Total Equity RM'000</b>
	<b>Share Capital RM'000</b>	<b>Share Premium RM'000</b>	<b>Statutory Reserve RM'000</b>	<b>Unrealised Holding Reserve/(Deficit) RM'000</b>	<b>Exchange Fluctuation Reserve RM'000</b>	<b>ESS Reserve RM'000</b>		
<b>At 1 July 2010</b>	7,077,983	5,903,497	5,372,770	228,648	(12,495)	-	6,495,300	25,065,703
Profit for the year	-	-	-	-	-	-	1,728,207	1,728,207
Other comprehensive (loss)/income	-	-	-	(198,361)	126,020	-	-	(72,341)
<b>Total comprehensive income for the period</b>	-	-	-	(198,361)	126,020	-	1,728,207	1,655,866
Transfer to/(from) statutory reserve	-	-	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)
<b>Total transactions with shareholders</b>	244,257	1,635,901	432,100	-	-	-	(2,767,834)	(455,576)
<b>At 31 December 2010/1 January 2011</b>	7,322,240	7,539,398	5,804,870	30,287	113,525	-	5,455,673	26,265,993
Profit for the period	-	-	-	-	-	-	1,630,492	1,630,492
Other comprehensive (loss)/income	-	-	-	248,573	125,736	-	-	374,309
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	248,573	125,736	-	1,630,492	2,004,801
Transfer to statutory reserves	-	-	407,590	-	-	-	(407,590)	-
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	65,000	-	65,000
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	155,966	1,044,313	-	-	-	-	-	1,200,279
Dividend paid	-	-	-	-	-	-	(1,537,670)	(1,537,670)
<b>Total transactions with shareholders</b>	155,966	1,044,313	407,590	-	-	65,000	(1,945,260)	(272,391)
<b>At 30 June 2011</b>	7,478,206	8,583,711	6,212,460	278,860	239,261	65,000	5,140,905	27,998,403

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

**MALAYAN BANKING BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2012**

	Group		Bank	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	3,920,436	3,304,102	2,579,125	2,255,253
Adjustments for non-operating and non-cash items:				
Depreciation	106,760	91,965	57,717	60,420
Share of associates' profit	(82,731)	(65,843)	-	-
Amortisation of intangible assets	72,450	44,952	21,292	25,519
Net (gain)/loss on disposal of held-for-trading securities	(52,809)	20,351	(34,967)	6,070
Net gain on disposal of available-for-sale securities	(177,235)	(88,254)	(131,953)	(61,612)
Net (gain)/loss on redemption of held-to-maturity securities	(16,488)	22	(16,488)	22
Unrealised gain on revaluation of securities held-for-trading and derivatives	(46,609)	(35,756)	(37,819)	(52,285)
Loan and financing loss and allowances	841,665	430,233	547,362	48,429
Allowance (written back)/made for other debts	(1,845)	35,981	1,619	12,125
Dividend income	(14,447)	(18,041)	(265,278)	(173,403)
Share options granted under ESS	57,650	65,000	50,847	65,000
Impairment losses on securities, net	27,746	109,733	(15,749)	105,024
Transfer of life, general takaful and family takaful fund surplus	(148,740)	(304,373)	-	-
Other adjustments for non-operating and non-cash items:	(70,478)	(6,886)	(85,861)	(40,559)
Operating profit before working capital changes	4,415,325	3,583,186	2,669,847	2,250,003
Change in deposits and placements with banks and other financial institutions	(2,051,525)	1,589,007	(2,549,424)	3,831,520
Change in securities portfolio	(2,379,980)	1,774,443	(2,077,113)	3,647,040
Change in loans, advances and financing	(22,074,064)	(33,558,424)	(15,034,052)	(22,217,995)
Change in statutory deposits with Central Banks	(1,148,242)	(3,485,952)	(837,137)	(2,070,725)
Change in deposits from customers	26,555,417	33,838,625	20,342,433	18,592,908
Change in deposits and placements of banks and other financial institutions	6,273,123	4,458,231	1,656,384	1,900,946
Change in life, general takaful and family takaful fund assets	(53,812)	(244,055)	-	-
Change in life, general takaful and family takaful fund liabilities and policy holder's funds	1,576,053	549,169	-	-
Change in other operating activities	(836,337)	1,520,219	(2,595,190)	5,844,476
Exchange fluctuation	1,157,635	673,185	680,894	677,320
Cash generated from operations	11,433,593	10,697,634	2,256,642	12,455,493
Taxes and zakat paid	(839,167)	(1,815,831)	(381,842)	(1,333,794)
Net cash generated from operating activities	10,594,426	8,881,803	1,874,800	11,121,699

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2012**

	Group		Bank	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
<b>Cash flows from investing activities</b>				
Dividend received				
- from securities	14,447	18,041	5,885	8,260
- from associates	6,452	-	6,452	-
- from subsidiaries	-	-	252,941	165,143
Purchase of property, plant and equipment	(292,909)	(164,461)	(223,353)	(69,086)
Proceeds from disposal of property, plant and equipment	4,509	11,814	4,709	11,556
Purchase of intangible assets	(20,371)	(13,050)	(10,147)	(768)
Acquisition of subsidiaries	-	(2,155,896)	(152,725)	-
Subscription to additional ordinary shares and private debt securities in associates	-	(1,000)	(252,200)	(4,371,000)
Proceeds from transaction with non-controlling interests	24,821	6,174	-	-
Net assets transferred to newly incorporation of subsidiary	-	-	115,341	-
Net cash used in from investing activities	<u>(263,051)</u>	<u>(2,298,378)</u>	<u>(253,097)</u>	<u>(4,255,895)</u>
<b>Cash flows from financing activities</b>				
Proceeds from share issuance	1,622,330	1,200,279	1,622,330	1,200,279
Drawdown of borrowings	3,086,272	2,344,443	3,062,981	1,088,280
Redemption of subordinated obligations	(2,452,950)	-	(2,452,950)	-
Issuance of subordinated obligations	2,100,000	3,731,594	2,100,000	2,458,100
Loans sold to Cagamas, net	(14,750)	(21,655)	(14,750)	(21,655)
Dividends paid	(2,062,651)	(1,537,670)	(2,062,651)	(1,537,670)
Dividends paid to non-controlling interests	(7,703)	(5,210)	-	-
Net cash generated from financing activities	<u>2,270,548</u>	<u>5,711,781</u>	<u>2,254,960</u>	<u>3,187,334</u>

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2012**

	Group		Bank	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Net change in cash and cash equivalents	12,601,923	12,295,206	3,876,663	10,053,138
Cash and cash equivalents at beginning of period *	<u>45,947,710</u>	24,604,448	<u>36,091,314</u>	16,407,059
Cash and cash equivalents at end of period	<u>58,549,633</u>	36,899,654	<u>39,967,977</u>	26,460,197

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

	Group		Bank	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Cash and short-term funds	60,348,330	38,803,519	39,755,210	25,803,796
Deposits with financial institution maturing within 1 month	<u>161,739</u>	954,596	<u>212,767</u>	656,401
	<u>60,510,069</u>	39,758,115	<u>39,967,977</u>	26,460,197
Less : Monies held in trusts	<u>(1,960,436)</u>	(2,858,461)	-	-
	<u>58,549,633</u>	36,899,654	<u>39,967,977</u>	26,460,197

* Cash and cash equivalents at beginning of period				
Cash and short term funds as previously reported	46,574,207	24,599,921	36,431,540	16,403,255
Effects of foreign exchange rate changes	<u>(626,497)</u>	4,527	<u>(340,226)</u>	3,804
As restated	<u>45,947,710</u>	24,604,448	<u>36,091,314</u>	16,407,059

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

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**Part A: Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") Interim Financial Reporting**

**A1. Basis of Preparation**

The unaudited condensed interim financial statements for the Group and 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 unaudited condensed interim financial statements have been prepared in accordance with the requirements of Chapter 9, part K of the Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134 *Interim Financial Reporting*, except for the comparative figures for income statements, statements of comprehensive income, statements of changes in equity and cash flows statements, in which the comparable interim period (i.e. the quarter ended 30 June 2011) is in respect of a comparable period in the preceding calendar year (and which is of the previous financial year of 30 June 2011), instead of the quarter ended 31 December 2011 of the immediately preceding financial period of 31 December 2011 as required under MFRS 134. The departure is mainly due to the Group and the Bank have changed their financial year-end from 30 June to 31 December in the last financial period. For the periods up to and including the six-month financial period ended 31 December 2011, the Group and the Bank prepared its financial statements in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines ("FRS"). These unaudited condensed interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board except for as mentioned above.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for six-month financial period ended 31 December 2011. These explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the financial period ended 31 December 2011.

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

**First-time adoption of Malaysian Financial Reporting Standards ("MFRS")**

These are the Group's and the Bank's unaudited condensed interim financial statements for part of the period covered by first MFRS Framework annual financial statements of the Group and the Bank for the year ending 31 December 2012 and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

As required by MFRS 1, the resulting adjustments arose from events and transactions before the date of transition to MFRS were recognised directly through retained earnings (or another category of equity, where appropriate) as at 1 July 2011 (the date of transition). This is the effect of the general principle underlying MFRS 1 which is to apply MFRSs retrospectively. There are some mandatory exceptions provided and some exemptions permitted by MFRS 1. The Group's and the Bank's first time adoption decisions regarding these exemptions are detailed below. Other optional exemptions available under MFRS 1, which are not discussed here, are not applicable to the Group and the Bank.

**(i) Designation of previously recognised financial instruments**

MFRS 1 allows a first-time adopter to designate eligible financial assets as available-for-sale at the date of transition.

The Group and Bank have opted for this exemption and redesignated certain previously recognised financial investments held-to-maturity as available-for-sale at 1 July 2011 (i.e. the transition date to MFRS).

The financial impact of the adoption of the abovementioned exemption on the financial statements of the Group and the Bank are disclosed in Note A30.

Certain entities within the Group are still assessing and obtaining feedback from the regulator and the auditors and expect to be in the position to make a decision before the end of the financial year ending 31 December 2012.

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

**(ii) Business combinations**

MFRS 1 indicates that a first-time adopter may elect not to apply MFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to MFRS.

The Group and the Bank will take advantage of this election and have elected not to restate business combinations that took place prior to the 1 July 2011 (i.e. the transition date to MFRS). In respect of acquisitions prior to the date of transition;

- (a) The classification of former business combinations under FRS is maintained;
- (b) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (c) The carrying amount of goodwill recognised under FRS is not adjusted.

**(iii) Investments in subsidiaries, jointly controlled entities and associates**

MFRS 1 allows the first-time adopter (a parent entity or investor) to measure its subsidiaries, jointly controlled entities and associates in its separate financial statements at one of the following amounts on date of transition: a) cost, in accordance with MFRS 127 *Consolidated and Separate Financial Statements*; or b) deemed cost. The deemed cost of such an investment shall be either: i) fair value at the entity's date of transition to MFRS in its separate financial statements; or ii) the previous GAAP carrying amount at that date.

The Bank has elected to measure all its investments in subsidiaries and associates in its separate financial statements at their FRS carrying amounts at 1 July 2011 (i.e. the transition date to MFRS).

**(iv) Leases**

MFRS 1 permits a first-time adopter to not reassess the determination of whether an arrangement contains a lease in accordance with IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease* when the determination made under FRS produced the same results.

The Group and the Bank apply the abovementioned exemption and rely on the assessment made under FRS for existing information technology outsourcing arrangement so long as the assessment provides the same outcome as applying IC 4 and MFRS 117 *Leases*.

**(v) Fair value or revaluation as deemed cost for Property, Plant and Equipment ("PPE")**

A first-time adopter may elect to measure individual items of PPE at fair value at the date of transition to MFRS and use that fair value as deemed cost at that date.

The Group and the Bank have not opted for this exemption.

Explanation of how the transition from FRS to MFRS affects the Group's and the Bank's financial position and financial performance are set out in Note A30. The transition from FRS to MFRS is expecting not to have a material impact on the statement of cash flows.

**Estimates**

The estimates at 1 July 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with FRS. The estimates used by the Group and the Bank to present these amounts in accordance with MFRS reflect conditions at 1 July 2011, the date transition to MFRS and as of 31 December 2011.

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

**Revised Bank Negara Malaysia ("BNM") Guidelines on Financial Reporting for Insurers**

As at 31 December 2011, the life insurance contract liabilities of the insurance subsidiary, Etiqa Insurance Berhad ("EIB"), included the accumulated surpluses less estimated actuarial liabilities (collectively referred to as "unallocated surplus") and Available-for-Sale reserves of all life insurance contracts including those with discretionary participating features (referred to as "Par") and those without (referred to as "Non Par"). In accordance with MFRS 4 Insurance Contracts and the Framework for Preparation and Presentation of Financial Statements, the Non Par unallocated surplus does not meet the definition of a liability, that is, a present obligation of the company arising from past events, the settlement of which is expected to result in an outflow of economic benefits as the Non Par unallocated surplus represents the residual interest in the assets of the Non Par Fund after consideration of all liabilities. In addition, in accordance to MFRS 139, the Non Par AFS reserves should be accounted for as equity of the company. The classification of the Non Par unallocated surplus and AFS reserves of EIB as a liability was made in accordance with the Guidelines issued by BNM and is a modification to MFRS which had been approved by BNM under Section 90 of the Insurance Act 1996.

The Non Par unallocated surplus and AFS reserves would now be required to be reclassified from liabilities to equity. This is a change in accounting policy pursuant to the revised Guidelines issued by BNM and the adoption of MFRS framework by the Group which took effect from 1 January 2012, and hence the reclassification would be adjusted retrospectively against reserves as at 1 July 2011 (i.e. the transition date to MFRS).

The financial impact of the adoption of the above revised BNM's Guidelines on the financial statements of the Group are disclosed in Note A30.

**A2. Significant accounting policies**

The audited financial statements of the Group and the Bank for the six-month financial period ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial period ended 31 December 2011 except for those exemptions elected as disclosed in Note A1 above.

**A3. 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:

**(i) Fair Value Estimation of Securities Held-for-trading (Note A10(i)), Securities Available-for-sale (Note A10(ii)) and Derivative Financial Instruments (Note A28)**

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 rate, may affect the results of the impairment assessment.



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**A3. Significant Accounting Estimates and Judgements (cont'd.)**

**(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 and Takaful Business**

**(a) Life insurance business**

There are several sources of uncertainty that need to be considered in the estimation of life insurance liabilities. The main assumptions used relate to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates. These estimates, adjusted when appropriate to reflect the subsidiary's unique risk exposure, provide the basis for the valuation of future policy benefits payable.

**(b) Family takaful business**

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns in accordance with the subsidiary's experience. The family takaful fund bases the estimate of expected number of deaths on applied mortality tables, adjusted where appropriate to reflect the fund's unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions.

For those certificates that cover risks related to disability, estimates are made based on recent past experience and emerging trends.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

**(c) General insurance and general takaful businesses**

The principal uncertainty in the general business and general takaful business arises from the technical provisions which include the premium/ contribution liabilities and claim liabilities. Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves for all lines of business or the best estimate value of the reinsurer's unexpired risk reserves at the end of the financial year and a provision of risk margin for adverse deviation ("PRAD") calculated at the overall subsidiary level. While contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves for all line of business or the total fund's unexpired risk reserves at 75% confidence level at the end of the financial year.

Generally, claim liabilities are determined based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. It is certain that actual, future contribution and claim liabilities will not exactly develop as projected and they vary from the projections.

**(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 recognized based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatment where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

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**A3. Significant Accounting Estimates and Judgements (cont'd.)**

**(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, advances and financing that have been assessed individually and found not to be impaired and all individually insignificant loans, advances and financing 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 different individual groups).

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

The Group assesses 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 the Bank's accounting policies in respect of investment in subsidiaries and interest in associates are as follows:

- (i) The Group 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.

**(ix) Impairment of Securities Portfolio**

The Group and the Bank review the securities portfolio of Held-for-Trading, 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 of whether its investment is impaired following certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuers or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors.
- (ii) Determination of "significant" or "prolonged" requires judgement and management evaluation on various factors, such as historical fair value movement and the significant reduction in fair value.

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**A4. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited annual financial statements for the financial period ended 31 December 2011 was not qualified.

**A5. Seasonal or Cyclical Factors**

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the second quarter and financial half year ended 30 June 2012.

**A6. Unusual Items Due to Their Nature, Size or Incidence**

During the second quarter and financial half year ended 30 June 2012, save as disclosed in Note A8 below, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank.

**A7. Changes in Estimates**

There were no material changes in estimates during the second quarter and financial half year ended 30 June 2012.

**A8. Changes in Debt and Equity Securities**

(A) The following are the changes in debt and equity securities that were issued and redeemed by the Group and the Bank during the second quarter and financial half year ended 30 June 2012:

**(a) Issuance of Shares**

The issued and paid-up share capital of the Bank was increased from RM7,639,437,483 as at 31 December 2011 to RM7,853,758,002 as at 30 June 2012 via:

- (i) issuance of 202,854,119 new ordinary shares of RM1 each arising from the Dividend Reinvestment Plan ("DRP") relating to the final dividend of 36 sen less 25% taxation in respect of 6-month financial period ended 31 December 2011.
- (ii) issuance of 11,700 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.
- (iii) issuance of 11,454,700 new ordinary shares of RM1 each to be held in the ESOS Trust Fund ("ETF") Pool pursuant to the current ESS.

**(b) Issuance of USD400.0 million Senior Notes under the USD2.0 billion Multicurrency Medium Term Note Programme**

Maybank had on 3 February 2012 successfully priced its USD400.0 million of Regulation S Senior Unsecured Notes under the USD2.0 billion Multicurrency Medium Term Note Programme.

**(c) Issuance of HKD700.0 million Senior Notes under the USD2.0 billion Multicurrency Medium Term Note Programme**

On 1 March 2012, Maybank issued HKD700.0 million Senior Notes in nominal value under the USD2.0 billion Multicurrency Medium Term Note Programme.

**(d) Redemption of Subordinated Bonds of RM1.5 billion with a tenure of 10 years from issue date on a 10 non-callable 5 basis**

On 13 April 2012, Maybank had fully redeemed the Subordinated Bonds of RM1.5 billion. The Subordinated Bonds were issued on 13 April 2007.

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**A8. Changes in Debt and Equity Securities (cont'd.)**

(A) The following are the changes in debt and equity securities that were issued and redeemed by the Group and the Bank during the second quarter and financial half year ended 30 June 2012: (cont'd.)

(e) **Redemption of Subordinated Sukuk of USD300.0 million with a tenure of 10 years from issue date on a 10 non-callable 5 basis**

On 25 April 2012, Maybank had fully redeemed the Subordinated Sukuk of USD300.0 million. The Subordinated Sukuk was issued on 25 April 2007 via MBB Sukuk, Inc., a special purpose vehicle incorporated in Labuan.

(f) **Issuance of USD500.0 million Senior Notes under the USD2.0 billion Multicurrency Medium Term Note Programme**

On 8 May 2012, Maybank issued USD500.0 million Senior Notes in nominal value under the USD2.0 billion Multicurrency Medium Term Note Programme.

(g) **Issuance of RM2.1 billion Subordinated Notes under the RM7.0 billion Subordinated Note Programme**

On 10 May 2012, Maybank issued RM2.1 billion Subordinated Notes in nominal value from the Bank's RM7.0 billion Subordinated Note Programme which are payable semi-annually in arrears in May and November each year and are due in 2024. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Subordinated Notes, in whole but not in part, on 10 May 2019 (first Call Date) and on each semi-annual interest payment date thereafter at their principal amount together with accrued but unpaid coupon.

(h) **Issuance of JPY5.0 billion Senior Notes under USD5.0 billion Multicurrency Medium Term Note Programme**

On 30 May 2012, Maybank issued JPY5.0 billion Senior Notes in nominal value under the USD5.0 billion Multicurrency Medium Term Note Programme.

(i) **Redemption of bonds, medium term notes and borrowings by PT Bank Internasional Indonesia Tbk and its subsidiaries**

During the second quarter and financial half year ended 30 June 2012, PT Bank Internasional Indonesia Tbk ("BII") and its subsidiaries, the subsidiaries of Maybank, had redeemed bonds, medium term notes and borrowings amounting to approximately RM46.7 million.

(j) **Issuance of medium term notes and borrowings by Maybank Kim Eng Holdings Ltd.**

During the financial half year ended 30 June 2012, Maybank Kim Eng Holdings Ltd., the subsidiary of Maybank, had issued medium term notes amounting to approximately RM375.3 million under the SGD800 million Multicurrency Medium Term Note Programme.

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**A8. Changes in Debt and Equity Securities (cont'd.)**

(B) The following is the change in debt securities that was issued by the Bank subsequent to the second quarter and financial half year ended 30 June 2012 and has not been reflected in the financial statements for the current financial quarter:

(a) **Redemption of Subordinated Term Loan of RM3.1 billion**

On 2 July 2012, Maybank had fully redeemed the Subordinated Term Loan of RM3.1 billion.

(b) **Issuance of HKD600.0 million Senior Notes under USD5.0 billion Multicurrency Medium Term Note Programme**

On 20 July 2012, Maybank issued HKD600.0 million Senior Notes in nominal value under the USD5.0 billion Multicurrency Medium Term Note Programme.

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

**A9. Dividends Paid**

(a) Dividend paid during the financial half year ended 30 June 2012 is as follows:

During the Annual General Meeting held on 29 March 2012, a final dividend in respect of the financial period ended 31 December 2011 of 36 sen per share less 25% taxation on 7,639,437,483 ordinary shares, amounting to net dividend paid of RM2,062,651,198 (net 27 sen per ordinary share) was approved by the shareholders.

The dividend consists of cash portion of 4 sen (net 3 sen) per ordinary share and an electable portion of 32 sen (net 24 sen) per ordinary share 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 4 June 2012.

(b) Dividends paid by Maybank's subsidiaries to non-controlling interest amounting to RM7,703,000 during the financial half year ended 30 June 2012.

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**A10. Securities Portfolio**

	Note	Group		Bank	
		30 June 2012 RM'000	31 December 2011 (Restated) RM'000	30 June 2012 RM'000	31 December 2011 (Restated) RM'000
Securities held-for-trading	(i)	11,198,385	9,665,997	9,234,655	7,325,466
Securities available-for-sale	(ii)	55,251,075	55,415,428	46,247,395	46,406,463
Securities held-to-maturity	(iii)	4,483,132	3,179,416	2,882,849	2,223,670
		<b>70,932,592</b>	<b>68,260,841</b>	<b>58,364,899</b>	<b>55,955,599</b>

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
<b>At Fair value</b>				
<b>Money market instruments:</b>				
Malaysian Government Securities	344,755	572,088	344,755	572,088
Malaysian Government Treasury Bills	73,057	24,109	73,057	24,109
Malaysian Government Investment Issues	253,153	266,872	81,370	51,160
Bank Negara Malaysia Bills and Notes	3,094,460	1,476,873	3,094,460	1,476,873
Khazanah Bonds	67,435	407,614	67,435	407,614
Bank Negara Malaysia Monetary Notes	4,607,655	4,351,525	3,401,114	2,468,677
Foreign Government Treasury Bills	7,951	23,738	-	-
Foreign Government Securities	488,836	313,489	-	-
Foreign Certificates of Deposits	148,551	145,985	-	-
Sukuk Bank Negara Malaysia Ijarah	-	116,331	-	-
Cagamas Bonds	15,379	20,146	15,379	20,146
Negotiable Instruments of Deposits	-	-	588,688	610,093
	<b>9,101,232</b>	<b>7,718,770</b>	<b>7,666,258</b>	<b>5,630,760</b>
<b>Quoted securities:</b>				
Shares	229,536	216,787	4,269	4,815
	<b>229,536</b>	<b>216,787</b>	<b>4,269</b>	<b>4,815</b>
<b>Unquoted securities:</b>				
Private and Islamic Debt Securities in Malaysia	1,241,535	1,384,432	1,033,922	1,384,432
Foreign Private Debt Securities	616,471	333,150	520,595	295,840
Foreign Government Bonds	9,611	3,239	9,611	-
Malaysia Global Sukuk	-	9,619	-	9,619
	<b>1,867,617</b>	<b>1,730,440</b>	<b>1,564,128</b>	<b>1,689,891</b>
<b>Total securities held-for-trading</b>	<b>11,198,385</b>	<b>9,665,997</b>	<b>9,234,655</b>	<b>7,325,466</b>

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**A10. Securities Portfolio (cont'd.)**

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 (Restated) RM'000	30 June 2012 RM'000	31 December 2011 (Restated) RM'000
<b>At Fair value, or at cost less impairment losses for certain unquoted equity instruments</b>				
<b>Money market instruments:</b>				
Malaysian Government Securities	7,451,066	8,485,798	7,378,479	8,413,159
Sukuk Bank Negara Malaysia Ijarah	-	11,132	-	-
Cagamas Bonds	1,034,520	1,588,212	998,297	1,438,321
Foreign Government Securities	9,033,028	7,743,133	6,766,401	5,414,453
Malaysian Government Investment Issues	2,863,264	5,197,613	931,067	2,034,825
Foreign Government Treasury Bills	4,458,240	4,092,851	3,986,880	3,720,121
Negotiable Instruments of Deposits	458,611	1,589,712	2,356,661	3,907,136
Bankers' Acceptances and Islamic Accepted Bills	2,977,722	1,502,726	2,610,890	1,498,610
Khazanah Bonds	1,275,551	1,550,824	946,278	1,230,932
Bank Negara Malaysia Monetary Notes	903,993	-	501,975	-
Malaysian Government Treasury Bills	66,540	-	66,540	-
	<b>30,522,535</b>	<b>31,762,001</b>	<b>26,543,468</b>	<b>27,657,557</b>
<b>Quoted Securities:</b>				
In Malaysia:				
Shares, Warrants, Trust Units and Loan Stocks	520,559	352,034	83,640	84,100
Outside Malaysia:				
Shares, Warrants, Trust Units and Loan Stocks	322,278	321,925	20,803	18,766
	<b>842,837</b>	<b>673,959</b>	<b>104,443</b>	<b>102,866</b>
<b>Unquoted Securities:</b>				
Shares, trust units and loan stocks in Malaysia	625,206	635,871	386,479	369,359
Shares, trust units and loan stocks outside Malaysia	33,297	35,055	13,599	13,599
Private and Islamic Debt Securities in Malaysia	11,312,366	10,518,930	8,310,563	7,666,589
Malaysian Government Bonds	29,650	6,633	29,650	6,633
Foreign Government Bonds	1,387,829	880,538	1,297,303	786,558
Foreign Private and Islamic Debt Securities	10,142,369	10,549,662	9,424,464	9,683,921
Malaysia Global Sukuk	327,659	306,085	137,426	119,381
Structured Deposits	27,327	46,694	-	-
	<b>23,885,703</b>	<b>22,979,468</b>	<b>19,599,484</b>	<b>18,646,040</b>
<b>Total securities available-for-sale</b>	<b>55,251,075</b>	<b>55,415,428</b>	<b>46,247,395</b>	<b>46,406,463</b>

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**A10. Securities Portfolio (cont'd.)**

**(iii) Securities Held-To-Maturity**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 (Restated) RM'000	30 June 2012 RM'000	31 December 2011 (Restated) RM'000
<b>At Amortised cost less impairment losses</b>				
<b>Money market instruments:</b>				
Malaysian Government Securities	101,483	167,819	101,376	167,710
Foreign Government Securities	760,728	795,114	-	-
Malaysian Government Investment Issues	40,446	324,536	40,446	273,344
Foreign Government Treasury Bills	777,357	-	-	-
Khazanah Bonds	769,515	178,326	769,515	178,326
	<b>2,449,529</b>	1,465,795	<b>911,337</b>	619,380
<b>Unquoted Securities:</b>				
Private and Islamic Debt Securities in Malaysia	1,904,333	1,196,868	1,904,300	1,196,500
Foreign Government Bonds	85,330	176,222	85,049	175,929
Foreign Islamic Private Debt Securities	61,777	354,529	-	245,859
Others	2,044	2,044	2,044	2,044
	<b>2,053,484</b>	1,729,663	<b>1,991,393</b>	1,620,332
Accumulated impairment losses	<b>(19,881)</b>	(16,042)	<b>(19,881)</b>	(16,042)
<b>Total securities held-to-maturity</b>	<b>4,483,132</b>	3,179,416	<b>2,882,849</b>	2,223,670



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**A11. Loans, Advances and Financing**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
<b>At amortised cost</b>				
Overdrafts	16,747,657	15,951,027	10,883,169	11,081,901
Term loans				
- Housing loans/financing	53,490,210	50,570,121	41,587,883	40,273,945
- Syndicated loan/financing	20,024,634	19,728,351	16,561,975	16,120,492
- Hire purchase receivables	50,760,234	48,099,062	26,657,986	23,931,788
- Lease receivables	4,112	3,819	3,267	3,270
- Other loans/financing	132,173,065	116,050,406	74,682,869	65,721,789
Credit card receivables	6,134,614	6,214,321	5,191,284	5,296,328
Bills receivable	5,783,958	5,370,780	5,751,088	5,343,156
Trust receipts	2,742,084	2,556,914	2,189,223	2,092,697
Claims on customers under acceptance credits	11,336,670	11,367,524	8,032,494	7,859,708
Loans/financing to banks and other financial institutions	7,120,965	6,329,311	6,932,511	6,183,626
Revolving credits	27,553,501	27,084,954	17,064,253	17,379,831
Staff loans	2,136,414	2,049,286	958,411	957,077
Loans to				
- Executive directors of subsidiaries	3,649	2,957	384	159
Others	1,729,875	1,807,604	-	-
	<b>337,741,642</b>	<b>313,186,437</b>	<b>216,496,797</b>	<b>202,245,767</b>
Unearned interest and income	<b>(35,772,204)</b>	<b>(31,773,463)</b>	<b>(3,184,595)</b>	<b>(2,871,895)</b>
Gross loans, advances and financing	<b>301,969,438</b>	<b>281,412,974</b>	<b>213,312,202</b>	<b>199,373,872</b>
Allowances for impaired loans and financing				
- Individual	<b>(2,189,210)</b>	<b>(2,812,309)</b>	<b>(1,547,273)</b>	<b>(2,102,421)</b>
- Collective	<b>(4,117,138)</b>	<b>(4,169,974)</b>	<b>(3,104,154)</b>	<b>(3,097,366)</b>
Net loans, advances and financing	<b>295,663,090</b>	<b>274,430,691</b>	<b>208,660,775</b>	<b>194,174,085</b>

**(i) By type of customer**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Domestic banking institutions	34,365	57,323	34,365	57,323
Domestic non-bank financial institutions				
- Stockbroking companies	-	815	-	815
- Others	17,217,760	18,949,977	11,654,660	13,350,685
Domestic business enterprise				
- Small and medium enterprise	70,199,206	54,048,038	59,422,650	45,245,694
- Others	54,391,980	55,456,073	33,318,462	36,419,915
Government and statutory bodies	3,111,715	2,890,246	2,445,090	2,525,386
Individuals	131,858,201	125,454,869	87,816,031	83,227,586
Other domestic entities	2,115,296	1,769,201	219,178	504,713
Foreign entities	23,040,915	22,786,432	18,401,766	18,041,755
Gross loans, advances and financing	<b>301,969,438</b>	<b>281,412,974</b>	<b>213,312,202</b>	<b>199,373,872</b>

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**A11. Loans, Advances and Financing (cont'd.)**

**(ii) By geographical distribution**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Malaysia	191,865,450	177,833,498	137,524,475	127,349,799
Singapore	63,911,907	60,758,571	63,261,443	60,335,903
Indonesia	25,457,424	24,027,545	-	-
Hong Kong SAR	7,957,664	6,507,669	7,868,798	6,405,881
Labuan offshore	4,529,728	4,486,178	-	-
Philippines	2,204,008	1,856,284	-	-
United Kingdom	1,370,822	1,364,150	1,370,789	1,364,150
United States of America	1,128,841	1,105,244	1,128,393	1,105,244
People's Republic of China	1,213,600	1,209,861	1,213,600	1,209,861
Vietnam	440,040	556,362	398,073	556,362
Cambodia	639,393	534,861	-	534,861
Bahrain	316,231	346,415	316,230	346,415
Brunei	230,401	165,396	230,401	165,396
Papua New Guinea	128,853	128,380	-	-
Thailand	545,933	502,706	-	-
Others	29,143	29,854	-	-
Gross loans, advances and financing	<b>301,969,438</b>	<b>281,412,974</b>	<b>213,312,202</b>	<b>199,373,872</b>

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Fixed rate				
- Housing loans/financing	11,795,853	12,152,191	8,752,947	9,183,813
- Hire purchase receivables	39,089,135	36,660,189	23,051,288	20,769,134
- Other fixed rate loans/financing	50,723,798	49,863,837	33,515,940	35,089,279
Variable rate				
- Base lending rate plus	107,584,269	100,064,634	86,339,409	81,819,101
- Cost plus	38,207,933	34,915,664	34,417,966	31,101,405
- Other variable rates	54,568,450	47,756,459	27,234,652	21,411,140
Gross loans, advances and financing	<b>301,969,438</b>	<b>281,412,974</b>	<b>213,312,202</b>	<b>199,373,872</b>

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**A11. Loans, Advances and Financing (cont'd.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2012 RM'000</b>	<b>31 December 2011 RM'000</b>	<b>30 June 2012 RM'000</b>	<b>31 December 2011 RM'000</b>
Purchase of securities	<b>23,873,524</b>	21,804,073	<b>13,799,859</b>	12,548,429
Purchase of transport vehicles	<b>43,524,269</b>	41,511,231	<b>22,706,792</b>	20,508,025
- Less: Islamic loans sold to Cagamas	<b>(1,295,206)</b>	(1,499,270)	-	-
Purchase of landed properties				
- Residential	<b>53,871,303</b>	51,419,270	<b>42,559,581</b>	41,539,480
- Non-residential	<b>20,359,982</b>	17,500,708	<b>17,969,711</b>	15,777,574
Purchase of fixed assets (exclude landed properties)	<b>4,409,737</b>	4,005,398	<b>4,397,223</b>	3,994,116
Personal use	<b>7,409,020</b>	7,182,915	<b>6,102,844</b>	6,093,855
Credit card	<b>6,165,367</b>	6,261,455	<b>5,216,875</b>	5,339,988
Purchase of consumer durables	<b>302,701</b>	286,319	<b>301,994</b>	286,316
Construction	<b>13,514,841</b>	13,626,455	<b>10,023,992</b>	10,687,729
Merger and acquisition	<b>4,211,449</b>	72,367	<b>4,211,448</b>	72,367
Working capital	<b>110,339,811</b>	104,214,753	<b>78,104,591</b>	74,583,152
Others	<b>15,282,640</b>	15,027,300	<b>7,917,292</b>	7,942,841
Gross loans, advances and financing	<b>301,969,438</b>	281,412,974	<b>213,312,202</b>	199,373,872

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2012 RM'000</b>	<b>31 December 2011 RM'000</b>	<b>30 June 2012 RM'000</b>	<b>31 December 2011 RM'000</b>
Maturing within one year	<b>79,704,891</b>	79,432,121	<b>60,194,631</b>	60,875,951
One year to three years	<b>43,286,273</b>	34,309,197	<b>32,425,483</b>	23,473,618
Three years to five years	<b>36,818,013</b>	37,591,705	<b>21,981,871</b>	23,458,349
After five years	<b>142,160,261</b>	130,079,951	<b>98,710,217</b>	91,565,954
Gross loans, advances and financing	<b>301,969,438</b>	281,412,974	<b>213,312,202</b>	199,373,872

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**A11. Loans, Advances and Financing (cont'd.)**

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
At beginning of the period	8,036,045	8,756,862	6,245,836	6,377,496
Impaired during the period	2,103,217	2,628,313	1,348,109	1,647,483
Reclassified as non-impaired	(1,271,065)	(1,087,435)	(992,436)	(657,256)
Recovered during the period	(1,390,282)	(1,383,829)	(1,074,730)	(635,858)
Amount written off	(1,456,973)	(997,038)	(1,014,240)	(560,393)
Converted to securities	(13,792)	(9,327)	(13,792)	(9,327)
Exchange differences and expenses debited (Disposal)/Acquisition of subsidiaries	49,063 (2,214)	106,025 22,474	53,337 -	83,691 -
Transferred to newly incorporated subsidiary	-	-	(41,017)	-
At end of the period	<b>6,053,999</b>	8,036,045	<b>4,511,067</b>	6,245,836
Less: Individual allowance on impaired loans	<b>(2,189,210)</b>	(2,812,309)	<b>(1,547,273)</b>	(2,102,421)
Net impaired loans, advances and financing	<b>3,864,789</b>	5,223,736	<b>2,963,794</b>	4,143,415
Ratio of net impaired loans	<b>1.28%</b>	1.86%	<b>1.40%</b>	2.10%

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Purchase of securities	73,434	101,559	41,183	67,796
Purchase of transport vehicles	240,800	231,073	101,847	112,702
Purchase of landed properties				
- Residential	702,343	1,038,738	568,875	869,346
- Non-residential	183,353	201,064	138,667	181,813
Personal use	154,462	114,208	96,388	97,976
Credit card	84,300	90,160	63,486	64,708
Purchase of consumer durables	475	1,165	472	1,162
Construction	296,616	540,445	211,088	428,638
Working capital	3,432,522	4,794,683	2,724,450	3,889,018
Others	885,694	922,950	564,611	532,677
	<b>6,053,999</b>	8,036,045	<b>4,511,067</b>	6,245,836

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**A11. Loans, Advances and Financing (cont'd.)**

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Malaysia	4,319,079	6,308,041	3,735,623	5,482,340
Singapore	393,697	379,834	327,073	312,294
Indonesia	559,958	538,420	-	-
Labuan Offshore	145,096	230,647	-	-
Hong Kong SAR	16,966	72,093	16,098	71,228
Brunei	5,417	768	5,417	768
Vietnam	20,031	80,335	20,031	80,335
United Kingdom	310,734	215,719	310,734	215,719
People's Republic of China	5,774	5,932	5,774	5,932
Cambodia	43,263	18,602	-	18,602
Philippines	90,181	73,677	-	-
Bahrain	90,317	58,618	90,317	58,618
Thailand	25,538	25,672	-	-
Others	27,948	27,687	-	-
	<b>6,053,999</b>	<b>8,036,045</b>	<b>4,511,067</b>	<b>6,245,836</b>

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
<u>Individual Allowance</u>				
At beginning of the period	2,812,309	2,932,129	2,102,421	2,115,897
Allowance made during the period	573,148	535,890	459,077	464,602
Amount written back	(280,385)	(296,458)	(261,000)	(192,817)
Amount written off	(875,426)	(364,074)	(687,097)	(269,614)
Transferred to impairment losses in securities	-	(9,327)	-	(9,327)
Transferred to collective allowance	(38,070)	(15,628)	(36,341)	(14,411)
(Disposal)/Acquisition of subsidiaries	(2,720)	20,553	-	-
Transferred to newly incorporated subsidiary	-	-	(38,242)	-
Exchange differences	354	9,224	8,455	8,091
At end of the period	<b>2,189,210</b>	<b>2,812,309</b>	<b>1,547,273</b>	<b>2,102,421</b>
<u>Collective Allowance</u>				
At beginning of the period	4,169,974	4,271,208	3,097,366	3,179,773
Allowance made during the period	500,068	504,176	295,647	187,383
Amount written back	(7,586)	(306)	-	-
Amount written off	(581,547)	(632,964)	(327,143)	(290,779)
Transferred from individual allowance	38,070	15,628	36,341	14,411
Transferred to newly incorporated subsidiary	-	-	(5,700)	-
Exchange differences	(1,841)	12,232	7,643	6,578
At end of the period	<b>4,117,138</b>	<b>4,169,974</b>	<b>3,104,154</b>	<b>3,097,366</b>
As a percentage of gross loans, advances and financing (including Islamic Loans sold to Cagamas), less individual allowance	<b>1.37%</b>	<b>1.49%</b>	<b>1.47%</b>	<b>1.57%</b>

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**A12. Other Assets**

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Other debtors	5,232,430	5,684,868	1,938,815	2,015,839
Amount due from brokers and clients	2,120,875	1,131,928	-	-
Development properties	64,895	448,015	-	-
Prepayments and deposits	506,480	461,199	157,665	87,130
Tax recoverable	11,310	200,325	-	97,337
Foreclosed properties	128,826	113,651	40,145	40,127
	<b>8,064,816</b>	<b>8,039,986</b>	<b>2,136,625</b>	<b>2,240,433</b>

**A13. Deposits from Customers**

**(i) By type of deposit**

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Fixed deposits and negotiable instruments of deposits				
- One year or less	183,976,821	174,467,186	119,053,593	110,905,963
- More than one year	10,969,729	8,025,679	10,154,337	7,405,262
	<b>194,946,550</b>	<b>182,492,865</b>	<b>129,207,930</b>	<b>118,311,225</b>
Money market deposits	30,541,359	24,001,969	30,541,359	24,001,969
Savings deposits	48,871,141	47,084,107	34,959,764	33,362,552
Demand deposits	63,251,913	58,040,842	46,213,793	45,329,984
Structured deposits *	2,654,233	2,089,997	2,314,880	1,889,563
	<b>340,265,196</b>	<b>313,709,780</b>	<b>243,237,726</b>	<b>222,895,293</b>

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

**(ii) By type of customer**

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Business enterprises	154,768,878	145,925,810	112,095,170	102,072,245
Individuals	143,799,626	134,090,970	111,965,330	104,366,059
Government and statutory bodies	19,428,347	11,079,037	7,915,698	3,605,807
Others	22,268,345	22,613,963	11,261,528	12,851,182
	<b>340,265,196</b>	<b>313,709,780</b>	<b>243,237,726</b>	<b>222,895,293</b>

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

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Due within six months	155,242,456	146,602,625	94,437,830	88,693,115
Six months to one year	28,734,365	27,864,561	24,615,763	22,212,848
One year to three years	10,454,351	7,561,996	10,025,756	7,252,759
Three years to five years	509,268	457,574	128,581	152,503
After five years	6,110	6,109	-	-
	<b>194,946,550</b>	<b>182,492,865</b>	<b>129,207,930</b>	<b>118,311,225</b>

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**A14. Deposits and Placements of Banks and Other Financial Institutions**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Licensed banks	38,586,440	33,009,801	33,508,381	32,320,588
Licensed finance companies	128,232	219,805	79,868	181,228
Licensed investment banks	630,379	527,377	630,379	527,377
Other financial institutions	3,689,050	3,003,995	2,993,348	2,526,399
	<b>43,034,101</b>	<b>36,760,978</b>	<b>37,211,976</b>	<b>35,555,592</b>
Maturity structure of deposits and placements of banks and other financial institutions				
- One year or less	41,799,500	35,088,093	36,133,824	34,036,472
- More than one year	1,234,601	1,672,885	1,078,152	1,519,120
	<b>43,034,101</b>	<b>36,760,978</b>	<b>37,211,976</b>	<b>35,555,592</b>

**A15. Borrowings, Subordinated Obligations and Capital Securities**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
(i) Borrowings				
Secured				
- Less than one year	368,015	599,246	-	-
- More than one year	1,133,812	959,559	-	-
	<b>1,501,827</b>	<b>1,558,805</b>	<b>-</b>	<b>-</b>
Unsecured				
- Less than one year	902,739	812,876	77,744	95,501
- More than one year	8,201,938	4,813,549	7,406,765	4,112,781
	<b>9,104,677</b>	<b>5,626,425</b>	<b>7,484,509</b>	<b>4,208,282</b>
	<b>10,606,504</b>	<b>7,185,230</b>	<b>7,484,509</b>	<b>4,208,282</b>
(ii) Subordinated obligations				
Unsecured				
- More than one year	13,873,454	14,160,553	12,283,963	12,574,919
(iii) Capital Securities				
Unsecured				
- More than one year	6,148,456	6,113,761	6,148,456	6,113,761

**A16. Other Liabilities**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Due to brokers and clients	4,077,306	3,692,268	-	-
Deposits and other creditors	4,232,642	3,608,396	4,277,627	4,958,097
Provisions and accruals	3,011,253	2,417,181	1,271,883	1,393,081
Provision for outstanding claims	521,926	488,658	-	-
Unearned premium reserves	321,838	310,139	-	-
Profit equalisation reserves	61,253	59,852	-	-
	<b>12,226,218</b>	<b>10,576,494</b>	<b>5,549,510</b>	<b>6,351,178</b>

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**A17. Interest Income**

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
<b><u>Group</u></b>				
Loans, advances and financing	<b>3,033,878</b>	2,492,500	<b>5,898,109</b>	4,845,582
Money at call and deposit placements with financial institutions	<b>149,093</b>	131,811	<b>315,908</b>	231,927
Securities purchased under resale agreements	<b>909</b>	3,025	<b>1,962</b>	6,065
Securities held-for-trading	<b>28,874</b>	23,692	<b>58,752</b>	47,715
Securities available-for-sale	<b>348,861</b>	406,816	<b>704,793</b>	795,025
Securities held-to-maturity	<b>107,787</b>	107,289	<b>225,692</b>	215,086
	<b>3,669,402</b>	3,165,133	<b>7,205,216</b>	6,141,400
Amortisation of premium less accretion of discounts	<b>45,022</b>	(4,461)	<b>76,589</b>	(1,741)
	<b>3,714,424</b>	3,160,672	<b>7,281,805</b>	6,139,659
<b><u>Bank</u></b>				
Loans, advances and financing	<b>2,200,905</b>	1,833,917	<b>4,277,313</b>	3,552,368
Money at call and deposit placements with financial institutions	<b>142,543</b>	90,912	<b>289,830</b>	172,147
Securities purchased under resale agreements	<b>314</b>	57	<b>386</b>	57
Securities held-for-trading	<b>25,891</b>	23,036	<b>54,679</b>	42,675
Securities available-for-sale	<b>283,501</b>	362,868	<b>599,695</b>	705,871
Securities held-to-maturity	<b>94,818</b>	92,478	<b>197,993</b>	184,155
	<b>2,747,972</b>	2,403,268	<b>5,419,896</b>	4,657,273
Amortisation of premium less accretion of discounts	<b>59,301</b>	(5,895)	<b>89,938</b>	(4,298)
	<b>2,807,273</b>	2,397,373	<b>5,509,834</b>	4,652,975

Included in interest income for the 6 months financial period ended 30 June 2012 was interest on impaired assets amounting to approximately RM77,936,000 (30.6.2011: RM114,616,000) for the Group and RM60,103,000 (30.6.2011: RM97,337,000) for the Bank.



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**A18. Interest Expense**

<b>Group</b>	<b>Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>30 June 2012 RM'000</b>	<b>30 June 2011 RM'000</b>	<b>30 June 2012 RM'000</b>	<b>30 June 2011 RM'000</b>
Deposits and placements of banks and other financial institutions	152,199	105,024	275,999	201,998
Deposits from customers	1,132,334	956,199	2,216,700	1,834,650
Floating rate certificates of deposits	1,668	539	2,310	1,089
Borrowings	74,476	65,449	187,444	110,499
Subordinated notes	124,475	49,562	211,676	82,184
Subordinated bonds	20,006	31,303	53,715	64,744
Capital Securities	99,824	99,583	198,796	197,556
Net interest on derivatives	3,175	26,275	8,198	48,776
	<b>1,608,157</b>	<b>1,333,934</b>	<b>3,154,838</b>	<b>2,541,496</b>
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	150,667	107,506	273,558	208,243
Deposits from customers	886,534	681,848	1,711,903	1,304,932
Floating rate certificates of deposits	1,668	539	2,310	1,089
Borrowings	33,842	10,966	57,127	16,311
Subordinated notes	90,018	49,562	177,219	82,184
Subordinated bonds	20,006	33,654	53,715	67,095
Capital Securities	99,824	99,583	198,796	197,556
Net interest on derivatives	(1,726)	13,015	(1,618)	32,832
	<b>1,280,833</b>	<b>996,673</b>	<b>2,473,010</b>	<b>1,910,242</b>

**A19. Non-interest Income**

<b>Group</b>	<b>Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>30 June 2012 RM'000</b>	<b>30 June 2011 RM'000</b>	<b>30 June 2012 RM'000</b>	<b>30 June 2011 RM'000</b>
(a) Fee income:				
Commission	207,452	181,244	404,076	366,738
Service charges and fees	491,952	339,582	786,350	631,562
Underwriting fees	40,447	29,834	49,386	42,334
Brokerage income	128,450	119,473	274,043	156,225
Other loans related fee income	134,660	143,984	275,880	243,437
	<b>1,002,961</b>	<b>814,117</b>	<b>1,789,735</b>	<b>1,440,296</b>
(b) Net gain/(loss) arising from:				
Sale of securities held-for trading	12,721	1,126	52,809	(20,351)
Sale of securities available-for-sale	72,000	28,926	177,235	88,254
Redemption of securities held-to-maturity	16,471	-	16,488	(22)
Net gain from deemed sale of associate company	8,881	-	8,881	-
Net gain from sale of subsidiary company	8,348	-	8,348	-
	<b>118,421</b>	<b>30,052</b>	<b>263,761</b>	<b>67,881</b>
(c) Gross dividend from securities portfolio	10,725	11,868	14,447	18,041
(d) Unrealised gain/(loss) on revaluation of:				
- securities held-for-trading	5,230	(30,751)	13,785	(9,993)
- derivatives	(135,624)	(41,609)	32,824	45,749
	<b>(130,394)</b>	<b>(72,360)</b>	<b>46,609</b>	<b>35,756</b>
(e) Other income:				
Foreign exchange profit	256,254	284,124	442,329	381,624
Rental income	6,325	5,771	12,073	10,951
Gain on disposal of property and equipment (net)	3,761	12,371	5,482	11,812
Gain on disposal of foreclosed properties	218	2,393	397	2,635
Sale of development properties	2,558	37,929	14,378	37,929
Others	73,505	70,395	163,138	118,579
	<b>342,621</b>	<b>412,983</b>	<b>637,797</b>	<b>563,530</b>
Total non-interest income	<b>1,344,334</b>	<b>1,196,660</b>	<b>2,752,349</b>	<b>2,125,504</b>

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**A19. Non-interest Income (cont'd.)**

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
<b><u>Bank</u></b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(a) Fee income:				
Commission	182,682	161,946	356,308	328,158
Service charges and fees	274,912	226,931	492,751	461,600
Underwriting fees	24,758	4,482	31,448	16,981
Brokerage income	84	2	149	26
Other loans related fee income	51,224	39,239	102,013	63,581
	<b>533,660</b>	<b>432,600</b>	<b>982,669</b>	<b>870,346</b>
(b) Net gain/(loss) arising from:				
Sale of securities held-for trading	9,880	(393)	34,967	(6,070)
Sale of securities available-for-sale	58,507	17,522	131,953	61,612
Redemption of securities held-to-maturity	16,471	-	16,488	(22)
	<b>84,858</b>	<b>17,129</b>	<b>183,408</b>	<b>55,520</b>
(c) Gross dividend income from:				
Securities portfolio	4,815	6,382	5,885	8,260
Subsidiary companies	31,741	165,143	252,941	165,143
Associated companies	-	-	6,452	-
	<b>36,556</b>	<b>171,525</b>	<b>265,278</b>	<b>173,403</b>
(d) Unrealised gain/(loss) on revaluation of:				
- securities held-for-trading	29,719	(12,008)	17,809	3,757
- derivatives	(138,383)	(33,527)	20,010	48,528
	<b>(108,664)</b>	<b>(45,535)</b>	<b>37,819</b>	<b>52,285</b>
(e) Other income:				
Foreign exchange profit	229,222	261,141	375,684	324,727
Rental income	5,980	5,561	11,414	10,495
Gain on disposal of property and equipment (net)	3,104	11,452	4,481	11,548
Gain on disposal of foreclosed property	-	93	-	93
Others	18,443	8,371	38,180	22,833
	<b>256,749</b>	<b>286,618</b>	<b>429,759</b>	<b>369,696</b>
<b>Total non-interest income</b>	<b>803,159</b>	<b>862,337</b>	<b>1,898,933</b>	<b>1,521,250</b>

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**A20. Overhead Expenses**

<b>Group</b>	<b>Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>30 June 2012 RM'000</b>	<b>30 June 2011 RM'000</b>	<b>30 June 2012 RM'000</b>	<b>30 June 2011 RM'000</b>
Personnel costs				
- Salaries, allowances and bonuses	<b>897,307</b>	734,293	<b>1,747,052</b>	1,412,198
- Pension costs	<b>99,098</b>	63,836	<b>195,176</b>	144,454
- Shares/Options granted under Employee's Shares Scheme	<b>27,428</b>	65,000	<b>57,650</b>	65,000
- Others	<b>149,273</b>	171,155	<b>294,114</b>	275,241
	<b>1,173,106</b>	1,034,284	<b>2,293,992</b>	1,896,893
Establishment costs				
- Depreciation	<b>53,852</b>	49,635	<b>106,760</b>	91,965
- Amortisation of intangible assets	<b>36,295</b>	8,518	<b>72,450</b>	44,952
- Rental of leasehold land and premises	<b>56,148</b>	50,557	<b>110,268</b>	92,647
- Repairs and maintenance of property and equipment	<b>35,175</b>	36,095	<b>68,788</b>	63,344
- Information technology expenses	<b>131,529</b>	161,249	<b>261,875</b>	276,691
- Others	<b>10,184</b>	5,291	<b>12,599</b>	8,429
	<b>323,183</b>	311,345	<b>632,740</b>	578,028
Marketing expenses				
- Advertisement and publicity	<b>85,065</b>	106,266	<b>163,162</b>	208,577
- Others	<b>38,519</b>	25,546	<b>68,600</b>	58,549
	<b>123,584</b>	131,812	<b>231,762</b>	267,126
Administration and general expenses				
- Fees and brokerage	<b>128,202</b>	183,347	<b>258,013</b>	289,015
- Administrative expenses	<b>142,826</b>	142,825	<b>283,559</b>	254,090
- General expenses	<b>120,448</b>	119,350	<b>284,913</b>	182,799
- Cost of development properties	<b>(1,215)</b>	32,235	<b>9,358</b>	32,235
- Others	<b>(27,831)</b>	6,917	<b>(17,226)</b>	15,885
	<b>362,430</b>	484,674	<b>818,617</b>	774,024
	<b>1,982,303</b>	1,962,115	<b>3,977,111</b>	3,516,071

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**A20. Overhead Expenses (cont'd.)**

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
<b><u>Bank</u></b>				
Personnel costs				
- Salaries, allowances and bonuses	562,165	473,193	1,111,045	970,229
- Pension costs	82,411	51,482	163,197	122,990
- Shares/Options granted under Employee's Shares Scheme	23,886	65,000	50,847	65,000
- Others	87,021	110,963	182,584	179,319
	<b>755,483</b>	<b>700,638</b>	<b>1,507,673</b>	<b>1,337,538</b>
Establishment costs				
- Depreciation	28,417	31,227	57,717	60,420
- Amortisation of intangible assets	10,669	11,639	21,292	25,519
- Rental of leasehold land and premises	21,620	23,527	47,076	45,473
- Repairs and maintenance of property and equipment	15,961	18,237	30,827	32,109
- Information technology expenses	106,426	141,858	212,666	249,287
- Others	1,564	2,903	3,167	4,953
	<b>184,657</b>	<b>229,391</b>	<b>372,745</b>	<b>417,761</b>
Marketing expenses				
- Advertisement and publicity	46,248	67,075	94,107	142,144
- Others	32,903	22,820	59,663	54,268
	<b>79,151</b>	<b>89,895</b>	<b>153,770</b>	<b>196,412</b>
Administration and general expenses				
- Fees and brokerage	104,762	103,075	216,730	186,877
- Administrative expenses	57,144	74,550	113,211	131,678
- General expenses	32,602	39,331	71,785	19,988
- Others	(270)	612	1,562	5,359
	<b>194,238</b>	<b>217,568</b>	<b>403,288</b>	<b>343,902</b>
Overhead expenses allocated to subsidiaries	(131,168)	(134,598)	(286,310)	(255,225)
	<b>1,082,361</b>	<b>1,102,894</b>	<b>2,151,166</b>	<b>2,040,388</b>

**A21. Allowances for Losses on Loans, Advances and Financing**

	Quarter Ended		Cumulative 6 Months Ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
<b><u>Group</u></b>				
Allowances for impaired loans and financing:				
- collective allowance made	256,236	459,294	492,482	518,044
- individual allowance made	283,096	(224,148)	573,148	16,795
- individual allowance written back	(146,387)	(48,283)	(280,385)	(121,679)
Impaired loans and financing written off	30,946	9,385	56,420	17,073
Impaired loans and financing recovered	(220,101)	(177,201)	(444,491)	(346,296)
Allowance (written back)/made for other debts	(4,369)	28,670	(1,845)	35,981
	<b>199,421</b>	<b>47,717</b>	<b>395,329</b>	<b>119,918</b>
<b><u>Bank</u></b>				
Allowances for impaired loans and financing:				
- collective allowance made/(written back)	163,648	(110,942)	295,647	(46,735)
- individual allowance made	196,754	151,571	459,077	171,879
- individual allowance written back	(145,022)	(34,431)	(261,000)	(90,575)
Impaired loans and financing written off	30,036	7,128	53,638	13,860
Impaired loans and financing recovered	(169,815)	(99,582)	(327,766)	(197,236)
Allowance made for other debts	890	11,018	1,619	12,125
	<b>76,491</b>	<b>(75,238)</b>	<b>221,215</b>	<b>(136,682)</b>

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**A22. 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.

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**A22. 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.

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**A22. Segment Information (cont'd.)**

**By Business Segments**

Six Months Ended 30 June 2012	<==== Business Segments =====>							Total RM'000
	<==== GWB =====>							
	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	
Net interest income and Islamic banking income								
- external	2,532,819	663,820	382,629	201,925	1,704,536	36,741	(293,836)	5,228,634
- Inter-segment	-	-	-	(878)	(13,365)	11,307	2,936	-
	<b>2,532,819</b>	<b>663,820</b>	<b>382,629</b>	<b>201,047</b>	<b>1,691,171</b>	<b>48,048</b>	<b>(290,900)</b>	<b>5,228,634</b>
Net interest income and Islamic banking income	2,532,819	663,820	382,629	201,047	1,691,171	48,048	(290,900)	5,228,634
Net income from insurance and takaful business	-	-	-	-	-	256,908	-	256,908
Non-interest income	719,042	364,766	511,817	520,369	878,285	187,203	(429,133)	2,752,349
Net income	3,251,861	1,028,586	894,446	721,416	2,569,456	492,159	(720,033)	8,237,891
Overhead expenses	(1,731,410)	(172,676)	(108,160)	(471,107)	(1,265,534)	(228,224)	-	(3,977,111)
Allowance for losses on loans, advances and financing	(145,424)	61,285	-	3,322	(314,644)	132	-	(395,329)
Impairment losses on securities, net	-	-	7,726	(1,205)	(33,277)	(990)	-	(27,746)
Operating Profit	1,375,027	917,195	794,012	252,426	956,001	263,077	(720,033)	3,837,705
Share of profits in associates	-	-	-	1,267	81,301	163	-	82,731
<b>Profit before taxation and zakat</b>	<b>1,375,027</b>	<b>917,195</b>	<b>794,012</b>	<b>253,693</b>	<b>1,037,302</b>	<b>263,240</b>	<b>(720,033)</b>	<b>3,920,436</b>
Taxation and zakat								(1,075,115)
<b>Profit after taxation and zakat</b>								<b>2,845,321</b>
Non-controlling interest								(60,900)
<b>Profit for the period</b>								<b>2,784,421</b>

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**A22. Segment Information (cont'd.)**

**By Business Segments**

Six Months Ended 30 June 2011	<===== Business Segments =====>							Total RM'000
	<===== GWB =====>							
	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	
Net interest income and Islamic banking income								
- external	2,399,514	461,060	396,034	115,678	1,375,950	36,520	(355,799)	4,428,957
- Inter-segment	-	-	-	1,878	(263)	11,380	(12,995)	-
	<u>2,399,514</u>	<u>461,060</u>	<u>396,034</u>	<u>117,556</u>	<u>1,375,687</u>	<u>47,900</u>	<u>(368,794)</u>	<u>4,428,957</u>
Net interest income and Islamic banking income	2,399,514	461,060	396,034	117,556	1,375,687	47,900	(368,794)	4,428,957
Net income from insurance and takaful business	-	-	-	-	-	429,520	-	429,520
Non-interest income	840,369	224,140	360,176	220,158	662,713	152,372	(334,424)	2,125,504
Net income	<u>3,239,883</u>	<u>685,200</u>	<u>756,210</u>	<u>337,714</u>	<u>2,038,400</u>	<u>629,792</u>	<u>(703,218)</u>	<u>6,983,981</u>
Overhead expenses	(1,699,099)	(121,156)	(69,904)	(264,809)	(1,150,662)	(210,441)	-	(3,516,071)
Allowance for losses on loans, advances and financing	17,479	80,870	71,600	6,480	(272,788)	(23,559)	-	(119,918)
Impairment losses on securities, net	-	-	(95,504)	(5,426)	(9,472)	669	-	(109,733)
Operating Profit	<u>1,558,263</u>	<u>644,914</u>	<u>662,402</u>	<u>73,959</u>	<u>605,478</u>	<u>396,461</u>	<u>(703,218)</u>	<u>3,238,259</u>
Share of profits in associates	-	-	-	-	65,843	-	-	65,843
<b>Profit before taxation and zakat</b>	<u>1,558,263</u>	<u>644,914</u>	<u>662,402</u>	<u>73,959</u>	<u>671,321</u>	<u>396,461</u>	<u>(703,218)</u>	<u>3,304,102</u>
Taxation and zakat								(864,618)
<b>Profit after taxation and zakat</b>								<u>2,439,484</u>
Non-controlling interest								(142,568)
<b>Profit for the period</b>								<u>2,296,916</u>



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**A23. 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 financial period ended 31 December 2011.

**A24. Subsequent Events**

There were no material events subsequent to the reporting date, other than as disclosed in Note A8(B) and B6.

**A25. Changes in the Composition of the Group**

The changes to the composition of the Group during the second quarter and financial half year ended 30 June 2012 are further elaborated in Note B6.

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**A26. 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:

<u>Group</u>	As at 30 June 2012			As at 31 December 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
<b><u>Credit-related</u></b>						
Direct credit substitutes	10,072,790	9,426,503	6,175,073	8,260,162	7,864,786	5,463,701
Certain transaction-related contingent items	11,891,491	6,033,674	4,550,608	13,333,375	5,797,032	4,339,391
Short-term self-liquidating trade-related contingencies	3,771,060	910,264	617,618	3,316,365	1,243,447	704,094
Islamic hire purchase loans sold to Cagamas Berhad	1,295,206	1,295,206	416,340	1,499,270	1,499,266	498,592
Obligations under underwriting agreements	30,000	15,000	3,000	30,000	15,000	15,000
Irrevocable commitments to extend credit:						
- Maturity within one year	102,973,583	15,335,913	8,594,249	96,902,460	3,398,686	2,109,787
- Maturity exceeding one year	21,807,346	16,617,681	7,091,586	19,584,365	11,669,069	4,829,809
Miscellaneous commitments and contingencies	10,553,410	1,898,327	282,152	8,782,439	97,824	73,043
<b>Total credit-related commitment and contingencies</b>	<b>162,394,886</b>	<b>51,532,568</b>	<b>27,730,626</b>	<b>151,708,436</b>	<b>31,585,110</b>	<b>18,033,417</b>

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**A26. Commitments and Contingencies (cont'd.)**

**Group (cont'd.)**

	As at 30 June 2012			As at 31 December 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
<b><u>Derivative Financial Instruments</u></b>						
Foreign exchange related contracts:						
- Less than one year	112,599,632	1,738,165	608,452	89,127,406	1,697,361	589,459
- One year to less than five years	21,514,924	208,100	135,888	16,635,830	61,824	52,846
- Five years and above	1,463,352	41,018	37,863	827,609	45,053	44,520
	<b>135,577,908</b>	<b>1,987,283</b>	<b>782,203</b>	<b>106,590,845</b>	<b>1,804,238</b>	<b>686,825</b>
Interest rate related contracts:						
- Less than one year	55,492,570	455,067	204,361	52,227,798	515,281	420,674
- One year to less than five years	56,580,747	4,406,434	1,728,942	50,556,677	3,275,364	1,408,777
- Five years and above	15,988,210	1,978,846	918,550	9,176,736	1,133,644	528,435
	<b>128,061,527</b>	<b>6,840,347</b>	<b>2,851,853</b>	<b>111,961,211</b>	<b>4,924,289</b>	<b>2,357,886</b>
Equity and commodity related contracts:						
- Less than one year	128,455	-	-	71,611	-	-
- One year to less than five years	282,524	-	-	377,592	-	-
	<b>410,979</b>	<b>-</b>	<b>-</b>	<b>449,203</b>	<b>-</b>	<b>-</b>
Total treasury-related commitments and contingencies	<b>264,050,414</b>	<b>8,827,630</b>	<b>3,634,056</b>	<b>219,001,259</b>	<b>6,728,527</b>	<b>3,044,711</b>
	<b>426,445,300</b>	<b>60,360,198</b>	<b>31,364,682</b>	<b>370,709,695</b>	<b>38,313,637</b>	<b>21,078,128</b>

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**A26. Commitments and Contingencies (cont'd.)**

	As at 30 June 2012			As at 31 December 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
<b><u>Bank</u></b>						
<b><u>Credit-related</u></b>						
Direct credit substitutes	7,769,617	7,709,574	4,608,116	5,926,466	5,790,525	3,584,047
Certain transaction-related contingent items	10,376,736	5,155,030	3,728,031	11,673,152	4,944,380	3,558,588
Short-term self-liquidating trade-related contingencies	3,464,343	716,462	434,543	2,952,658	1,057,766	648,554
Irrevocable commitments to extend credit:						
- Maturity within one year	87,038,681	13,757,468	7,611,886	82,414,863	2,586,209	1,767,836
- Maturity exceeding one year	17,833,979	13,612,592	5,842,225	16,410,180	10,258,612	4,369,422
Miscellaneous commitments and contingencies	10,360,787	1,898,327	282,152	8,475,251	97,824	73,043
Total credit-related commitment and contingencies	<b>136,844,143</b>	<b>42,849,453</b>	<b>22,506,953</b>	127,852,570	24,735,316	14,001,490

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**A26. Commitments and Contingencies (cont'd.)**

	As at 30 June 2012			As at 31 December 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
<b><u>Bank (cont'd.)</u></b>						
<b><u>Derivative Financial Instruments</u></b>						
Foreign exchange related contracts:						
- Less than one year	107,940,041	1,564,815	497,289	84,129,446	1,598,591	534,060
- One year to less than five years	16,156,824	68,280	58,811	13,766,757	61,824	52,846
- Five years and above	1,463,352	35,874	35,291	827,609	43,500	42,967
	<b>125,560,217</b>	<b>1,668,969</b>	<b>591,391</b>	<b>98,723,812</b>	<b>1,703,915</b>	<b>629,873</b>
Interest rate related contracts:						
- Less than one year	54,860,805	448,226	207,653	52,092,953	245,271	150,835
- One year to less than five years	52,593,835	4,266,689	1,652,375	48,442,901	3,138,356	1,349,099
- Five years and above	15,761,100	1,964,901	911,178	8,931,398	1,118,606	524,691
	<b>123,215,740</b>	<b>6,679,816</b>	<b>2,771,206</b>	<b>109,467,252</b>	<b>4,502,233</b>	<b>2,024,625</b>
Equity and commodity related contracts:						
- Less than one year	128,455	-	-	58,934	-	-
- One year to less than five years	241,221	-	-	377,592	-	-
	<b>369,676</b>	<b>-</b>	<b>-</b>	<b>436,526</b>	<b>-</b>	<b>-</b>
Total treasury-related commitments and contingencies	<b>249,145,633</b>	<b>8,348,785</b>	<b>3,362,597</b>	<b>208,627,590</b>	<b>6,206,148</b>	<b>2,654,498</b>
	<b>385,989,776</b>	<b>51,198,238</b>	<b>25,869,550</b>	<b>336,480,160</b>	<b>30,941,464</b>	<b>16,655,988</b>

\* 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.

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**A26. 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 30 June 2012, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM2,390.0 million (31 December 2011: RM1,954.5 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 threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 30 June 2012, the Group and the Bank have posted cash collateral of RM404.5 million (31 December 2011: RM232.8 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.

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**A27. 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.

**(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 interim dividend consists of an electable portion of 28 sen (net 21 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	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
<b>Before deducting proposed dividend:</b>				
Core capital ratio	11.59%	11.74%	14.98%	15.80%
Risk-weighted capital ratio	15.66%	16.46%	14.98%	15.80%
<b>After deducting proposed dividend:</b>				
Core capital ratio, assuming:				
- full electable portion paid in cash	10.92%	10.95%	14.07%	14.73%
- full electable portion reinvested	11.51%	11.65%	14.86%	15.68%
Risk-weighted capital ratio, assuming:				
- full electable portion paid in cash	14.99%	15.66%	14.07%	14.73%
- full electable portion reinvested	15.57%	16.37%	14.86%	15.68%

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**A27. Capital Adequacy (cont'd.)**

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

	Group		Bank	
	30 June 2012 RM '000	31 December 2011 RM '000	30 June 2012 RM '000	31 December 2011 RM '000
<b>Tier I capital</b>				
Paid-up share capital	7,853,758	7,639,437	7,853,758	7,639,437
Share premium	11,106,863	9,598,847	11,106,863	9,598,847
Other reserves	15,134,729	14,570,375	12,510,599	12,473,444
Capital securities	6,092,887	6,057,884	6,092,887	6,057,884
Less: Shares-held-in-trust	<b>(100,000)</b>	-	<b>(100,000)</b>	-
	<b>40,088,237</b>	37,866,543	<b>37,464,107</b>	35,769,612
Less: Deferred tax assets <sup>1</sup>	<b>(1,399,497)</b>	(1,406,712)	<b>(883,932)</b>	(867,163)
Less: Goodwill <sup>1</sup>	<b>(6,031,401)</b>	(6,031,401)	<b>(81,015)</b>	(81,015)
Total Tier I capital	<b>32,657,339</b>	30,428,430	<b>36,499,160</b>	34,821,434
<b>Tier II capital</b>				
Subordinated obligations	13,774,000	13,889,529	12,202,717	12,491,343
Collective allowance for bad and doubtful debts <sup>4</sup>	799,893	892,370	384,745	430,448
Surplus of total EP over total EL <sup>3</sup>	-	359,978	-	384,425
Total Tier II capital	<b>14,573,893</b>	15,141,877	<b>12,587,462</b>	13,306,216
Total capital	<b>47,231,232</b>	45,570,307	<b>49,086,622</b>	48,127,650
Less: Investment in subsidiary companies and associates <sup>2</sup>	<b>(2,819,580)</b>	(2,891,773)	<b>(17,872,845)</b>	(17,467,920)
Less: Other deductions				
Securitisation exposures held in the banking book	<b>(72,065)</b>	(31,383)	<b>(72,065)</b>	(31,383)
Excess of EL <sup>3</sup> over EP <sup>3</sup>	<b>(220,829)</b>	-	<b>(135,293)</b>	-
Capital base	<b>44,118,758</b>	42,647,151	<b>31,006,419</b>	30,628,347

<sup>1</sup> Under Bank Negara Malaysia Guidelines, deferred tax and goodwill are required to be excluded from Tier I capital.

<sup>2</sup> 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.

<sup>3</sup> EP is defined as eligible provision and EL is defined as expected loss.

<sup>4</sup> 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).



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**A27. 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
<b><u>30 June 2012</u></b>			
Core capital ratio	10.23%	24.44%	-
Risk-weighted capital ratio	12.51%	24.44%	12.56%
<b><u>31 December 2011</u></b>			
<b>Before deducting proposed dividends*:</b>			
Core capital ratio	9.89%	21.58%	-
Risk-weighted capital ratio	12.61%	21.58%	11.83%
<b>After deducting proposed dividends:</b>			
Core capital ratio	9.32%	21.58%	-
Risk-weighted capital ratio	12.04%	21.58%	11.83%

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

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**A27. 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 30 June 2012**

	Group RM'000	Bank RM'000	Maybank Islamic Berhad RM'000	Maybank Investment Bank Berhad RM'000	PT Bank Internasional Indonesia Tbk RM'000
Standardised Approach exposure	77,483,338	38,320,626	4,720,850	1,263,132	24,076,586
IRB Approach exposure after scaling factor	168,587,426	143,877,401	29,807,336	-	-
Total risk-weighted assets for credit risk	246,070,764	182,198,027	34,528,186	1,263,132	24,076,586
Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad*	-	-	(205,864)	-	-
Total risk-weighted assets for market risk	9,039,671	6,747,793	213,363	684,252	466,601
Total risk-weighted assets for operational risk	26,663,757	18,068,968	2,785,136	703,255	3,500,345
Additional risk-weighted assets due to capital floor	-	-	4,551,397	-	-
Total risk-weighted assets	281,774,192	207,014,788	41,872,218	2,650,639	28,043,532

**At 31 December 2011**

	Group RM'000	Bank RM'000	Maybank Islamic Berhad RM'000	Maybank Investment Bank Berhad RM'000	PT Bank Internasional Indonesia Tbk 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

\* 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.

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**A28. 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		
	Principal Amount RM'000	Fair Value		Principal Amount RM'000	Fair Value	
<u>At 30 June 2012</u>	Assets Amount RM'000	Liabilities Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000
<b>Trading derivatives</b>						
<u>Foreign exchange related contracts</u>						
Currency forward						
- Less than one year	30,055,395	278,042	(152,326)	21,333,477	191,375	(104,984)
- One year to three years	19,199	46	(19)	19,199	46	(19)
- More than three years	162,540	852	(1,475)	162,540	852	(1,475)
	<u>30,237,134</u>	<u>278,940</u>	<u>(153,820)</u>	<u>21,515,216</u>	<u>192,273</u>	<u>(106,478)</u>
Currency swaps						
- Less than one year	60,457,640	375,867	(464,801)	60,217,582	376,365	(465,144)
- One year to three years	330,420	3,542	(3,363)	330,420	3,542	(3,363)
- More than three years	251,658	3,043	(1,104)	251,658	3,043	(1,104)
	<u>61,039,718</u>	<u>382,452</u>	<u>(469,268)</u>	<u>60,799,660</u>	<u>382,950</u>	<u>(469,611)</u>
Currency spots						
- Less than one year	18,164,602	14,295	(24,812)	17,999,006	14,311	(24,825)
- One year to three years	-	-	-	-	-	-
- More than three years	-	-	-	-	-	-
	<u>18,164,602</u>	<u>14,295</u>	<u>(24,812)</u>	<u>17,999,006</u>	<u>14,311</u>	<u>(24,825)</u>
Currency options						
- Less than one year	3,891,448	34,296	(20,035)	3,891,448	34,296	(20,035)
- One year to three years	-	-	-	-	-	-
- More than three years	-	-	-	-	-	-
	<u>3,891,448</u>	<u>34,296</u>	<u>(20,035)</u>	<u>3,891,448</u>	<u>34,296</u>	<u>(20,035)</u>
Cross currency interest rate swaps						
- Less than one year	2,760,448	92,756	(17,991)	2,760,448	92,756	(17,991)
- One year to three years	7,068,852	119,837	(154,397)	7,068,852	130,117	(154,397)
- More than three years	7,372,158	392,398	(75,698)	7,071,658	396,188	(75,686)
	<u>17,201,458</u>	<u>604,991</u>	<u>(248,086)</u>	<u>16,900,958</u>	<u>619,061</u>	<u>(248,074)</u>
<u>Interest rate derivatives</u>						
Interest rate swaps						
- Less than one year	21,545,203	41,778	(70,807)	21,545,203	64,622	(70,807)
- One year to three years	23,062,302	146,702	(172,926)	22,941,620	156,917	(172,926)
- More than three years	40,939,151	557,757	(735,652)	40,788,997	571,399	(735,652)
	<u>85,546,656</u>	<u>746,237</u>	<u>(979,385)</u>	<u>85,275,820</u>	<u>792,938</u>	<u>(979,385)</u>
Interest rate futures						
- Less than one year	31,732,763	-	(7,915)	31,732,763	-	(7,915)
- One year to three years	190,600	-	(144)	190,600	-	(144)
- More than three years	-	-	-	-	-	-
	<u>31,923,363</u>	<u>-</u>	<u>(8,059)</u>	<u>31,923,363</u>	<u>-</u>	<u>(8,059)</u>
Interest rate options						
- Less than one year	1,086,480	18,054	(1,092)	1,086,480	18,054	(1,092)
- One year to three years	1,476,045	4,979	(956)	1,476,045	4,979	(956)
- More than three years	1,397,524	3,124	(168,844)	997,524	1,751	(101,321)
	<u>3,960,049</u>	<u>26,157</u>	<u>(170,892)</u>	<u>3,560,049</u>	<u>24,784</u>	<u>(103,369)</u>

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**A28. Derivative Financial Instruments (cont'd.)**

	Group			Bank		
	Principal Amount RM'000	Fair Value		Principal Amount RM'000	Fair Value	
	Assets Amount RM'000	Liabilities Amount RM'000		Assets Amount RM'000	Liabilities Amount RM'000	
<b>At 30 June 2012</b>						
<b><u>Trading derivatives (cont'd.)</u></b>						
<u>Equity related derivatives</u>						
Equity options						
- Less than one year	128,456	856	(29,368)	128,456	49	-
- One year to three years	142,259	5,304	(20,622)	142,259	5,304	(5,192)
- More than three years	54,297	3,064	(3,064)	54,297	3,064	(3,064)
	<u>325,012</u>	<u>9,224</u>	<u>(53,054)</u>	<u>325,012</u>	<u>8,417</u>	<u>(8,256)</u>
Commodity options						
- Less than one year	-	-	-	-	-	-
- One year to three years	44,665	2,095	(2,095)	44,665	2,095	(2,095)
- More than three years	-	-	-	-	-	-
	<u>44,665</u>	<u>2,095</u>	<u>(2,095)</u>	<u>44,665</u>	<u>2,095</u>	<u>(2,095)</u>
<b><u>Credit-Related Contract</u></b>						
Credit Default Swaps						
- Less than one year	-	-	-	-	-	-
- One year to three years	-	-	-	-	-	-
- More than three years	41,304	1,013	(3,843)	-	-	-
	<u>41,304</u>	<u>1,013</u>	<u>(3,843)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Hedging derivatives</u></b>						
Interest rate swaps						
- Less than one year	1,128,122	243	(8,604)	496,357	183	(6,021)
- One year to three years	3,069,779	492	(95,483)	1,346,241	485	(95,287)
- More than three years	2,270,747	24,691	(34,070)	451,099	-	(33,875)
	<u>6,468,648</u>	<u>25,426</u>	<u>(138,157)</u>	<u>2,293,697</u>	<u>668</u>	<u>(135,183)</u>
Cross currency interest rate swaps						
- Less than one year	1,738,079	92,636	(4,400)	1,738,079	92,636	(4,400)
- One year to three years	2,429,768	171,616	(15,182)	2,157,650	160,125	(15,182)
- More than three years	1,038,510	637	(4,230)	721,010	618	(4,208)
	<u>5,206,357</u>	<u>264,889</u>	<u>(23,812)</u>	<u>4,616,739</u>	<u>253,379</u>	<u>(23,790)</u>
Total derivative assets / (liabilities)	<u>264,050,414</u>	<u>2,390,015</u>	<u>(2,295,318)</u>	<u>249,145,633</u>	<u>2,325,172</u>	<u>(2,129,160)</u>

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**A28. Derivative Financial Instruments (cont'd.)**

	Group			Bank		
	Principal Amount RM'000	Fair Value		Principal Amount RM'000	Fair Value	
<b>At 31 December 2011</b>	Assets Amount RM'000	Liabilities Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000
<b>Trading derivatives</b>						
<u>Foreign exchange related contracts</u>						
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)
	<u>27,277,772</u>	<u>261,955</u>	<u>(117,820)</u>	<u>20,078,819</u>	<u>212,742</u>	<u>(79,887)</u>
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)
	<u>50,129,167</u>	<u>452,049</u>	<u>(637,569)</u>	<u>50,129,167</u>	<u>452,049</u>	<u>(637,569)</u>
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	-	-	-	-	-	-
	<u>7,111,247</u>	<u>3,718</u>	<u>(1,185)</u>	<u>7,061,168</u>	<u>3,704</u>	<u>(1,166)</u>
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	-	-	-	-	-	-
	<u>4,854,026</u>	<u>24,068</u>	<u>(19,029)</u>	<u>4,854,026</u>	<u>24,068</u>	<u>(19,029)</u>
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)
	<u>13,003,357</u>	<u>194,693</u>	<u>(129,365)</u>	<u>12,702,857</u>	<u>196,044</u>	<u>(129,365)</u>
<u>Interest rate derivatives</u>						
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)
	<u>67,858,118</u>	<u>668,584</u>	<u>(887,700)</u>	<u>67,858,118</u>	<u>708,475</u>	<u>(887,700)</u>
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	-	-	-	-	-	-
	<u>36,555,927</u>	<u>60,238</u>	<u>(60,238)</u>	<u>36,555,927</u>	<u>60,238</u>	<u>(60,238)</u>
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)
	<u>2,794,380</u>	<u>25,626</u>	<u>(90,263)</u>	<u>2,558,880</u>	<u>24,904</u>	<u>(49,382)</u>

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**A28. Derivative Financial Instruments (cont'd.)**

	Group			Bank		
	Principal Amount RM'000	Fair Value		Principal Amount RM'000	Fair Value	
<b>At 31 December 2011</b>	Assets Amount RM'000	Liabilities Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000
<b><u>Trading derivatives (cont'd.)</u></b>						
<b><u>Equity related derivatives</u></b>						
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)
	<u>396,503</u>	<u>7,891</u>	<u>(15,316)</u>	<u>383,826</u>	<u>7,891</u>	<u>(7,564)</u>
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)
	<u>52,700</u>	<u>3,267</u>	<u>(3,267)</u>	<u>52,700</u>	<u>3,267</u>	<u>(3,267)</u>
<b><u>Hedging derivatives</u></b>						
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)
	<u>4,752,786</u>	<u>1,147</u>	<u>(184,952)</u>	<u>2,494,327</u>	<u>611</u>	<u>(181,559)</u>
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)
	<u>4,215,276</u>	<u>251,240</u>	<u>(16,005)</u>	<u>3,897,775</u>	<u>255,351</u>	<u>(16,005)</u>
Total derivative assets / (liabilities)	<u>219,001,259</u>	<u>1,954,476</u>	<u>(2,162,709)</u>	<u>208,627,590</u>	<u>1,949,344</u>	<u>(2,072,731)</u>

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**A29. Credit Exposure Arising From Credit Transactions With Connected Parties**

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Outstanding credit exposures with connected parties (RM'000)	<u>24,346,619</u>	<u>24,765,729</u>	<u>23,675,900</u>	<u>22,922,705</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>8.2%</u>	<u>9.0%</u>	<u>11.3%</u>	<u>11.8%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

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.

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**A30. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies**

In preparing its opening MFRS statement of financial position, the Group and the Bank have adjusted certain amounts previously reported in its financial statements prepared in accordance with the previous FRS framework for the financial effects arising from the adoption of the MFRS framework and changes in accounting policies as stated in Note A1.

The adoption of the new MFRS framework and the change in accounting policy resulted the following reclassifications and adjustments:

**(i) Designation of previously recognised financial instruments**

MFRS 1 allows a first-time adopter to designate eligible financial assets as available-for-sale at the date of transition.

The Group and the Bank have opted for this exemption and redesignated certain previously recognised financial investments held-to-maturity as available-for-sale at 1 July 2011 (i.e. the transition date to MFRS).

Certain entities within the Group are still assessing and obtaining feedback from the regulator and the auditors and expect to be in the position to make a decision before the end of the financial year ending 31 December 2012.

**(ii) Revised Bank Negara Malaysia ("BNM") Guidelines on Financial Reporting for Insurers**

As at 31 December 2011, the life insurance contract liabilities of the insurance subsidiary, Etiqa Insurance Berhad ("EIB"), included the accumulated surpluses less estimated actuarial liabilities (collectively referred to as "unallocated surplus") and Available-for-Sale reserves of all life insurance contracts including those with discretionary participating features (referred to as "Par") and those without (referred to as "Non Par"). In accordance with MFRS 4 Insurance Contracts and the Framework for Preparation and Presentation of Financial Statements, the Non Par unallocated surplus does not meet the definition of a liability, that is, a present obligation of the company arising from past events, the settlement of which is expected to result in an outflow of economic benefits as the Non Par unallocated surplus represents the residual interest in the assets of the Non Par Fund after consideration of all liabilities. In addition, in accordance to MFRS 139, the Non Par AFS reserves should be accounted for as equity of the company. The classification of the Non Par unallocated surplus and AFS reserves of EIB as a liability was made in accordance with the Guidelines issued by BNM and is a modification to MFRS which had been approved by BNM under Section 90 of the Insurance Act 1996.

The Non Par unallocated surplus and AFS reserves would now be required to be reclassified from liabilities to equity. This is a change in accounting policy pursuant to the revised Guidelines issued by BNM and the adoption of MFRS framework by the Group which took effect from 1 January 2012, and hence the reclassification would be adjusted retrospectively against reserves as at 1 July 2011 (i.e. the transition date to MFRS).



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**A30. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)**

(a) Reconciliation of equity as at 1 July 2011 and as at 31 December 2011

<b>Group</b>	<b>FRS as at 1 July 2011 RM'000</b>	<b>Note A30 (i) RM'000</b>	<b>Note A30 (ii) RM'000</b>	<b>MFRS as at 1 July 2011 RM'000</b>	<b>FRS as at 31 December 2011 RM'000</b>	<b>Note A30 (i) RM'000</b>	<b>Note A30 (ii) RM'000</b>	<b>MFRS as at 31 December 2011 RM'000</b>
<b>ASSETS</b>								
Cash and short-term funds	38,803,519	-	-	38,803,519	49,089,088	-	-	49,089,088
Deposits and placements with financial institutions	10,291,513	-	-	10,291,513	6,452,978	-	-	6,452,978
Securities purchased under resale agreements	-	-	-	-	1,397,235	-	-	1,397,235
Securities held-for-trading	4,141,978	-	-	4,141,978	9,665,997	-	-	9,665,997
Securities available-for-sale	47,258,558	6,854,745	-	54,113,303	48,504,468	6,910,960	-	55,415,428
Securities held-to-maturity	9,638,714	(6,715,686)	-	2,923,028	9,880,899	(6,701,483)	-	3,179,416
Loans, advances and financing	253,976,426	-	-	253,976,426	274,430,691	-	-	274,430,691
Derivative assets	1,652,182	-	-	1,652,182	1,954,476	-	-	1,954,476
Other assets	6,735,522	-	1,401,581	8,137,103	6,661,305	-	1,378,681	8,039,986
Investment properties	45,051	-	-	45,051	62,007	-	-	62,007
Statutory deposits with Central Banks	7,698,425	-	-	7,698,425	10,577,416	-	-	10,577,416
Investment in subsidiaries	-	-	-	-	-	-	-	-
Interest in associates	2,439,654	-	-	2,439,654	2,406,462	-	-	2,406,462
Property, plant and equipment	2,168,986	-	-	2,168,986	2,372,534	-	-	2,372,534
Intangible assets	6,509,048	-	-	6,509,048	6,507,949	-	-	6,507,949
Deferred tax assets	1,402,705	(34,765)	-	1,367,940	1,421,934	(52,369)	-	1,369,565
Life, general takaful and family takaful fund assets	19,196,413	-	-	19,196,413	19,903,312	-	-	19,903,312
<b>TOTAL ASSETS</b>	<b>411,958,694</b>	<b>104,294</b>	<b>1,401,581</b>	<b>413,464,569</b>	<b>451,288,751</b>	<b>157,108</b>	<b>1,378,681</b>	<b>452,824,540</b>

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**A30. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)**

(a) Reconciliation of equity as at 1 July 2011 and as at 31 December 2011 (cont'd.)

Group (cont'd.)	FRS as at 1 July 2011 RM'000	Note A30 (i) RM'000	Note A30 (ii) RM'000	MFRS as at 1 July 2011 RM'000	FRS as at 31 December 2011 RM'000	Note A30 (i) RM'000	Note A30 (ii) RM'000	MFRS as at 31 December 2011 RM'000
<b>LIABILITIES</b>								
Deposits from customers	281,976,379	-	-	281,976,379	313,709,780	-	-	313,709,780
Deposits and placements of banks and other financial institutions	33,303,655	-	-	33,303,655	36,760,978	-	-	36,760,978
Obligations on securities sold under repurchase agreements	373,562	-	-	373,562	267,652	-	-	267,652
Bills and acceptances payable	8,513,401	-	-	8,513,401	4,472,872	-	-	4,472,872
Derivative liabilities	1,533,935	-	-	1,533,935	2,162,709	-	-	2,162,709
Other liabilities	11,311,854	-	-	11,311,854	10,576,494	-	-	10,576,494
Recourse obligation on loans sold to Cagamas	528,285	-	-	528,285	715,603	-	-	715,603
Provision for taxation and zakat	134,620	-	-	134,620	320,212	-	-	320,212
Deferred tax liabilities	247,892	-	350,395	598,287	263,605	-	344,670	608,275
Borrowings	5,447,120	-	-	5,447,120	7,185,230	-	-	7,185,230
Subordinated obligations	10,800,539	-	-	10,800,539	14,160,553	-	-	14,160,553
Capital securities	6,120,774	-	-	6,120,774	6,113,761	-	-	6,113,761
Life, general takaful and family takaful fund liabilities	5,408,600	-	-	5,408,600	2,886,104	-	-	2,886,104
Life, general takaful and family takaful policy holders' funds	13,787,813	-	-	13,787,813	17,017,208	-	-	17,017,208
<b>TOTAL LIABILITIES</b>	<b>379,488,429</b>	<b>-</b>	<b>350,395</b>	<b>379,838,824</b>	<b>416,612,761</b>	<b>-</b>	<b>344,670</b>	<b>416,957,431</b>

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**A30. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)**

(a) Reconciliation of equity as at 1 July 2011 and as at 31 December 2011 (cont'd.)

Group (cont'd.)	FRS as at 1 July 2011 RM'000	Note A30 (i) RM'000	Note A30 (ii) RM'000	MFRS as at 1 July 2011 RM'000	FRS as at 31 December 2011 RM'000	Note A30 (i) RM'000	Note A30 (ii) RM'000	MFRS as at 31 December 2011 RM'000
<b>SHAREHOLDERS' EQUITY</b>								
Share capital	7,478,206	-	-	7,478,206	7,639,437	-	-	7,639,437
Reserves	23,983,293	104,294	725,844	24,813,431	25,805,990	157,108	713,984	26,677,082
	<u>31,461,499</u>	<u>104,294</u>	<u>725,844</u>	<u>32,291,637</u>	<u>33,445,427</u>	<u>157,108</u>	<u>713,984</u>	<u>34,316,519</u>
Non-controlling interests	1,008,766	-	325,342	1,334,108	1,230,563	-	320,027	1,550,590
Total equity	<u>32,470,265</u>	<u>104,294</u>	<u>1,051,186</u>	<u>33,625,745</u>	<u>34,675,990</u>	<u>157,108</u>	<u>1,034,011</u>	<u>35,867,109</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>411,958,694</u>	<u>104,294</u>	<u>1,401,581</u>	<u>413,464,569</u>	<u>451,288,751</u>	<u>157,108</u>	<u>1,378,681</u>	<u>452,824,540</u>

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**A30. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)**

(a) Reconciliation of equity as at 1 July 2011 and as at 31 December 2011

Bank	FRS as at 1 July 2011 RM'000	Note A30 (i) RM'000	MFRS as at 1 July 2011 RM'000	FRS as at 31 December 2011 RM'000	Note A30 (i) RM'000	MFRS as at 31 December 2011 RM'000
<b>ASSETS</b>						
Cash and short-term funds	25,803,796	-	25,803,796	35,966,579	-	35,966,579
Deposits and placements with financial institutions	7,644,471	-	7,644,471	6,246,093	-	6,246,093
Securities purchased under resale agreements	-	-	-	1,397,235	-	1,397,235
Securities held-for-trading	2,884,895	-	2,884,895	7,325,466	-	7,325,466
Securities available-for-sale	40,262,042	6,732,722	46,994,764	39,618,975	6,787,488	46,406,463
Securities held-to-maturity	8,339,494	(6,595,308)	1,744,186	8,804,797	(6,581,127)	2,223,670
Loans, advances and financing	181,572,844	-	181,572,844	194,174,085	-	194,174,085
Derivative assets	1,626,415	-	1,626,415	1,949,344	-	1,949,344
Other assets	1,420,365	-	1,420,365	2,240,433	-	2,240,433
Investment properties	-	-	-	-	-	-
Statutory deposits with Central Banks	4,313,116	-	4,313,116	6,095,129	-	6,095,129
Investment in subsidiaries	17,070,392	-	17,070,392	17,230,202	-	17,230,202
Interest in associates	454,412	-	454,412	456,512	-	456,512
Property, plant and equipment	1,170,183	-	1,170,183	1,298,891	-	1,298,891
Intangible assets	177,270	-	177,270	173,933	-	173,933
Deferred tax assets	920,837	(34,353)	886,484	867,163	(51,590)	815,573
Life, general takaful and family takaful fund assets	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>293,660,532</b>	<b>103,061</b>	<b>293,763,593</b>	<b>323,844,837</b>	<b>154,771</b>	<b>323,999,608</b>
<b>LIABILITIES</b>						
Deposits from customers	201,465,408	-	201,465,408	222,895,293	-	222,895,293
Deposits and placements of banks and other financial institutions	31,441,675	-	31,441,675	35,555,592	-	35,555,592
Obligations on securities sold under repurchase agreements	373,562	-	373,562	267,652	-	267,652
Bills and acceptances payable	7,115,673	-	7,115,673	3,610,141	-	3,610,141
Derivative liabilities	1,446,311	-	1,446,311	2,072,731	-	2,072,731
Other liabilities	4,240,156	-	4,240,156	6,351,178	-	6,351,178
Recourse obligation on loans sold to Cagamas	528,285	-	528,285	715,603	-	715,603
Provision for taxation and zakat	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Borrowings	3,420,499	-	3,420,499	4,208,282	-	4,208,282
Subordinated obligations	9,509,786	-	9,509,786	12,574,919	-	12,574,919
Capital securities	6,120,774	-	6,120,774	6,113,761	-	6,113,761
Life, general takaful and family takaful fund liabilities	-	-	-	-	-	-
Life, general takaful and family takaful policy holders' funds	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>265,662,129</b>	<b>-</b>	<b>265,662,129</b>	<b>294,365,152</b>	<b>-</b>	<b>294,365,152</b>

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**A30. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)**

(a) Reconciliation of equity as at 1 July 2011 and as at 31 December 2011 (cont'd.)

Bank (cont'd.)	FRS as at 1 July 2011 RM'000		Note A30 (i) RM'000	MFRS as at 1 July 2011 RM'000		FRS as at 31 December 2011 RM'000		Note A30 (i) RM'000	MFRS as at 31 December 2011 RM'000	
<b>SHAREHOLDERS' EQUITY</b>										
Share capital	7,478,206		-	7,478,206		7,639,437		-	7,639,437	
Reserves	20,520,197		103,061	20,623,258		21,840,248		154,771	21,995,019	
Total equity	27,998,403		103,061	28,101,464		29,479,685		154,771	29,634,456	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>										
	293,660,532		103,061	293,763,593		323,844,837		154,771	323,999,608	

(b) The reconciliation of the statement of comprehensive income for the Group and the Bank are not presented as the comparative periods consist of 6 months results beginning 1 January 2011 to 30 June 2011 which are before the transition date to MFRS, i.e. 1 July 2011.

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**A31. The Operations of Islamic Banking Scheme**

**A31a. Unaudited Income Statements for the Second Quarter and Financial Half Year Ended 30 June 2012**

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended*	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Income derived from investment of depositors' funds	902,869	764,559	1,741,054	1,395,415
Expenses directly attributable to depositors and Islamic Banking Funds	(30,282)	(2,187)	(56,176)	(8,344)
Transfer to profit equalisation reserve	-	(25,784)	-	(42,267)
Gross attributable income	872,587	736,588	1,684,878	1,344,804
Allowance for losses on financing and advances	(23,947)	24,695	16,131	935
<b>Total attributable income</b>	<b>848,640</b>	<b>761,283</b>	<b>1,701,009</b>	<b>1,345,739</b>
Income attributable to the depositors	(429,959)	(309,095)	(846,657)	(575,150)
<b>Income attributable to the Group</b>	<b>418,681</b>	<b>452,188</b>	<b>854,352</b>	<b>770,589</b>
Income derived from investment of Islamic Banking Funds	115,147	214	236,531	29,765
	533,828	452,402	1,090,883	800,354
Finance cost	(10,146)	(10,521)	(20,754)	(10,637)
Overhead expenses	(161,075)	(169,547)	(354,593)	(315,460)
<b>Profit before taxation and zakat</b>	<b>362,607</b>	<b>272,334</b>	<b>715,536</b>	<b>474,257</b>
Taxation	(85,332)	(62,482)	(170,038)	(112,147)
Zakat	(6,716)	(260)	(10,211)	(5,237)
<b>Profit for the period</b>	<b>270,559</b>	<b>209,592</b>	<b>535,287</b>	<b>356,873</b>

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

<u>Group</u>	Quarter Ended		Cumulative 6 Months Ended*	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Gross attributable income	872,587	736,588	1,684,878	1,344,804
Income derived from investment of Islamic Banking Funds	115,147	214	236,531	29,765
Total income before allowance for losses on financing and advances and overhead expenses	987,734	736,802	1,921,409	1,374,569
Income attributable to the depositors	(429,959)	(309,095)	(846,657)	(575,150)
	557,775	427,707	1,074,752	799,419
Finance cost	(10,146)	(10,521)	(20,754)	(10,637)
Net of intercompany income & expenses	19,212	25,836	47,669	42,012
Income from Islamic Banking Scheme	566,841	443,022	1,101,667	830,794

\* (The Group has changed its financial year-end from 30 June to 31 December. Comparatives for cumulative quarters consist of 6 months results beginning 1 January 2011 to 30 June 2011.)

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**A31. The Operations of Islamic Banking Scheme (cont'd.)**

**A31b. Unaudited Statements of Comprehensive Income for the Second Quarter and Financial Half Year Ended 30 June 2012**

	Quarter Ended		Cumulative 6 Months Ended*	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
<b>Group</b>				
<b>Profit for the period</b>	<b>270,559</b>	209,592	<b>535,287</b>	356,873
Other comprehensive income/(loss):				
Currency translation differences in respect of foreign operations	2,690	(2,551)	<b>(13,488)</b>	(2,533)
Net gain on revaluation of financial investments available-for-sale	7,236	14,606	<b>9,314</b>	5,444
Income tax relating to components of other comprehensive income	<b>(1,808)</b>	(3,360)	<b>(436)</b>	(84)
Other comprehensive income/(loss) for the period, net of tax	<b>8,118</b>	8,695	<b>(4,610)</b>	2,827
Total comprehensive income for the period	<b>278,677</b>	218,287	<b>530,677</b>	359,700

\* (The Group has changed its financial year-end from 30 June to 31 December. Comparatives for cumulative quarters consist of 6 months results beginning 1 January 2011 to 30 June 2011.)

**A31c. Unaudited Statements of Financial Position as at 30 June 2012**

<b>Group</b>		30 June 2012 RM'000	31 December 2011 (Restated) RM'000	1 July 2011 (Restated) RM'000
	Note			
<b>ASSETS</b>				
Cash and short-term funds		17,505,362	8,971,617	9,684,169
Deposits and placements with banks and other financial institutions		518,127	429,910	394,136
Securities portfolio		6,865,615	8,644,047	6,825,037
Financing and advances	A31d	54,992,419	50,926,004	46,244,031
Deferred tax assets		176,776	177,369	161,139
Derivative assets		47,671	28,198	14,646
Other assets		3,051,326	4,492,748	4,737,314
Statutory deposit with Bank Negara Malaysia		1,968,500	1,834,800	913,900
Intangible assets		3,835	3,701	918
Property, plant and equipment		2,065	2,551	347
<b>Total Assets</b>		<b>85,131,696</b>	75,510,945	68,975,637
<b>LIABILITIES</b>				
Deposits from customers	A31e	63,434,405	59,090,400	50,890,270
Deposit and placements of banks and other financial institutions		13,515,056	9,449,458	11,292,077
Bills and acceptances payable		420,512	504,237	1,115,350
Derivatives liabilities		54,737	96,179	53,504
Other liabilities		1,091,935	193,515	175,494
Provision for taxation and zakat		258,353	109,256	52,931
Subordinated Sukuk	A31f	1,010,723	1,010,723	1,010,637
<b>Total Liabilities</b>		<b>79,785,721</b>	70,453,768	64,590,263
<b>ISLAMIC BANKING FUNDS</b>				
Islamic Banking Funds		714,815	943,296	459,287
Reserves		4,631,160	4,113,881	3,926,087
		<b>5,345,975</b>	5,057,177	4,385,374
<b>Total Liabilities and Islamic Banking Funds</b>		<b>85,131,696</b>	75,510,945	68,975,637
<b>COMMITMENTS AND CONTINGENCIES</b>		<b>26,796,932</b>	22,853,525	18,643,612

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**A31. The Operations of Islamic Banking Scheme (cont'd.)**

**A31d. Financing and Advances**

	Group	
	30 June 2012 RM'000	31 December 2011 RM'000
Cashline	2,513,133	2,103,900
Term financing		
- Housing financing	8,523,985	7,275,137
- Syndicated financing	564,788	632,750
- Hire purchase receivables	17,950,746	18,167,588
- Other financing	49,471,661	43,346,525
Bills receivable	82	4,610
Trust receipts	178,786	204,263
Claims on customers under acceptance credits	3,306,222	3,507,816
Staff financing	949,077	867,947
Credit card receivables	339,596	340,254
Revolving credit	4,520,095	4,315,880
	<u>88,318,171</u>	<u>80,766,670</u>
Unearned income	<u>(32,581,341)</u>	<u>(28,894,399)</u>
Gross financing and advances*	55,736,830	51,872,271
Allowance for bad and doubtful financing:		
- Individual allowance	(141,922)	(298,840)
- Collective allowance	<u>(602,489)</u>	<u>(647,427)</u>
Net financing and advances	<u>54,992,419</u>	<u>50,926,004</u>

\* Included in financing and advances are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA") amounting to RM650.0 million (31 December 2011: RM650.0 million), 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 individual and collective allowances for the impaired financing arising thereon.

**A31d. (i) Movements in impaired financing and advances are as follows:**

	Group	
	30 June 2012 RM'000	31 December 2011 RM'000
At beginning of the period	811,973	928,549
Impaired during the period	243,900	316,586
Recovered/regularised during the period	(260,684)	(340,991)
Amount written off	(235,224)	(101,619)
Expenses debited to customers' accounts	9,832	9,448
At end of the period	<u>569,797</u>	<u>811,973</u>
Less: Individual allowance	<u>(141,922)</u>	<u>(298,840)</u>
Net impaired financing and advances	<u>427,875</u>	<u>513,133</u>
Gross financing and advances (excluding RPSIA financing)	55,086,830	51,222,271
Less:		
- Individual allowance	<u>(141,922)</u>	<u>(298,840)</u>
Net financing and advances	<u>54,944,908</u>	<u>50,923,431</u>
Ratio of net impaired financing and advances	<u>0.78%</u>	<u>1.01%</u>



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**A31. The Operations of Islamic Banking Scheme (cont'd.)**

**A31d.** (ii) Movement in the allowance for impaired financing and advances are as follows:

	<b>Group</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Individual allowance</u>		
At beginning of the period	298,840	354,688
Allowance made during the period	43,367	28,449
Amount written back	(14,767)	(38,004)
Amount written off	(185,518)	(45,554)
Amount transfer to collective allowance	-	(739)
At end of the period	141,922	298,840
<u>Collective allowance</u>		
At beginning of the period	647,427	580,818
Amount transfer from MILL conventional banking	-	4,153
Allowance (written back)/made during the period *	4,961	117,604
Amount written off	(49,706)	(56,065)
Amount transfer from individual allowance	-	739
Exchange difference	(193)	178
At end of the period	602,489	647,427
As a percentage of gross financing and advances less individual allowance	1.10%	1.27%

\* As at 30 June 2012, the gross exposures to RPSIA financing of RM650.0 million (31 December 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 (31 December 2011: RM1.5 million) is recognised in the Bank. There was no individual allowance provided on this RPSIA financing.

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**A31. The Operations of Islamic Banking Scheme (cont'd.)**

**A31e. Deposits from Customers**

	Group	
	30 June 2012 RM'000	31 December 2011 RM'000
<b>(i) By type of deposit</b>		
<u>Mudharabah Fund</u>		
Demand deposits	5,790,006	3,603,096
Savings deposits	511,938	508,499
General Investment deposits	22,144,321	20,917,948
Negotiable instruments of deposits	238,723	257,716
	<b>28,684,988</b>	<b>25,287,259</b>
 <u>Non-Mudharabah Fund</u>		
Demand deposits	6,399,608	5,866,894
Savings deposits	7,547,429	6,689,436
Fixed return investment deposits	20,463,027	21,046,377
Structured deposits	339,353	200,434
	<b>34,749,417</b>	<b>33,803,141</b>
 Total deposit from customers	<b>63,434,405</b>	<b>59,090,400</b>

**A31f. Subordinated Sukuk**

	Group	
	30 June 2012 RM'000	31 December 2011 RM'000
RM1.0 billion Islamic Subordinated Sukuk due in 2021	<b>1,010,723</b>	<b>1,010,723</b>

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**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 RM2,784.4 million for the 6 months financial period ended 30 June 2012, an increase of RM487.5 million or 21.2% over the corresponding 6 months financial period ended 30 June 2011.

The Group's net interest income and Islamic banking income for the 6 months financial period ended 30 June 2012 increased by RM799.7 million or 18.1% compared to the corresponding 6 months financial period ended 30 June 2011. This is largely due to the 16.4% year-on-year growth in the Group's net loans and advances (including Islamic finance).

Non-interest income of the Group for the 6 months financial period ended 30 June 2012 recorded an increase of RM626.8 million or 29.5% to RM2,752.3 million. Fee income increased by RM349.4 million, mainly contributed by Maybank Kim Eng Group during the 6 months financial period ended 30 June 2012 whereas in the preceding corresponding period, Maybank Kim Eng Group's results were consolidated for two months as the Maybank Kim Eng Group's acquisition was completed in May 2011. The Group also benefited from higher gain on sale of securities portfolio, higher foreign exchange profit and higher unrealised gain on revaluation of securities held-for-trading and derivatives of RM178.6 million, RM60.7 million and RM10.9 million respectively.

The Group's overhead expenses for the 6 months financial period ended 30 June 2012 increased by RM461.0 million or 13.1% compared to the corresponding 6 months financial period ended 30 June 2011. The major contributors to the increase in overhead expenses were Maybank Kim Eng Group, PT Bank Internasional Indonesia Tbk ("BII") and the Bank itself. The Group's personnel costs increased by RM397.1 million and formed 86.1% of the total increase in Group's overhead expenses. The increase in personnel costs is in line with the Group's business growth and its expansion plan.

Allowance for losses on loans, advances and financing increased by RM275.4 million to RM395.3 million. The increase was mainly due to higher individual allowances made. Net impaired loans ratio improved to 1.28% as at 30 June 2012, compared to 1.86% as at 31 December 2011.

The improvements in Group's profit before tax for the 6 months financial period ended 30 June 2012 as compared to the corresponding 6 months financial period ended 30 June 2011 is analysed based on the operating segments of the Group as follows:

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

CFS' profit before tax decreased by RM183.2 million or 11.8% to RM1,375.0 million for the 6 months financial period ended 30 June 2012 from RM1,558.3 million for the corresponding 6 months financial period ended 30 June 2011. The decrease was driven by higher allowance for losses on loans, advances and financing of RM162.9 million, higher overhead expenses of RM32.3 million and lower non-interest income of RM121.3 million or 14.4% primarily from lower commissions earned. The decrease was, however, mitigated by higher net interest income of RM133.3 million or 5.6% arising from strong loan growth in retail mortgages of 17.2% and auto financing of 14.0%.

**Global Wholesale Banking**

**a) Corporate Banking, Malaysia**

Corporate Banking's profit before tax increased by RM272.3 million or 42.2% to RM917.2 million for the 6 months financial period ended 30 June 2012 from RM644.9 million for the corresponding 6 months financial period ended 30 June 2011. The increase was driven by higher net interest income of RM202.8 million arising from strong loan growth of 13.0% and higher non-interest income of RM140.6 million. The increase was, however, offset by higher overhead expenses of RM51.5 million.

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**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 increased by RM131.6 million or 19.9% to RM794.0 million for the 6 months financial period ended 30 June 2012 from RM662.4 million for the corresponding 6 months financial period ended 30 June 2011. The increase was mainly due to increase in non-interest income of RM151.6 million or 42.1% primarily from higher gains on disposal of securities (trading profit) and FX trading. The increase was offset by a combination of higher overhead expenses of RM38.3 million and lower net interest income of RM13.4 million.

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

Investment Banking's profit before tax increased by RM179.7 million to RM253.7 million for the 6 months financial period ended 30 June 2012 from RM74.0 million for the corresponding 6 months financial period ended 30 June 2011 whilst Maybank Investment Bank Berhad's ("Maybank IB") profit before tax increased by RM157.2 million to RM221.5 million for the 6 months financial period ended 30 June 2012 from RM64.3 million for the 6 months financial period ended 30 June 2011, mainly due to higher fee and commission income. Maybank Kim Eng Group recorded profit before tax of RM42.2 million, mainly attributable to brokerage income of RM204.2 million.

The Islamic operations of Maybank IB recorded fee based income of RM131.7 million for the 6 months financial period ended 30 June 2012 due to significant gain of RM51.7 million arising from disposal of corporate bonds in January 2012 and significant commission and fee income of RM42.3 million in May 2012.

**International Banking**

International Banking's profit before tax increased by RM366.0 million or 54.5% to RM1,037.3 million for the 6 months financial period ended 30 June 2012 from RM671.3 million for the corresponding 6 months financial period ended 30 June 2011. The increase was driven by higher net interest income which increased by RM315.5 million or 22.9% arising from strong loan growth of 21.4%. In addition, there was a non-interest income growth of RM215.6 million or 32.5%, primarily from Hong Kong (RM71.6 million) and Singapore (RM52.1 million).

The increase in profit before tax for International Banking was mainly contributed by Hong Kong (RM120.4 million) and PT Bank Internasional Indonesia Tbk ("BII") (RM79.0 million).

Higher net interest income was contributed by strong loans growth of 81.3% at Hong Kong, 26.5% at BII and 14.6% at Singapore.

**Insurance, Takaful and Asset Management**

Profit before tax decreased by RM133.2 million or 33.6% to RM263.2 million for the 6 months financial period ended 30 June 2012 from RM396.5 million for the corresponding 6 months financial period ended 30 June 2011. Lower net income from insurance and takaful business by RM172.6 million or 40.2% was due mainly to lower actuarial surplus arising of RM155.6 million as of 30 June 2012. Actuarial surplus arising from Etiqa Insurance Berhad ("EIB") in June 2012 amounting to RM124.5 million (for a 6-month period) which was due to the adoption of revised Bank Negara Malaysia Guidelines has an impact to EIB's life insurance contracts only whereas for June 2011, the actuarial surplus arising from both EIB and Etiqa Takaful Berhad ("ETB") amounting to RM304.4 million (for a 12-month period) was for life/ family/ general insurance of EIB and ETB collectively.

The above decrease was, however, mitigated by higher fee and commission income of RM34.8 million.

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

The Group posted profit after tax attributable to equity holders of RM1,437.5 million for the quarter ended 30 June 2012, an increase of RM283.2 million or 24.5% over the previous period corresponding quarter ended 30 June 2011.

The Group's net interest income and Islamic banking income for the quarter ended 30 June 2012 increased by RM403.3 million or 17.8% compared to the previous period corresponding quarter ended 30 June 2011. This is largely due to the growth in Group's net loans and advances (including Islamic finance).

Non-interest income of the Group for the quarter ended 30 June 2012 increased by RM147.7 million or 12.3% compared to the previous period corresponding quarter ended 30 June 2011. The increase are mainly contributed by higher fee income and higher gain on sale of securities of RM188.8 million and RM71.1 million respectively.

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

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

The Group's overhead expenses for the quarter ended 30 June 2012 recorded a modest increase of RM20.2 million or 1.0% compared to the previous period corresponding quarter ended 30 June 2011. The increase in overhead expenses were contributed by the increase in personnel cost and establishment cost of RM138.8 million and RM11.8 million respectively, mitigated by lower marketing expenses and administration and general expenses of RM8.2 million and RM122.2 million respectively.

Allowance for losses on loans, advances and financing increased by RM151.7 million to RM199.4 million. The increase was mainly due to higher individual allowances made. Net impaired loans ratio improved to 1.28% as at 30 June 2012, compared to 1.86% as at 31 December 2011.

The improvement in Group's profit before tax for the quarter ended 30 June 2012 as compared to the previous period corresponding quarter ended 30 June 2011 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 RM3.9 million or 0.6% to RM643.8 million for the quarter ended 30 June 2012 from RM647.7 million for the previous period corresponding quarter ended 30 June 2011. The decrease was driven by lower non-interest income of RM116.3 million or 24.4% primarily from commissions earned and higher allowance for losses on loans, advances and financing of RM86.3 million. The decrease was, however, mitigated by higher net interest income by RM103.7 million or 8.8% arising from strong loan growth in retail mortgages of 17.2% and auto financing of 14.0% and lower overhead expenses of RM95.1 million.

**Global Wholesale Banking**

**a) Corporate Banking, Malaysia**

Corporate Banking's profit before tax increased by RM124.6 million or 32.1% to RM512.9 million for the quarter ended 30 June 2012 from RM388.3 million for the previous period corresponding quarter ended 30 June 2011. The increase was driven by higher net interest income of RM111.8 million arising from strong loan growth of 13.0% and higher non-interest income of RM96.6 million. The increase was, however, offset by lower write-back of allowance for losses on loans, advances and financing of RM81.0 million.

**b) Global Markets, Malaysia**

Global Markets' profit before tax increased by RM73.2 million or 23.4% to RM386.1 million for the quarter ended 30 June 2012 from RM312.9 million for the previous period corresponding quarter ended 30 June 2011. The increase was mainly due to lower impairment losses on securities of RM101.8 million and increase in non-interest income of RM58.3 million or 30.4% primarily from higher gains on disposal of securities (trading profit). The increase was offset by lower write-back of allowance for losses on loans, advances and financing of RM71.6 million.

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

Investment Banking's profit before tax increased by RM91.4 million to RM137.3 million for the quarter ended 30 June 2012 from RM45.9 million for the previous period corresponding quarter ended 30 June 2011 whilst Maybank Investment Bank Berhad's ("Maybank IB") profit before tax increased by RM109.7 million to RM144.4 million for the quarter ended 30 June 2012 from RM34.7 million for the previous period corresponding quarter ended 30 June 2011, mainly due to higher fee and commission income.

The Islamic operations of Maybank IB recorded fee based income of RM54.6 million for the quarter ended 30 June 2012 due to significant commission and fee income of RM42.3 million in May 2012.

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

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

**International Banking**

International Banking's profit before tax increased by RM231.0 million or 67.3% to RM574.3 million for the quarter ended 30 June 2012 from RM343.3 million for the previous period corresponding quarter ended 30 June 2011. The increase was driven by higher net interest income which increased by RM172.2 million or 25.1% arising from strong loan growth of 21.4%. In addition, there was a non-interest income growth of RM63.9 million or 18.9%, primarily from Singapore (RM37.1 million) and Hong Kong (RM28.1 million).

The increase in profit before tax for International Banking was mainly contributed by Hong Kong (RM52.9 million) and PT Bank Internasional Indonesia Tbk ("BII") (RM27.5 million).

**Insurance, Takaful and Asset Management**

Profit before tax decreased by RM151.4 million or 48.0% to RM163.7 million for the quarter ended 30 June 2012 from RM315.1 million for the previous period corresponding quarter ended 30 June 2011. Lower net income from insurance and takaful business by RM175.7 million or 50.9% was due mainly to lower actuarial surplus arising of RM155.6 million as of 30 June 2012. Actuarial surplus arising from Etiqa Insurance Berhad ("EIB") in June 2012 amounting to RM124.5 million (for a 6-month period) which was due to the adoption of revised Bank Negara Malaysia Guidelines has an impact to EIB's life insurance contracts only whereas for June 2011, the actuarial surplus arising from both EIB and Etiqa Takaful Berhad ("ETB") amounting to RM304.4 million (for a 12-month period) was for life/ family/ general insurance of EIB and ETB collectively.

The decrease was, however, mitigated by higher fee and commission income of RM14.3 million.

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

The Group's profit after tax attributable to equity holders increased by RM90.7 million or 6.7% to RM1,437.5 million over the preceding quarter ended 31 March 2012.

The Group's net interest income for the quarter ended 30 June 2012 increased by RM85.6 million or 4.2% to RM2,106.3 million against the preceding quarter in line with the growth in loans portfolio. Income from Islamic Banking Scheme operations increased by RM32.0 million or 6.0% to RM566.8 million over the amount in the preceding quarter, mainly due to higher Islamic fee based income.

Net income from insurance and takaful business for the quarter increased by RM82.5 million to RM169.7 million due mainly to the actuarial surplus arising from Etiqa Insurance Berhad ("EIB") in June 2012 amounting to RM124.5 million (for a 6-month period) following from the adoption of revised Bank Negara Malaysia Guidelines on Financial Reporting for Insurers as disclosed in Note A1.

Non-interest income for the quarter ended 30 June 2012 decreased by RM63.7 million or 4.5% to RM1,344.3 million compared to that in the preceding quarter. The decrease was mainly due to unrealised loss on revaluation of derivatives in this quarter.

Overhead expenses for the quarter decreased by RM12.5 million or 0.6% over that of the preceding quarter.

Impairment losses on securities was higher by RM26.8 million for the quarter ended 30 June 2012 as compared to the preceding quarter ended 31 March 2012.

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**B3. Prospects**

The global economy is forecast to slowdown with a GDP growth of 3.0% in 2012 from an estimated growth of 3.9% in 2011 due to recession in Eurozone and lacklustre growth in other major advanced economies. Asia ex-Japan, however, is expected to outperform the advanced economies with ASEAN growth expected to be resilient.

The economies of the three home markets of Malaysia, Singapore and Indonesia, where Maybank Group operates in, are expected to have GDP growth of 5.0%, 3.0% and 6.2% respectively. These three markets collectively contribute more than 90% to the Group's income and profit. We expect to see reasonable business growth in these three markets for the financial year ending 31 December 2012.

Despite the challenging external environment, Malaysia's domestic demand should support growth via sustained consumer spending, government expenditure and investment driven by various social, economic and infrastructure projects under the Government and Economic Transformation Program (GTP / ETP). At the same time, benign inflation and continued low interest rate environment with the Overnight Policy Rate (OPR) expected to remain at 3% throughout 2012 will also help to support growth.

Strong domestic demand in Indonesia, coupled with the relatively under-penetrated banking sector is expected to support loans growth for PT Bank Internasional Indonesia Tbk ("BII") of around 20%. Loans growth for Maybank Singapore is expected to decline to around 11% as the economy moderates on account of slower global economic growth and measures to curb property speculation.

In 2012, regionalisation continues to be a major theme for the Group, particularly in building a truly regional organization 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.

In December 2011, Bank Negara Malaysia (BNM) announced the implementation of Basel III Capital Rules which were essentially in accordance with globally agreed levels and implementation timeline. BNM then issued a concept paper in May 2012 detailing out the revised definition of regulatory capital computation for industry consultation. Overall, BNM has adopted a more prudent approach compared to the rules issued by Basel Committee on Banking Supervision. Maybank Group has provided its feedback to BNM for consideration. BNM is expected to issue the final rules by the fourth quarter of 2012. The Bank is supportive for BNM's BASEL III implementation and is well prepared to comply with BNM transition requirements for 2013.

Notwithstanding the global challenges, the Group expects a satisfactory financial performance for the current financial year ending 31 December 2012 in view of anticipated growth in key ASEAN markets that the Group operates in. The Group has set two key performance indicators (KPIs) for the current financial year ending 31 December 2012 of Return on Equity of 15.6% on an enlarged capital base (actual half year ended 30 June 2012: 16.1% annualised) and growth in loans and debt securities of 15.2% (actual half year ended 30 June 2012: 13.8% annualised).





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**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) (i) **Proposed acquisition of 858,499 ordinary shares of Saudi Riyal (“SAR”) 10 each in Anfaal Capital (“Anfaal”) by Maybank Investment Bank Berhad (“Maybank IB”), a wholly-owned subsidiary of Maybank, representing 17.17% of the ordinary share capital of Anfaal; and**
- (ii) **Proposed assignment of the subordinated loan of SAR2,070,000 from Al Numu Real Estate Company (“Al Numu”) to Maybank IB**

On 9 April 2012, Maybank announced that Maybank IB, a wholly-owned subsidiary of Maybank, has entered into a conditional Share Purchase Agreement (“SPA”) with Al Numu and Anfaal for the following:

- (i) proposed acquisition of 858,499 ordinary shares of SAR10 each in Anfaal (“Anfaal Shares”), representing approximately 17.17% of the ordinary share capital of Anfaal for a cash consideration of SAR10,516,613, being SAR12.25 for each Anfaal Share; and
- (ii) proposed assignment of the subordinated loan of SAR2,070,000 (“Subordinated Loan”) from Al Numu to Maybank IB.

[(i) and (ii) collectively referred to as the “Proposals”].

Subject to the approval of the Capital Market Authority (“CMA”) of the Kingdom of Saudi Arabia, the Subordinated Loan will be converted into 207,000 new Anfaal Shares at par and shall rank equally with the existing Anfaal Shares.

The total purchase consideration of SAR12,586,613 (equivalent to approximately RM10,308,864) for the Proposals is to be satisfied in cash (“Purchase Consideration”).

The Proposals are subject to conditions precedent as spelt out in the SPA being fulfilled by 30 September 2012 or such other date as mutually agreed in writing by Al Numu and Maybank IB.

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**B6. Status of Corporate Proposals Announced but Not Completed (cont'd.)**

- (b) (i) **Proposed acquisition of 858,499 ordinary shares of Saudi Riyal (“SAR”) 10 each in Anfaal Capital (“Anfaal”) by Maybank Investment Bank Berhad (“Maybank IB”), a wholly-owned subsidiary of Maybank, representing 17.17% of the ordinary share capital of Anfaal; and**
- (ii) **Proposed assignment of the subordinated loan of SAR2,070,000 from Al Numu Real Estate Company (“Al Numu”) to Maybank IB (cont'd.)**

To the extent permitted by applicable laws, Maybank IB reserves the right to waive (in whole or in part) in writing the requirement to satisfy any of the conditions precedent and thereafter the parties may proceed to completion.

The Proposals will enable Maybank IB to increase its equity interest in Anfaal from 18.00% to 35.17%. It also represents a good opportunity for Maybank IB to increase its presence in Saudi Arabia and play a more significant role in unlocking Anfaal's potential, especially in the area of syndication, sukuk structuring and project financing in Saudi Arabia.

The Proposals are subject to approvals being obtained from the following:

- (i) SC;
- (ii) CMA; and
- (iii) SAGIA for the issuance of Anfaal's amended foreign investment licence.

- (c) **Acquisition of a Call Option over 15,435,000 Ordinary and Paid-up Shares of Kim Eng Vietnam Securities Joint Stock Company**

On 11 May 2012, Maybank announced that Maybank Kim Eng Holdings Limited (“Maybank Kim Eng”), an indirect wholly-owned subsidiary of Maybank, has today acquired a call option over 15,435,000 ordinary and paid-up shares of par value Vietnam Dong (“VND”)10,000 each in Kim Eng Vietnam Securities Joint Stock Company (“KEVS”) (“Call Option”), representing approximately 51.45% of the charter capital of KEVS (“Option Shares”) from the local founding shareholders of KEVS for a cash consideration of VND308.7 billion (or approximately RM45.38 million based on the prevailing exchange rate of RM1:VND6,803 as at 10 May 2012).

Maybank Kim Eng currently owns approximately 48.55% of the charter capital of KEVS. The principal activities of KEVS are to provide securities brokerage services, proprietary trading activities, investment consultancy, investment portfolio management, underwriting activities and securities depository activities.

The Call Option and other relevant agreements provide Maybank Kim Eng among others, effective control of all the voting shares of KEVS, thus making KEVS an indirect subsidiary of Maybank. The purpose of the Call Option is to facilitate the acquisition of the Option Shares when the foreign ownership limitation in established Vietnamese securities companies has been lifted or removed.

With KEVS becoming an indirect subsidiary of Maybank, Maybank will be able to accelerate and realise its vision of becoming a regional financial services leader in South East Asia by combining Maybank's commercial banking presence with Maybank Kim Eng's growing stock broking and investment banking presence in Vietnam.

The acquisition of the Call Option is not expected to have any material effect on the shareholdings, earnings, net assets and gearing of Maybank for the financial year ending 31 December 2012.

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**B6. Status of Corporate Proposals Announced but Not Completed (cont'd.)**

- (d) **Disposal of 12,249,999,986 fully paid common shares in Asianlife Financial Assurance Corporation (“ALFA”), representing approximately 70% of the total outstanding common shares of ALFA (“Disposal”)**

Maybank had on 31 May 2012 announced that AsianLife and General Assurance Corporation (“ALGA”), an indirect subsidiary of Maybank, had on 17 May 2012, entered into a share purchase agreement with STI Investments, Inc. for the disposal of 12,249,999,986 fully paid common shares of ALFA, representing approximately 70% of the total outstanding common shares of ALFA for a total consideration of Philippines Peso (“Php”) 428.4 million (or approximately RM31.02 million based on the prevailing exchange rate of RM1:Php13.81 as at 17 May 2012), which is approximately 1.5 times the book value of ALFA as at 31 December 2011.

In addition, pursuant to Chapter 9, Paragraph 9.19(24) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, that the Disposal has been completed on 31 May 2012 and accordingly, ALFA has ceased to be an indirect subsidiary of Maybank.

- (e) **Others**

Maybank had on 12 June 2012, acquired (by subscribing) 64,159,910 ordinary shares of RM0.10 each in the issued share capital of Luster Industries Berhad (“Luster”), representing 5.95% of its total issued and paid up capital, pursuant to the exercise of debt to equity conversion (“Subscription”). The Subscription was in accordance with a Debt Settlement Agreement dated 25 November 2011 involving Luster.

Subsequently, Maybank had on 25 June 2012, disposed of 52,993,240 ordinary shares of RM0.11 each in the issued share capital of Luster. This has resulted in Maybank’s shareholding in Luster to have fallen below 5% of its issued and paid-up capital and as such, Maybank had ceased to be a substantial shareholder of Luster.

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

Please refer to note A13, A14 and A15.

**B8. Derivative Financial Instruments**

Please refer to note A28.

**B9. Changes in Material Litigation**

- (a) In 2005, a subsidiary, Maybank Trustees Berhad (formerly known as 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 (which included the issuer of the bonds but not MTB) 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 (the issuer of the bonds) 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.

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

(a) (cont'd.)

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 were 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 for 2/3 of the total liability and also allowed MTB to seek indemnity against 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 an 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). The Federal Court has on 5 April 2012 granted MTB and the other parties to the suit leave to appeal against the decision of the Court of Appeal. The appeals are fixed for hearing at the Federal Court on 6 to 8 November 2012.

Separately, and unrelated to this suit, a third party had, pursuant to a winding-up petition against a defendant (the issuer of the bonds), appointed a provisional liquidator against the said defendant 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 said defendant were effectively stayed and these initially included MTB's applications for leave at the Federal Court referred to above [Leave Applications]. Subsequently, MTB on 9 March 2012 obtained leave of the court to proceed with the successful Leave Applications.

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.

(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 quarterly 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 was 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, the Court had 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. However the stay applications were dismissed with costs on 1 September 2009.

On 4 March 2010, the Court of Appeal reversed the decision of the High Court granting the earlier summary judgment and the dismissal of the 1st Defendant's counterclaim and ordered the matter to be reverted to the High Court for full trial. The full trial including the counterclaim concluded on 29 June 2011. The High Court on 21 September 2011 entered judgment in favour of ETB and allowed ETB's claim (with costs) for the sum of approximately RM25.8 million less unearned profit as at the date of full settlement 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 a stay of the judgment. The stay applications were dismissed with costs on 25 January 2012.

The Notices of Appeals to the Court of Appeal have been fixed for case management on 30 August 2012.

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

- (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 two 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 realisation, 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.

The Appeal came up for hearing on 10 February 2012, wherein all parties agreed for the matter to be mediated.

As the parties could not come to any consensus at the mediation on 9 March 2012, the Appeal was fixed for hearing on 19 June 2012 and subsequently on 3 August 2012. On 3 August 2012, the matter was only part heard and the Court has adjourned the Appeal hearing to 9 November 2012.

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 Judgment.

- (d) Maybank Trustees Berhad (formerly known as 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. MTB and Maybank IB do not admit any liability to this claim and are defending the suit. On 30 September 2011, the High Court gave judgment in favour of Maybank IB and MTB and dismissed the claim against Maybank IB and MTB with costs. The individual had filed an appeal to the Court of Appeal against the said decision which was heard on 5 and 6 March 2012 and dismissed on 7 March 2012.

The individual is applying for leave to appeal from the Federal Court against the Court of Appeal's decision in favour of MTB (but not Maybank IB).

- (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.

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

(e) (cont'd.)

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 had 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 by the Johor Bahru High Court ("JB High Court"). Maybank has appealed against this decision. On 29 May 2012, the Court of Appeal allowed Maybank's appeal with costs of RM15,000 and ordered damages to be assessed by the registrar at the Kuala Lumpur High Court ("KL High Court"). On 28 June 2012, the Plaintiff served an unsealed copy of a Notice of Motion filed at the Federal Court for leave to appeal against the Court of Appeal's decision of 29 May 2012. That motion is fixed for case management on 9 October 2012.

The Plaintiff filed another civil suit against Maybank on 25 March 2011 at the Kuala Lumpur High Court ("KL High Court Suit") claiming a sum of approximately RM1.2 billion alleging that the appointment of the R&M was mala fide and with malice and that as a consequence thereof, the Plaintiff has purportedly suffered loss and damages.

Maybank 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 had 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 allowed Maybank's application to transfer the JB High Court Suit to the KL High Court, and consolidate the JB High Court Suit with the KL High Court to be heard at the KL High Court.

On 24 October 2011, the KL High Court had allowed Maybank's counterclaim against the Plaintiff and the guarantor with costs on an indemnity basis, and dismissed the Plaintiff's actions against Maybank i.e. the KL High Court Suit and the JB High Court Suit, with costs on an indemnity basis. The Plaintiff has filed an appeal at the Court of Appeal against this decision and no hearing date has been fixed yet for this appeal. Its application for a stay of execution of the decision of KL High Court on 24 October 2011 was dismissed by the KL High Court on 13 December 2011.

In the meantime, Maybank has filed an application for security for cost against the Plaintiff at the Court of Appeal. On 8 May 2012, the Court of Appeal ordered the Plaintiff to pay RM50,000 as security for Maybank's cost in the appeal and further ordered that the Plaintiff's appeal be stayed pending payment of that sum. The Court of Appeal will in due course fix a date for the appeal.

Maybank has been advised by its solicitors that the Plaintiff's appeal to the Court of Appeal against the decision dated 24 October 2011 is without merit.

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**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:

	<b>30 June 2012</b>	<b>31 December 2011 (Restated)</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of the Bank and its subsidiaries:		
- Realised	<b>8,490,943</b>	8,059,793
- Unrealised	<b>1,622,905</b>	1,908,003
	<b><u>10,113,848</u></b>	<u>9,967,796</u>
Total share of retained profits from associated companies:		
- Realised	<b>508,702</b>	425,971
- Unrealised	<b>-</b>	-
	<b><u>508,702</u></b>	<u>425,971</u>
Total Group's retained profits as per consolidated accounts	<b><u>10,622,550</u></b>	<u>10,393,767</u>

**B11. Interim Dividend**

The Board of Directors have declared an interim cash dividend in respect of the financial year ending 31 December 2012 of 32 sen less 25% taxation (31 December 2011: final dividend of 36.0 sen per share less 25% taxation).

The Board of Directors have also determined that the Dividend Reinvestment Plan will apply to the interim cash dividend in which an electable portion of 28 sen (21 sen net per ordinary share) can be elected to be reinvested in new ordinary shares and the remaining portion of 4 sen (3 sen net per ordinary share) will be paid in cash.

Pursuant to Section 8.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the interim dividend will be paid no later than three (3) months from the date of declaration.

The Book Closure Date will be announced by the Bank at a later date.

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**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.

	Quarter Ended		Cumulative 6 Months Ended*	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Net profit for the quarter/period (RM'000)	<b>1,437,540</b>	1,154,316	<b>2,784,421</b>	2,296,916
Weighted average number of ordinary shares in issue ('000)	<b>7,710,885</b>	7,426,218	<b>7,675,163</b>	7,374,229
Basic earnings per share	<b>18.64 sen</b>	15.54 sen	<b>36.28 sen</b>	31.15 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 30 June 2012) 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.

	Quarter Ended		Cumulative 6 Months Ended*	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Net profit for the quarter/period (RM'000)	<b>1,437,540</b>	1,154,316	<b>2,784,421</b>	2,296,916
Weighted average number of ordinary shares in issue ('000)	<b>7,710,885</b>	7,426,218	<b>7,675,163</b>	7,374,229
Effects of dilution ('000)	<b>598</b>	60	<b>204</b>	15
Adjusted weighted average number of ordinary shares in issue ('000)	<b>7,711,483</b>	7,426,278	<b>7,675,367</b>	7,374,244
Diluted earnings per share	<b>18.64 sen</b>	15.54 sen	<b>36.28 sen</b>	31.15 sen

\* (The Group has changed its financial year-end from 30 June to 31 December. Comparatives for cumulative quarters consist of 6 months results beginning 1 January 2011 to 30 June 2011.)

By Order of the Board

**Mohd Nazlan Mohd Ghazali**  
LS0008977  
Company Secretary  
16 August 2012