

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

	Note	1st Quarter Ended		Cumulative 3 Months Ended	
		30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Income derived from investment of depositors' funds	A20	554,931	423,786	554,931	423,786
Income derived from investment of shareholder's funds	A21	41,961	35,936	41,961	35,936
Allowance for losses on financing and advances	A22	(4,096)	(171,133)	(4,096)	(171,133)
Profit equalisation reserve		(41,929)	41,333	(41,929)	41,333
Other expenses directly attributable to depositors & shareholders' fund		(7,067)	(1,881)	(7,067)	(1,881)
Total distributable income		543,800	328,041	543,800	328,041
Income attributable to the depositors	A23	(226,470)	(156,873)	(226,470)	(156,873)
Total net income		317,330	171,168	317,330	171,168
Overhead expenses	A24	(123,743)	(100,268)	(123,743)	(100,268)
Profit before taxation and zakat		193,587	70,900	193,587	70,900
Taxation	A25	(47,553)	(7,425)	(47,553)	(7,425)
Zakat	A25	(1,544)	(2,197)	(1,544)	(2,197)
Profit for the period		144,490	61,278	144,490	61,278
Profit attributable to :					
Equity holders of the parent		144,490	61,278	144,490	61,278
Earnings per share attributable to equity holder of the Bank - Basic/diluted (sen)		130.64	55.46	130.64	55.46

(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

	1st Quarter Ended		Cumulative 3 Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Profit for the period	144,490	61,278	144,490	61,278
Other comprehensive income:				
Net gain on available-for-sale financial assets	36,731	16,658	36,731	16,658
Income tax relating to components of other comprehensive income	<u>(9,164)</u>	<u>(4,163)</u>	<u>(9,164)</u>	<u>(4,163)</u>
Other comprehensive income for the period, net of tax	<u>27,567</u>	12,495	<u>27,567</u>	12,495
Total comprehensive income for the period, net of tax	<u>172,057</u>	<u>73,773</u>	<u>172,057</u>	<u>73,773</u>
Total comprehensive income attributable to :				
Equity holders of the parent	<u>172,057</u>	<u>73,773</u>	<u>172,057</u>	<u>73,773</u>

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MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

	Note	30 September 2010 RM'000	30 June 2010 RM'000
ASSETS			
Cash and short-term funds	A11	4,475,777	5,817,989
Deposits and placements with banks and other financial institutions	A12	50,474	707
Securities portfolio	A13	4,494,049	4,471,808
Financing and advances	A14	34,548,968	33,410,134
Derivative assets	A15	32,161	17,513
Other assets	A16	1,210,774	206,678
Statutory deposits with Bank Negara Malaysia		156,000	153,000
Deferred tax assets		113,395	79,712
TOTAL ASSETS		45,081,598	44,157,541
LIABILITIES			
Deposits from customers	A17	34,370,236	34,498,653
Deposits and placements of banks and other financial institutions	A18	2,556,409	691,700
Deposits and placements of holding company		4,118,154	4,359,646
Bills and acceptances payable		102,590	28,175
Derivative liabilities	A15	49,776	20,775
Other liabilities	A19	316,650	1,231,139
Provision for taxation and zakat		58,620	30,092
TOTAL LIABILITIES		41,572,435	40,860,180

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CONDENSED FINANCIAL STATEMENT
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

	Note	30 September 2010 RM'000	30 June 2010 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK			
Share capital		110,600	110,600
Reserves		3,398,563	3,186,761
TOTAL SHAREHOLDER'S EQUITY		3,509,163	3,297,361
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		45,081,598	44,157,541
COMMITMENTS AND CONTINGENCIES	A26	14,211,142	13,627,915
<u>CAPITAL ADEQUACY</u>	A27		
Basel I			
Core capital ratio		-	9.14%
Risk-weighted capital ratio		-	10.66%
Basel II			
Core capital ratio		10.77%	-
Risk-weighted capital ratio		11.20%	-

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MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

<=====Non Distributable=====>

	Share capital RM'000	Share premium RM'000	Equity contribution from the holding company RM'000	Statutory reserve RM'000	Unrealised holding reserve/ (deficit) RM'000	Distributable retained profits RM'000	Total equity RM'000
At 1 July 2010							
- as previously stated	110,600	2,488,400	1,697	147,338	17,740	531,586	3,297,361
- effect of adopting FRS 139	-	-	-	-	(5,882)	45,627	39,745
At 1 July 2010, as restated	110,600	2,488,400	1,697	147,338	11,858	577,213	3,337,106
Net profit for the period	-	-	-	-	-	144,490	144,490
Other comprehensive income	-	-	-	-	27,567	-	27,567
Total comprehensive income for the period	-	-	-	-	27,567	144,490	172,057
At 30 September 2010	110,600	2,488,400	1,697	147,338	39,425	721,703	3,509,163

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

<=====Non Distributable=====>

	Share capital RM'000	Share premium RM'000	Equity contribution from the holding company RM'000	Statutory reserve RM'000	Unrealised holding reserve/ (deficit) RM'000	Distributable retained profits RM'000	Total equity RM'000
At 1 July 2009	110,500	1,988,500	1,697	147,338	(15,621)	326,047	2,558,461
Net profit for the period	-	-	-	-	-	61,278	61,278
Other comprehensive income	-	-	-	-	12,495	-	12,495
Total comprehensive income for the period	-	-	-	-	12,495	61,278	73,773
Transfer to statutory reserve	-	-	-	15,320	-	(15,320)	-
Total transactions with shareholders	-	-	-	15,320	-	(15,320)	-
At 30 September 2009	110,500	1,988,500	1,697	162,658	(3,126)	372,005	2,632,234

(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

	30 September 2010 RM'000	30 September 2009 RM'000
Profit before taxation and zakat	193,587	70,900
Adjustments for non-cash items		
Allowances for losses on financing and advances	18,387	179,787
Amortisation of premium less accretion of discount	(199)	(3,482)
Profit equalisation reserves	(41,929)	(41,333)
Operating profit before working capital changes	169,846	205,872
Changes in working capital:-		
Net changes in operating assets	(2,184,178)	(3,955,031)
Net changes in operating liabilities	741,713	858,646
Tax expense and zakat paid	(69,593)	(33,257)
Net cash used in from operations	(1,342,212)	(2,923,770)
Net change in cash and cash equivalents	(1,342,212)	(2,923,770)
Cash and cash equivalents at beginning of period	5,817,989	4,125,960
Cash and cash equivalents at end of period	4,475,777	1,202,190
Cash and cash equivalents comprise :		
Cash and short-term funds	4,475,777	1,202,190

(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

MAYBANK ISLAMIC BERHAD
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Explanatory Notes

**PART A – Explanatory Notes Pursuant to Financial Reporting Standard 134 (“FRS 134”) and
Revised Guidelines on Financial Reporting for Licensed Islamic Banks (BNM/GP8-i)
Issued by Bank Negara Malaysia**

A1. Basis of Preparation

The unaudited condensed interim financial statements for the first financial quarter ended 30 September 2010 of Maybank Islamic Berhad (“MIB” or “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 and derivative financial instruments.

The unaudited condensed interim financial statements have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), Bank Negara Malaysia Guidelines (BNM/GP8-i) and the principles of Shariah. The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010. The explanatory notes attached provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the year ended 30 June 2010.

The significant accounting policies and methods of computation applied by the Bank are consistent with those adopted in the audited financial statements for the year ended 30 June 2010, except for the adoption of the following Financial Reporting Standards (“FRSs”), amendments to FRSs, IC Interpretations and Technical Release (“TR”):

- (i) FRS 1: First-time Adoption of Financial Reporting Standards
- (ii) FRS 4: Insurance Contracts
- (iii) FRS 7: Financial Instruments-Disclosures
- (iv) FRS 101: Presentation of Financial Statements (revised 2009)
- (v) FRS 123: Borrowing Costs
- (vi) FRS 127: Consolidated and Separate Financial Statements (amended)
- (vii) FRS 139: Financial Instruments - Recognition and Measurement
- (viii) Amendments to FRS 1 First-time Adoption of Financial Reporting Standards
- (ix) Amendments to FRS 2: Share-based Payment
- (x) Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- (xi) Amendment to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- (xii) Amendments to FRS 132: Financial Instruments: Presentation
- (xiii) Amendments to FRS 132: Financial Instruments: Presentation (Classification of Rights Issues)
- (xiv) Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosure and IC Interpretation 9: Reassessment of Embedded Derivatives
- (xv) Amendments to FRSs contained in the document entitled 'Improvements to FRSs (2009)'
- (xvi) IC Interpretation 9: Reassessment of Embedded Derivatives
- (xvii) IC Interpretation 10: Interim Financial Reporting and Impairment
- (xviii) IC Interpretation 12: Service Concession Arrangements
- (xix) IC Interpretation 13: Customer Loyalty Programmes
- (xx) IC Interpretation 14 FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- (xxi) IC Interpretation 17: Distributions of Non-cash Assets to Owners
- (xxii) Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- (xxiii) TR - 3: Guidance on Disclosures of Transition to IFRSs
- (xxiv) TR i - 3: Presentation of Financial Statements of Islamic Financial Institutions
- (xxv) SOP i - 1: Financial Reporting from an Islamic Perspective

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A1. Basis of Preparation (Contd.)

The adoption of the above FRSs, amendments to FRSs and IC Interpretations did not have any material impact on the financial statements of the Group and the Bank, except for the following:

- (i) the changes in accounting policies arising from the adoption of FRS 139 and its related amendments to FRSs, IC Interpretations and relevant Bank Negara Malaysia ("BNM") Guidelines are disclosed in Note A28;
- (ii) the adoption of FRS 101, FRS 7, TR i - 3 and amendments to FRS 132 resulted in changes in presentation of the financial statements and its relevant notes, but did not affect the retained earnings.

The following new FRSs, amendments to FRS and IC Interpretations have been issued but are not yet effective and have not been adopted by the Bank:

FRS, Amendments to FRS and Interpretations

- (i) Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- (ii) Additional Exemptions for First-time Adopter (Amendments to FRS 1)
- (iii) Group Cash-Settled Share-based Payment Transactions (Amendments to FRS 2)
- (iv) Amendments to FRS 7: Improving Disclosures about Financial Instruments
- (v) TR i-4: Shariah Compliant Sale Contracts

In addition to these, the Bank have also adopted BNM's Revised Guidelines for Financial Reporting for Banking Institutions revised on 10 March 2010 and Revised Guidelines for Classification and Impairment Provision for Financing revised on 26 January 2010. The effects of adopting these Guidelines are consistent with the application of FRS 139 and are disclosed in Note A28.

A2. Significant Accounting Estimates and Judgments

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

(i) Fair Value Estimation of Securities held-for-trading (Note A13(iii)) and available-for-sale (Note A13(i)) and Derivative Financial Instruments (Note A15)

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

(ii) Deferred Tax and Income Taxes (Note A25)

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

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A2. Significant Accounting Estimates and Judgments (Contd.)

(iii) Impairment Losses on Financing and Advances (Note A22)

The Bank reviews its individually significant financing and advances at each statement of financial position 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 Bank makes 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.

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

(iv) Impairment of Securities Portfolio

The Bank review the Securities Portfolio and assess at each reporting date whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the assets are subject to impairment review.

The impairment review comprises the following judgement made by Management:

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

A3. Auditors' Report on Proceeding Annual Financial Statements

The auditors' report on the audited financial statements for the year ended 30 June 2010 was not qualified.

A4. Seasonal or Cyclical Factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the first financial quarter ended 30 September 2010.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the first financial quarter ended 30 September 2010.

A6. Changes in Estimates

There were no material changes in estimates of amount reported in prior financial year that have a material effect in the first financial quarter ended 30 September 2010.

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A7. Issuance and Repayment of Debt and Securities

There was no issuance nor repayment of debt and equity securities during the first financial quarter ended 30 September 2010.

A8. Dividends

During the first financial quarter ended 30 September 2010, the interim tax exempt (single-tier) dividend of RM1.81, on 110,600,000 ordinary shares, in respect of the financial year ended 30 June 2010, amounting to RM 200,186,000 was paid on 26 July 2010.

The Directors do not recommend the payment of any dividend in respect of the first financial quarter ended 30 September 2010.

A9. Subsequent Events to the Balance Sheet

There were no material events subsequent to the balance sheet date that requires disclosure or adjustment to the unaudited condensed interim financial statements.

A10. Related Party Transaction

All related party transactions within the Maybank Group had been entered into in the normal course of business and were carried out on normal commercial terms.

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A11. Cash and Short Term Funds

	30 September 2010 RM'000	30 June 2010 RM'000
Cash and balances with banks and other financial institutions	402,397	112,149
Money at call and interbank placements with remaining maturity not exceeding one month	4,073,380	5,705,840
	4,475,777	5,817,989

**A12. Deposits and Placements with Banks and other
Financial Institutions**

	30 September 2010 RM'000	30 June 2010 RM'000
Bank Negara Malaysia	474	707
Licensed banks	50,000	-
	50,474	707

A13. Securities Portfolio

		30 September 2010 RM'000	30 June 2010 RM'000
Securities available-for-sale ("AFS")	(i)	4,288,548	4,222,546
Securities held-to-maturity ("HTM")	(ii)	180,448	180,466
Securities held-for-trading ("HFT")	(iii)	25,053	68,796
		4,494,049	4,471,808

(i) Securities AFS

	30 September 2010 RM'000	30 June 2010 RM'000
At fair value		
Money market instruments:-		
Cagamas bonds	128,438	231,996
Malaysian Government Investment Issues	2,663,090	2,446,888
Negotiable Islamic instruments of deposits	398,573	429,386
Bankers' acceptances and Islamic accepted bills	101,489	78,499
Khazanah bonds	225,072	186,560
Bank Negara Malaysia Sukuk Ijarah bonds	29,955	-
	3,546,617	3,373,329
Unquoted securities :		
Islamic private debt securities in Malaysia	741,931	849,217
	741,931	849,217
Total securities AFS	4,288,548	4,222,546

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A13. Securities Portfolio (contd.)

(ii) Securities HTM

	30 September 2010 RM'000	30 June 2010 RM'000
At amortised cost less impairment losses		
Money market instruments:-		
Malaysian Government Investment Issues	150,447	150,466
Unquoted securities :		
Islamic private debt securities in Malaysia	30,001	30,000
Total securities HTM	180,448	180,466

(iii) Securities HFT

	30 September 2010 RM'000	30 June 2010 RM'000
At fair value		
Money market instruments:-		
Malaysian Government Investment Issues	25,053	25,365
Bank Negara Malaysia Monetary Notes	-	23,459
Bank Negara Malaysia Sukuk Ijarah Bonds	-	19,972
	25,053	68,796
Total securities HFT	25,053	68,796

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A14. Financing and Advances

(i) By type

	30 September 2010 RM'000	30 June 2010 RM'000
Cashline	1,943,729	2,092,616
Term financing		
- Housing financing	5,600,829	5,465,917
- Syndicated financing	69,159	71,137
- Hire purchase receivables	15,567,794	15,028,210
- Other term financing	24,476,237	23,512,350
Bills receivable	1,391	5,004
Trust receipts	141,289	126,423
Claims on customers under acceptance credits	2,816,091	2,881,944
Staff financing	480,307	455,891
Credit/charge cards	224,416	193,114
Revolving credit	2,156,180	1,540,800
	<u>53,477,422</u>	<u>51,373,406</u>
Unearned income	<u>(17,779,336)</u>	<u>(16,796,539)</u>
Gross financing and advances	<u>35,698,086</u>	<u>34,576,867</u>
Allowances for impaired financing and advances:		
- individual assessment	(508,032)	-
- collective assessment	(641,086)	-
- specific	-	(633,025)
- general	-	(533,708)
Net financing and advances	<u>34,548,968</u>	<u>33,410,134</u>

(ii) By Shariah concepts

	30 September 2010 RM'000	30 June 2010 RM'000
Bai' Bithaman Ajil	13,686,422	13,712,133
Al-Ijarah Thumma Al-Bai (AITAB)	12,850,446	12,399,343
Murabahah	7,387,572	6,938,773
Musyarakah Mutanaqisah	1,476,806	1,255,688
Bai Al-Dayn	2,908	3,004
Al-Ijarah Muntahiyah Bi Tamleek	69,159	71,137
Other concepts	224,773	196,789
Gross financing and advances	<u>35,698,086</u>	<u>34,576,867</u>

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A14. Financing and Advances (contd.)

(iii) By type of customers

	30 September 2010 RM'000	30 June 2010 RM'000
Domestic non-banking institutions	2,116,085	2,921,405
Domestic business enterprises		
- Small and medium enterprises	2,628,757	2,418,673
- Others	7,128,878	6,705,571
Government and statutory bodies	88,450	21,439
Individuals	23,602,781	22,386,011
Other domestic entities	12,538	7,986
Foreign entities in Malaysia	120,597	115,782
Gross financing and advances	35,698,086	34,576,867

(iv) By profit rate sensitivity

	30 September 2010 RM'000	30 June 2010 RM'000
Fixed rate		
- House financing	2,995,377	3,094,989
- Hire purchase receivables	12,851,289	12,399,743
- Other financing	4,069,855	4,752,629
Floating rate		
- House financing	1,948,144	1,719,045
- Other financing	13,833,421	12,610,461
Gross financing and advances	35,698,086	34,576,867

(v) By economic purpose

	30 September 2010		30 June 2010	
	RM'000	RM'000	RM'000	RM'000
Purchase of securities		4,577,667		4,020,840
Purchase of transport vehicles	13,964,155		13,585,853	
Less: Hire purchase receivables sold to Cagamas	<u>(1,067,007)</u>	12,897,148	<u>(1,137,321)</u>	12,448,532
Purchase of landed properties				
- residential	5,738,948		5,566,632	
- non-residential	<u>771,995</u>	6,510,943	<u>750,607</u>	6,317,239
Personal use		723,958		702,426
Consumer durables		3		1,113
Construction		812,146		769,318
Working capital		9,875,961		10,117,332
Credit/charge cards		224,416		193,113
Others		<u>75,844</u>		<u>6,954</u>
Gross financing and advances		35,698,086		34,576,867

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A14. Financing and Advances (contd.)

(vi) Maturity structure of financing and advances are as follows:

	30 September 2010 RM'000	30 June 2010 RM'000
Maturity within one year	5,866,637	5,911,689
One year to three years	1,705,369	1,657,436
Three years to five years	5,390,822	5,250,191
After five years	22,735,258	21,757,551
Gross financing and advances	<u>35,698,086</u>	<u>34,576,867</u>

(vii) Impaired financing and advances by economic purpose

	30 September 2010		30 June 2010	
	RM'000	RM'000	RM'000	RM'000
Purchase of securities		7,031		6,739
Purchase of transport vehicles		56,682		40,757
Purchase of landed properties				
- residential	323,769		342,569	
- non-residential	<u>37,863</u>	361,632	<u>27,656</u>	370,225
Personal use		28,307		26,574
Credit/charge cards		3,596		2,834
Consumer durables		3		3
Construction		104,137		86,167
Working capital		<u>627,493</u>		<u>398,194</u>
Gross impaired financing and advances		<u>1,188,881</u>		<u>931,493</u>

(viii) Movement in impaired financing and advances

	30 September 2010 RM'000	30 June 2010 RM'000
At beginning of the period/year		
- as previously stated	931,493	1,045,712
- effect of adopting FRS 139	224,146	-
At beginning of the period/year, as restated	<u>1,155,639</u>	<u>1,045,712</u>
Impaired during the period	238,078	639,433
Reclassified as non-impaired during the period	(62,841)	(404,555)
Recovered	(91,617)	(143,316)
Amount written off	(55,929)	(220,279)
Expenses debited to customers' accounts	5,551	14,498
At end of period	<u>1,188,881</u>	<u>931,493</u>
Less:		
- Individual allowance	(508,032)	-
- Specific allowance	-	(633,025)
Net impaired financing and advances	<u>680,849</u>	<u>298,468</u>

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A14. Financing and Advances (contd.)

(viii) Movement in impaired financing and advances (contd.)

	30 September 2010 RM'000	30 June 2010 RM'000
Gross financing and advances	35,698,086	34,576,867
Less:		
- Individual allowance	(508,032)	-
- Specific allowance	-	(633,025)
Net financing and advances	<u>35,190,054</u>	<u>33,943,842</u>
Net impaired financing and advances as a percentage of net financing and advances	<u>1.93%</u>	<u>0.88%</u>

(ix) Movement in the allowance for impaired financing and advances are as follows:

	30 September 2010 RM'000	30 June 2010 RM'000
<u>Individual Allowance</u>		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS 139	473,823	-
At 1 July, as restated	<u>473,823</u>	-
Allowance made during the period	68,932	-
Amount written back in respect of recoveries	(19,570)	-
Amount written off	(15,153)	-
At end of the period	<u>508,032</u>	-
	30 September 2010 RM'000	30 June 2010 RM'000
<u>Collective Allowance</u>		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS 139	713,938	-
At 1 July, as restated	<u>713,938</u>	-
Allowance made during the period	29,246	-
Amount written back in respect of recoveries	(61,322)	-
Amount written off	(40,776)	-
At end of the period	<u>641,086</u>	-
As a % of gross financing and advances less individual assessment allowance	<u>1.82%</u>	-

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A14. Financing and Advances (contd.)

**(ix) Movement in the allowance for impaired/bad and doubtful financing accounts
are as follows:**

	30 September	30 June
	2010	2010
	RM'000	RM'000
<u>Specific Allowance</u>		
At 1 July		
- as previously stated	633,025	561,520
- effect of adopting FRS 139	(633,025)	-
At 1 July, as restated	-	561,520
Allowance made during the period	-	351,462
Amount written back in respect of recoveries	-	(59,678)
Amount written off	-	(220,279)
At end of the period	-	633,025
	30 September	30 June
	2010	2010
	RM'000	RM'000
<u>General Allowance</u>		
At 1 July		
- as previously stated	533,708	436,446
- effect of adopting FRS 139	(533,708)	-
At 1 July, as restated	-	436,446
Allowance made during the period	-	97,262
At end of the period	-	533,708

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A15. Derivative Financial Instruments

The following tables summarise the contractual or underlying principal amounts of derivatives financial instruments held at fair value through income statement and hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at balance sheet date, and do not represent amounts of 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.

	30 September 2010			30 June 2010		
	Principal Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Principal Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
Foreign exchange derivatives:						
Currency forwards						
- Less than one year	992,801	20,503	(20,306)	685,223	3,119	(2,743)
Profit rate derivatives:						
Profit rate swap						
- Less than one year	898,800	660	(2,447)	933,800	80	(3,719)
Options						
- Less than one year	505,200	10,998	(27,023)	430,050	14,314	(14,313)
	1,404,000	11,658	(29,470)	1,363,850	14,394	(18,032)
Total derivative assets/(liabilities)	2,396,801	32,161	(49,776)	2,049,073	17,513	(20,775)

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A16. Other Assets

	30 September 2010 RM'000	30 June 2010 RM'000
Income receivables	96,519	89,597
Amount due from holding company	943,055	-
Handling fees	110,602	108,129
Prepayments and deposits	748	2,072
Others	59,850	6,880
	1,210,774	206,678

A17. Deposits from Customers

i) By type of deposit

	30 September 2010 RM'000	30 June 2010 RM'000
<u>Mudharabah Fund</u>		
Demand deposits	2,958,119	2,870,838
Savings deposits	277,127	258,018
General investment deposits	13,471,415	13,686,631
Negotiable instruments of deposits	487,121	656,815
	17,193,782	17,472,302
 <u>Non-Mudharabah Fund</u>		
Demand deposits	4,131,603	4,432,253
Savings deposits	5,268,343	5,029,645
Fixed return investment deposits	7,296,029	7,114,164
Structured deposits *	480,479	450,289
	17,176,454	17,026,351
	34,370,236	34,498,653

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

ii) By type of customer

	30 September 2010 RM'000	30 June 2010 RM'000
Business enterprises	13,193,466	12,630,647
Individuals	10,108,621	9,544,610
Government and statutory bodies	6,171,086	6,649,935
Others	4,897,063	5,673,461
	34,370,236	34,498,653

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A18. Deposits and Placement of Banks and Other Financial Institutions

	30 September 2010 RM'000	30 June 2010 RM'000
<u>Mudharabah Fund</u>		
Licensed banks	1,528,348	148,112
Licensed investment banks	99,339	-
Other financial institutions	480,352	232,288
	<u>2,108,039</u>	<u>380,400</u>
<u>Non-Mudharabah Fund</u>		
Licensed banks	1,269	667
Other financial institutions	447,101	310,633
	<u>448,370</u>	<u>311,300</u>
	<u>2,556,409</u>	<u>691,700</u>

A19. Other Liabilities

	Note	30 September 2010 RM'000	30 June 2010 RM'000
Profit payable		132,471	114,059
Profit equalisation reserve ("PER")	(i)	41,929	-
Sundry creditors		27,306	34,033
Deposit on trade financing		17,772	13,968
Provisions and accruals		1,882	11,950
Amount due to holding company		-	1,041,663
Others		95,290	15,466
		<u>316,650</u>	<u>1,231,139</u>

(i) PER

	30 September 2010 RM'000	30 June 2010 RM'000
At beginning of period	-	41,333
Provided during the period	41,929	31,525
Write back during the period	-	(72,858)
At end of period*	<u>41,929</u>	<u>-</u>

* PER at the end of the first financial quarter of which the shareholder's portion is RM 2,947,707 (30 June 2010: RM nil).

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A20. Income derived from Investment of Depositors' Funds

	1st Quarter Ended		Cumulative 3 Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Income derived from investment of:				
i) General investment deposits	335,305	194,131	335,305	194,131
ii) Other deposits	219,626	229,655	219,626	229,655
	554,931	423,786	554,931	423,786

i) Income derived from investment of general investment deposits

	1st Quarter Ended		Cumulative 3 Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Financing and advances	268,692	157,967	268,692	157,967
Money at call and deposit with financial institutions	18,980	6,515	18,980	6,515
Securities AFS	21,803	14,941	21,803	14,941
Securities HTM	976	540	976	540
Securities HFT	146	153	146	153
	310,597	180,116	310,597	180,116
Amortisation of premium less accretion of discounts	112	1,471	112	1,471
Total finance income and hibah	310,709	181,587	310,709	181,587
Other operating income :				
Fee income				
- Processing fees	116	818	116	818
- Commissions	10,805	4,508	10,805	4,508
- Service charges	6,867	4,393	6,867	4,393
Unrealised (losses)/gains on revaluation of derivatives	(428)	89	(428)	89
Gains on sale of securities AFS	5,957	13	5,957	13
Gains on sale of securities HFT	479	150	479	150
Unrealised gains on revaluation of securities HFT	710	37	710	37
Unrealised gains on foreign exchange translations	90	2,536	90	2,536
	335,305	194,131	335,305	194,131

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A20. Income derived from Investment of Depositors' Funds (contd)

ii) Income derived from investment of other deposits

	1st Quarter Ended		Cumulative 3 Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Financing and advances	175,995	186,874	175,995	186,874
Money at call and deposit with financial institutions	12,432	7,707	12,432	7,707
Securities AFS	14,281	17,675	14,281	17,675
Securities HTM	639	639	639	639
Securities HFT	95	181	95	181
	203,442	213,076	203,442	213,076
Amortisation of premium less accretion of discounts	73	1,740	73	1,740
Total finance income and hibah	203,515	214,816	203,515	214,816
Other operating income :				
Fee income				
- Processing fees	76	967	76	967
- Commissions	7,077	5,332	7,077	5,332
- Service charges	4,498	5,197	4,498	5,197
Unrealised (losses)/gains on revaluation of derivatives	(280)	105	(280)	105
Gains on sale of securities AFS	3,902	15	3,902	15
Gains on sale of securities HFT	314	178	314	178
Unrealised gains on revaluation of securities HFT	465	45	465	45
Unrealised gains on foreign exchange translations	59	3,000	59	3,000
	219,626	229,655	219,626	229,655

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A21. Income derived from Investment of Shareholder's Funds

	1st Quarter Ended		Cumulative 3 Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Financing and advances	33,626	29,242	33,626	29,242
Money at call and deposit with financial institutions	2,375	1,206	2,375	1,206
Securities AFS	2,729	2,766	2,729	2,766
Securities HTM	122	100	122	100
Securities HFT	18	28	18	28
	38,870	33,342	38,870	33,342
Amortisation of premium less accretion of discounts	14	272	14	272
Total finance income and hibah	38,884	33,614	38,884	33,614
Other operating income :				
Fee income				
- Processing fees	15	152	15	152
- Commissions	1,352	834	1,352	834
- Service charges	859	813	859	813
Unrealised (losses)/gains on revaluation of derivatives	(54)	16	(54)	16
Gains on sale of securities AFS	746	2	746	2
Gains on sale of securities HFT	60	28	60	28
Unrealised gains on revaluation of securities HFT	89	7	89	7
Unrealised gains on foreign exchange translations	10	470	10	470
	41,961	35,936	41,961	35,936

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A22. Allowance for Impairment on Financing and Advances

	1st Quarter Ended		Cumulative 3 Months Ended	
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired financing:				
Individual Allowance				
- made in the period	68,932	-	68,932	-
- written back	(19,570)	-	(19,570)	-
Specific allowance				
- made in the period	-	93,360	-	93,360
- written back	-	(15,469)	-	(15,469)
Collective Allowance				
- made in the period	29,246	-	29,246	-
- written back	(61,322)	-	(61,322)	-
General allowance				
- made in the period	-	123,840	-	123,840
- written back	-	(22,106)	-	(22,106)
Impaired financing				
- written off	1,101	163	1,101	163
- recovered	(14,291)	(8,655)	(14,291)	(8,655)
	4,096	171,133	4,096	171,133

A23. Income attributable to Depositors

	1st Quarter Ended		Cumulative 3 Months Ended	
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	93,740	69,916	93,740	69,916
- Non-Mudharabah	71,693	31,727	71,693	31,727
	165,433	101,643	165,433	101,643
Deposits and placements of banks and other financial institutions				
- Mudharabah	60,330	54,508	60,330	54,508
- Non-Mudharabah	707	722	707	722
	61,037	55,230	61,037	55,230
	226,470	156,873	226,470	156,873

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A24. Overhead Expenses

	1st Quarter Ended		Cumulative 3 Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Personnel expenses	3,416	2,249	3,416	2,249
- Salaries, allowances and bonuses	2,602	1,601	2,602	1,601
- Pension costs	394	237	394	237
- Others	420	411	420	411
Establishment costs	358	534	358	534
- Rental of premises	143	143	143	143
- Repairs, servicing and maintenance	-	1	-	1
- Information technology expenses	215	390	215	390
Marketing costs	1,033	5,206	1,033	5,206
- Advertisement and publicity	1,027	5,202	1,027	5,202
- Others	6	4	6	4
Administration and general expenses	118,936	92,279	118,936	92,279
- Fees and brokerage	3,775	3,109	3,775	3,109
- Administrative expenses	1,352	838	1,352	838
- General expenses	1,748	2,193	1,748	2,193
- Shared service cost paid/payable to Maybank	112,061	86,139	112,061	86,139
	123,743	100,268	123,743	100,268

A25. Taxation and Zakat

The analysis of the taxation and zakat expense for the third financial quarter ended 30 September 2010 are as follows:

	1st Quarter Ended		Cumulative 3 Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Malaysian income tax	43,380	35,012	43,380	35,012
Deferred tax expense in relation to origination and reversal of temporary differences	4,173	(27,587)	4,173	(27,587)
Tax expense for the period	47,553	7,425	47,553	7,425
Zakat expense	1,544	2,197	1,544	2,197
	49,097	9,622	49,097	9,622

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A26. Commitments and Contingencies

In the normal course of business, the Bank 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 as at dates are as follows:

	As at 30 September 2010			As at 30 June 2010		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
<u>Credit-related</u>						
Direct credit substitutes	312,288	312,288	277,026	231,467	231,467	197,308
Certain transaction-related contingent items	623,651	311,826	288,435	578,250	289,125	261,531
Short-term self-liquidating trade-related contingencies	186,646	37,329	26,503	141,549	28,310	25,121
Hire purchase financing sold to Cagamas Berhad	1,067,007	1,067,007	1,067,007	1,137,321	1,137,321	1,137,321
Irrevocable commitments to extend credit:						
- maturity within one year	8,662,707	-	-	8,490,457	-	-
- maturity more than one year	953,384	476,692	442,904	993,810	496,905	465,488
Miscellaneous	8,658	-	-	5,988	-	-
Total credit-related commitments and contingencies	11,814,341	2,205,142	2,101,875	11,578,842	2,183,128	2,086,769
<u>Derivative Financial Instruments</u>						
Foreign exchange related contracts:						
- less than one year	992,801	35,395	7,079	685,223	22,572	4,711
Profit rate related contracts:						
- less than one year	1,404,000	36,875	7,375	1,363,850	33,532	6,706
Total treasury-related commitments and contingencies	2,396,801	72,270	14,454	2,049,073	56,104	11,417
	14,211,142	2,277,412	2,116,329	13,627,915	2,239,232	2,098,186

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

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A27. Capital Adequacy

a) Compliance and Application of Capital Adequacy ratios

On 29 June 2010, the Bank have received approval from BNM to migrate to Internal-Ratios Based approach for credit risk under Basel II Capital Adequacy Framework for Islamic Banks ("CAFIB") from 1 July 2010 onwards.

With effect from 1 July 2010, the capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Basel II "CAFIB" issued on 29 June 2007 as follows:

- (i) Credit risk under Internal-Based Approach
- (ii) Market risk under Standardized Approach
- (iii) Operational risk under Standardized Approach

The minimum regulatory capital adequacy requirement is 8% (2010: 8%) for the risk-weighted capital ratios.

The comparative capital adequacy ratios for 30 June 2010 were in compliance with Basel I Risk-Weighted Capital Adequacy Framework and have not been restated in accordance with Para 7.2(1) of the Basel II CAFIB Framework, which allows exceptional for first time adoption where there is no compulsory disclosure in previous periods.

b) The capital adequacy ratios of the Bank are as follows:

	<u>Basel II</u> <u>30 September</u> <u>2010</u> <u>RM'000</u>	<u>Basel I</u> <u>30 June</u> <u>2010</u> <u>RM'000</u>
Core capital ratio	10.77%	9.14%
Risk-weighted capital ratio ("RWCR")	<u>11.20%</u>	<u>10.66%</u>

Components of Tier I and Tier II capital:

Tier I capital

Paid-up share capital	110,600	110,600
Share premium	2,488,400	2,488,400
Other reserves	726,248	680,621
Less: Deferred tax assets	<u>(126,731)</u>	<u>(79,712)</u>
Total Tier I capital	<u>3,198,517</u>	<u>3,199,909</u>

Tier II capital

General allowance for bad and doubtful financing	20,520	533,708
Surplus of total EP over total EL ¹	<u>106,582</u>	-
Total Tier II capital	<u>127,102</u>	<u>533,708</u>
Total capital	<u>3,325,619</u>	<u>3,733,617</u>
Less: Other deduction	<u>(24)</u>	<u>(9)</u>
Capital base	<u>3,325,595</u>	<u>3,733,608</u>

¹ EP is defined as eligible provision and EL is defined as expected loss.

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A27. Capital Adequacy (Contd.)

The breakdown of Assets and Credit Equivalent values (for Off Balance Sheet items) according to Risk Weighted are as follows:

At 30 September 2010 - Basel II

	30 September 2010 RM'000
Standardised Approach exposure	4,369,283
Internal Ratings Based Approach exposure after scaling factor	<u>17,763,585</u>
Total risk-weighted asset for credit risk	22,132,868
Total risk-weighted asset for market risk	355,019
Total risk-weighted asset for operational risk	1,898,801
Additional risk-weighted asset due to capital floor	<u>5,302,846</u>
Total risk-weighted assets	<u>29,689,534</u>

At 30 June 2010 - Basel I

	30 June 2010	
	Notional RM'000	Risk-Weighted RM'000
0%	8,079,415	-
10%	280,000	28,000
20%	1,876,056	375,211
50%	5,281,495	2,640,748
100%	<u>31,473,796</u>	<u>31,473,796</u>
Total risk-weighted asset for credit risk		34,517,755
Total risk-weighted asset for market risk		<u>483,259</u>
Total risk-weighted assets for credit and market risks		<u>35,001,014</u>

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A28. Changes in Accounting Policies and Prior Year Adjustments

(a) Changes in Accounting Policies

As disclosed in Note A1, the adoption of new FRSs, amendments to FRSs, IC Interpretations and TR during the financial period have resulted in the following changes in accounting policies:

- (i) FRS 139 Financial Instruments: Recognition and Measurement
- (ii) IC Interpretation 9 Reassessment of Embedded Derivatives
- (iii) Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- (iv) Amendments to FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. Some of these principles and accounting policies have been adopted by the Bank since the application of BNM's revised BNM/GP8-*i* - Guidelines of Financial Reporting for Licensed Islamic Banks ("BNM GP8-*i* Guidelines") on 1 July 2005 due to the similarities between BNM GP8-*i* Guidelines and FRS 139.

The changes in accounting policy above have been accounted for prospectively, in line with the transitional arrangements under para 103AA of FRS 139, with adjustments to the carrying values of financial assets at the beginning of the current financial period being adjusted to opening retained profits and/ or unrealised holding reserves/ (deficit) as appropriate. Details of the adjustments are disclosed in Note 28(b).

Upon the full adoption of FRS 139 on 1 July 2010, the Bank has implemented additional requirements as follows:

1) Impairment of Financing and advances

The Bank assesses at the end of each reporting period whether there is any objective evidence that a financing or group of financings is impaired. The financing or group of financings is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financing (an incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the financing or group of financings that can be reliably estimated.

The Bank assess which objective evidence of impairment exist for financing and advances as which are deemed to be individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Financings which are not individually significant and financings that have been individually assessed with no evidence of impairment loss are grouped together for portfolio impairment assessment. These financings are grouped within similar credit and characteristics for collective assessment, whereby data from the financings portfolio (such as credit quality, levels of arrears, credit utilisation, financings to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups) are taken into consideration.

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A28. Changes in Accounting Policies and Prior Year Adjustments (Contd.)

(a) Changes in Accounting Policies (Contd.)

2) Classification of impaired financing and advances

Prior to adoption of FRS 139, financing were classified as non-performing when principal or profit or both are past due for three (3) months and more. Upon the adoption of FRS 139, financing are classified as impaired when principal or profit or both are past due for three (3) months or more or where financing in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for.

3) Profit Income Recognition

For all financial instruments measured at amortised cost, profit bearing and other financial assets classified as financial investments available-for-sale and financial instruments designated at fair value through profit or loss, financing income or expense is recorded using the effective profit rate ("EPR"), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EPR, but not future credit losses.

4) Recognition of Embedded Derivatives

Upon the adoption of FRS 139 and IC Interpretation 9, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured. The assessment is made when the entity first becomes a party for the contract.

(b) Adjustments due to Change in Accounting Policies

	RM '000
Effects on retained profits:	
At 1 July 2010, as previously stated	531,586
Effects of adoption FRS 139	45,627
At 1 July 2010, as restated	577,213
Effects on other reserves:	
At 1 July 2010, as previously stated	17,740
Effects of adoption FRS 139	(5,882)
At 1 July 2010, as restated	11,858

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A28. Changes in Accounting Policies (Contd.)

(b) Adjustments due to Change in Accounting Policies (Contd.)

	At 1 July 2010 as previously stated RM '000	Effects of adopting FRS 139 RM '000	At 1 July 2010 as restated RM '000
<u>Assets</u>			
Cash and short-term funds	5,817,989	-	5,817,989
Deposits and placements with banks and other financial institutions	707	-	707
Securities portfolio	4,471,808	2,163	4,473,971
Financing and advances	33,410,134	16,305	33,426,439
Derivative assets	17,513	-	17,513
Other assets	206,678	(10,108)	196,570
Statutory deposits with Bank Negara Malaysia	153,000	-	153,000
Deferred tax assets	79,712	47,019	126,731
<u>Liabilities</u>			
Deposits from customers	34,498,653	-	34,498,653
Deposits and placements of banks and other financial institutions	691,700	-	691,700
Deposits and placements of holding company	4,359,646	-	4,359,646
Bills and acceptances payable	28,175	-	28,175
Derivative liabilities	20,775	293	21,068
Other liabilities	1,231,139	-	1,231,139
Provision for taxation and zakat	30,092	15,341	45,433
<u>Reserves</u>			
Retained profits	531,587	45,627	577,214
Unrealised holding reserve/(deficit)	17,740	(5,882)	11,858

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A29. Restatement of Comparatives

As disclosed in Note A1, the adoption of specific FRSs resulted in restatements of comparative figures for the following:

(i) FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statements of the Bank for the comparative financial period ended 30 September 2009 have been re-presented as two separate statements, ie. an income statement displaying components of profit or loss and a statement of comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact on earnings per ordinary share.

(ii) FRS 7 Financial Instruments: Disclosures

The adoption of FRS 7 during the financial period has resulted in some changes to the disclosure of financial instruments, whereby the disclosures are now made by categories of financial assets and liabilities. The disclosure of comparative figures in the balance sheets as at 30 June 2010 and the income statement for the financial period ended 30 September 2009 have been restated to conform with the current period's presentation. Since these changes only affect the presentation of disclosure items, there is no impact on the financial results of the Bank for the comparative period.

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PART B – Review of Performance & Current Year Prospects

B1. Performance Review of The First Quarter of the Financial Year 2010/11

The Bank recorded healthier growth in top line revenues for the three-month period ended 30 September 2010 in line with expansion of earning assets. Income derived from investment of depositors' funds grew by RM131.1 million or 31% to RM554.9 million over that of previous year's corresponding period of RM423.8 million. Contributing to the growth in income from depositors' fund by income classifications for the period were income from financing of RM444.7 million (80%), followed by income from investment in securities portfolio of RM49.2 million (9%), other income and amortisation of premium of RM29.6 million (5%) as well as income from deposit placement with financial institutions of RM31.4 million (6%). Income from investment of shareholder's funds also rose to RM42.0 million, higher by RM6.0 million or 17%.

The total Impairment Allowance (excluding recoveries) was RM17.3 million against RM179.8 million in last year's corresponding quarter largely due to much lower provision required as opposed to exceptionally high provision required for two major accounts last year i.e Aldwich and BTA. Furthermore, with effect from 1 July 2010, the Group including MIB fully adopted FRS 139 "Impairment Assessment" guidelines in calculating impairment (provisions) for bad and doubtful financing which resulted the provision write-back of RM43 million. Bad Debts recovered rose by RM4.5 million or 52% to RM13.2 million as at 30 September 2010.

Todate, a total of RM41.9 million was allocated into profit equalisation reserve ("PER") account to income statement to build up reserves during the period under review based on BNM's Framework of Rate of Return (GP2-). The high allocation for the month of September 2010 was resulted from surplus of distribution income arising from adoption of FRS 139. The decision to build up PER as the Bank's prevailing rates are competitive in the market and to shield against any future loss or impairment.

Hence, the Bank's total distributable income for the three-month period soared to RM543.8 million, higher by RM215.8 million or 66% over last year's corresponding period.

Despite the contraction in the Bank's customer deposits in the period under review, the Bank's income attributable to depositors (including inter-bank lenders) registered at RM226.5 million, an increase of RM69.6 million or 44% compared to that of previous corresponding period mainly due to high interest rate environment following three times OPR hikes from March to July 2010. Income distributable comprised dividends paid on placements of Mudharabah and non-Mudharabah customer deposits of RM165.4 million (73%) and dividends on deposits and placements by banks and other financial institutions of RM61.0 million (27%).

Overhead Expenses for the period ended 30 September 2010 registered at RM123.8 million, an increase of RM23.5 million or 23% from the corresponding period last year. Higher overhead expenses reported was mainly attributed to higher shared services cost on account of new salary adjustment and arrears payment for staff affected by new MCBA/NUBE Collective Agreement. The expansion of overall overhead expenses was also in tandem with growth in business. Major components of the expenses were shared services cost of RM112.1 million (91%), head office expenses of RM8.3 million (6%) and direct business costs of RM3.4 million (3%).

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B1. Performance Review of The First Quarter of the Financial Year 2010/11 (Contd.)

The Bank's pre-tax profit for the three-month period ended 30 September 2010 of RM193.6 million was RM122.7 million or 173% higher than last year's corresponding period of RM70.9 million. Net of effective corporate tax pro-rated for the three-month period as well as zakat, the Bank registered a higher net profit after tax and zakat of RM144.5 million, up by RM83.2 million or 136% against that of the corresponding period last year.

The Bank's financing assets comprised consumer financing portfolio of 68% while business financing made up the remaining 32% as at September 2010. Gross financing closed at RM35.7 billion, a growth of RM1.1 billion or 3% from 30 June 2010. Asset quality during the review period as a result of the adoption of FRS 139 came high with net impaired allowance ratio stood at 1.93%.

Total customer deposits clocked at RM34.4 billion, slightly reduced by RM128 million compared to RM34.5 billion recorded in last financial year ended 30 June 2010 due to withdrawal from a few major accounts namely Akauntan Negara Malaysia and Malaysian Commission for Multimedia & Communications. Both Mudharabah and non-Mudharabah fund accounted for 50% of total customer deposits.

The Bank continued to dominate the industry with market share of financing and customer deposits of 24% and 21% respectively based on industry's position as at August 2010.

The Bank's core capital ratio and risk-weighted capital ratio under Basel II-Internal Rates Based ("IRB") recorded at 10.77% and 11.20% respectively as at September 2010.

B2. Current Year Prospects

Key economists are expecting the Malaysian economy to grow by 7.5% in 2010 and 6.1% in 2011, the prospect for the banking sector remains positive supported by improved consumer and business sentiment. With expected inflation to be at 2% in 2010 and 2.5% in 2011, Bank Negara Malaysia would likely to increase interest rates only in the second half of 2011 from presently 2.75% to control inflation.

Overall, the Bank is optimistic that the banking industry will continue to grow positively benefiting from the Budget 2011's allocations and measures to sustain domestic demand and economic growth, particularly in terms of financing consumer spending, business working capital and investments, as well as funding for the various infrastructure and development projects outlined under Economic Transformation Plan (ETP) and the New Economic Model (NEM).

For new financial year 2010/11, the Bank is positive to achieve double digit growth in financing assets and deposits as well as on track to meet the budgeted profitability.

B3. Profit Forecast or Profit Guarantee

The Bank does not make any profit forecast or issued any profit guarantee.