

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2010**

	Note	2nd Quarter Ended		Cumulative 6 Months Ended	
		31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Income derived from investment of depositors' funds	A20	574,044	448,290	1,128,975	872,076
Income derived from investment of shareholder's funds	A21	37,656	29,575	79,617	65,511
Allowance for losses on financing and advances	A22	(12,721)	(49,147)	(16,817)	(220,280)
Profit equalisation reserve		(6,627)	(12,805)	(48,556)	28,528
Other expenses directly attributable to depositors & shareholders' fund		(9,431)	(2,619)	(16,498)	(4,500)
<b>Total distributable income</b>		<b>582,921</b>	413,294	<b>1,126,721</b>	741,335
Income attributable to the depositors	A23	(250,882)	(145,307)	(477,352)	(302,180)
<b>Total net income</b>		<b>332,039</b>	267,987	<b>649,369</b>	439,155
Overhead expenses	A24	(124,395)	(102,607)	(248,138)	(202,875)
<b>Profit before taxation and zakat</b>		<b>207,644</b>	165,380	<b>401,231</b>	236,280
Taxation	A25	(51,660)	(41,667)	(99,213)	(49,092)
Zakat	A25	(2,516)	(1,718)	(4,060)	(3,915)
<b>Profit for the period</b>		<b>153,468</b>	121,995	<b>297,958</b>	183,273
<b>Profit attributable to :</b>					
Equity holders of the parent		<b>153,468</b>	121,995	<b>297,958</b>	183,273
<b>Earnings per share attributable to equity holder of the Bank - Basic/diluted (sen)</b>		<b>138.76</b>	110.40	<b>269.40</b>	165.86

(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**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2010**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
<b>Profit for the period</b>	<b>153,468</b>	<b>121,995</b>	<b>297,958</b>	<b>183,273</b>
<b>Other comprehensive income/(loss):</b>				
Net (loss)/gain on available-for-sale financial assets	(38,585)	5,013	(1,854)	5,013
Income tax relating to components of other comprehensive income	9,628	(1,253)	464	(1,253)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>(28,957)</b>	<b>3,760</b>	<b>(1,390)</b>	<b>3,760</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>124,511</b>	<b>125,755</b>	<b>296,568</b>	<b>187,033</b>
<b>Total comprehensive income attributable to :</b>				
Equity holders of the parent	124,511	125,755	296,568	187,033

(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)

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010**

	Note	31 December 2010 RM'000	30 June 2010 RM'000
<b>ASSETS</b>			
Cash and short-term funds	A11	4,577,477	5,817,989
Deposits and placements with banks and other financial institutions	A12	105,920	707
Securities portfolio	A13	4,663,751	4,471,808
Financing and advances	A14	37,603,980	33,410,134
Derivative assets	A15	28,870	17,513
Other assets	A16	219,334	206,678
Statutory deposits with Bank Negara Malaysia		163,000	153,000
Deferred tax assets		150,335	79,712
<b>TOTAL ASSETS</b>		<b>47,512,667</b>	<b>44,157,541</b>
<b>LIABILITIES</b>			
Deposits from customers	A17	36,854,005	34,498,653
Deposits and placements of banks and other financial institutions	A18	2,057,684	691,700
Deposits and placements of holding company		3,800,329	4,359,646
Bills and acceptances payable		162,367	28,175
Derivative liabilities	A15	43,824	20,775
Other liabilities	A19	852,295	1,231,139
Provision for taxation and zakat		108,489	30,092
<b>TOTAL LIABILITIES</b>		<b>43,878,993</b>	<b>40,860,180</b>

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**CONDENSED FINANCIAL STATEMENT**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010**

	31 December 2010	30 June 2010
Note	RM'000	RM'000
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK</b>		
Share capital	110,600	110,600
Reserves	3,523,074	3,186,761
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>3,633,674</b>	<b>3,297,361</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>47,512,667</b>	<b>44,157,541</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A27	13,627,915
<b><u>CAPITAL ADEQUACY</u></b>	A28	
<b>Basel I</b>		
Core capital ratio	-	9.14%
Risk-weighted capital ratio	-	10.66%
<b>Basel II</b>		
Core capital ratio	10.72%	-
Risk-weighted capital ratio	11.19%	-

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 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
<b>At 1 July 2010</b>							
- as previously stated	110,600	2,488,400	1,697	147,338	17,740	531,586	<b>3,297,361</b>
- effect of adopting FRS 139	-	-	-	-	(5,882)	45,627	<b>39,745</b>
<b>At 1 July 2010, as restated</b>	<b>110,600</b>	<b>2,488,400</b>	<b>1,697</b>	<b>147,338</b>	<b>11,858</b>	<b>577,213</b>	<b>3,337,106</b>
Net profit for the period	-	-	-	-	-	297,958	<b>297,958</b>
Other comprehensive income	-	-	-	-	(1,390)	-	<b>(1,390)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,390)</b>	<b>297,958</b>	<b>296,568</b>
<b>At 31 December 2010</b>	<b>110,600</b>	<b>2,488,400</b>	<b>1,697</b>	<b>147,338</b>	<b>10,468</b>	<b>875,171</b>	<b>3,633,674</b>

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 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
<b>At 1 July 2009</b>	110,500	1,988,500	1,697	147,338	(15,621)	326,047	2,558,461
Net profit for the period	-	-	-	-	-	183,273	183,273
Other comprehensive income	-	-	-	-	3,760	-	3,760
<b>Total comprehensive income for the period</b>	-	-	-	-	3,760	183,273	187,033
Transfer to statutory reserve	-	-	-	15,320	-	(15,320)	-
<b>Total transactions with shareholders</b>	-	-	-	15,320	-	(15,320)	-
<b>At 31 December 2009</b>	110,500	1,988,500	1,697	162,658	(11,861)	494,000	2,745,494

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2010**

	<b>31 December 2010 RM'000</b>	<b>31 December 2009 RM'000</b>
Profit before taxation and zakat	<b>401,231</b>	236,280
Adjustments for non-cash items		
Allowances for losses on financing and advances	<b>44,491</b>	236,696
Amortisation of premium less accretion of discount	<b>(415)</b>	(4,232)
Profit equalisation reserves	<b>(48,556)</b>	(28,528)
Operating profit before working capital changes	<b>396,751</b>	440,216
Changes in working capital:-		
Net changes in operating assets	<b>(4,492,347)</b>	(5,121,539)
Net changes in operating liabilities	<b>2,965,923</b>	3,670,720
Tax expense and zakat paid	<b>(110,839)</b>	(73,337)
Net cash used in from operations	<b>(1,240,512)</b>	(1,083,940)
Net change in cash and cash equivalents	<b>(1,240,512)</b>	(1,083,940)
Cash and cash equivalents at beginning of period	<b>5,817,989</b>	4,125,960
Cash and cash equivalents at end of period	<b>4,577,477</b>	3,042,020
Cash and cash equivalents comprise :		
Cash and short-term funds	<b>4,577,477</b>	3,042,020

**(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)**

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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/GP8-1) Issued by Bank Negara Malaysia**

**A1. Basis of Preparation**

The unaudited condensed interim financial statements for the second financial quarter ended 31 December 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/GP8-1) 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 2: Share-based Payment - Vesting Conditions and Cancellations
- (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 A29;
- (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 earnings, retained earnings or other reserves; and
- (iii) the adoption of FRS 4.

The following new FRSs, amendments to FRS and IC Interpretations have been issued but are not yet effective, which will be effective for financial periods beginning on or after 1 January 2011 and have not been adopted by the Bank:

- (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
- (vi) Amendments to FRSs (Improvements to FRSs (2010))

The following new FRS have been issued but not yet effective, which will be effective for the financial periods beginning on or after 1 January 2012 and have not been adopted by the Bank:

- (i) FRS 124 : Related Party Disclosures

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 A29.

**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.

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**A2. Significant Accounting Estimates and Judgments (Contd.)**

**(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.

**(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 second financial quarter ended 31 December 2010.

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**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 second financial quarter ended 31 December 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 second financial quarter ended 31 December 2010.

**A7. Issuance and Repayment of Debt and Securities**

There was no issuance nor repayment of debt and equity securities during the second financial quarter ended 31 December 2010.

**A8. Dividends**

During the financial half year ended 31 December 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 second financial quarter ended 31 December 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**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
Cash and balances with banks and other financial institutions	282,477	112,149
Money at call and interbank placements with remaining maturity not exceeding one month	4,295,000	5,705,840
	<b>4,577,477</b>	<b>5,817,989</b>

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

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
Bank Negara Malaysia	390	707
Licensed banks	105,530	-
	<b>105,920</b>	<b>707</b>

**A13. Securities Portfolio**

	<b>Note</b>	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
Securities available-for-sale ("AFS")	(i)	4,388,121	4,222,546
Securities held-to-maturity ("HTM")	(ii)	180,424	180,466
Securities held-for-trading ("HFT")	(iii)	95,206	68,796
		<b>4,663,751</b>	<b>4,471,808</b>

**(i) Securities AFS**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
<b>At fair value</b>		
<b>Money market instruments:-</b>		
Cagamas bonds	156,346	231,996
Malaysian Government Investment Issues	2,891,101	2,446,888
Negotiable Islamic instruments of deposits	199,508	429,386
Bankers' acceptances and Islamic accepted bills	39,355	78,499
Khazanah bonds	230,157	186,560
Bank Negara Malaysia Sukuk Ijarah bonds	29,988	-
	<b>3,546,455</b>	<b>3,373,329</b>
<b>Unquoted securities :</b>		
Islamic private debt securities in Malaysia	841,666	849,217
	<b>841,666</b>	<b>849,217</b>
<b>Total securities AFS</b>	<b>4,388,121</b>	<b>4,222,546</b>

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**A13. Securities Portfolio (contd.)**

**(ii) Securities HTM**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
<b>At amortised cost less impairment losses</b>		
<b>Money market instruments:-</b>		
Malaysian Government Investment Issues	150,424	150,466
<b>Unquoted securities :</b>		
Islamic private debt securities in Malaysia	30,000	30,000
<b>Total securities HTM</b>	<b>180,424</b>	<b>180,466</b>

**(iii) Securities HFT**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
<b>At fair value</b>		
<b>Money market instruments:-</b>		
Malaysian Government Investment Issues	70,530	25,365
Bank Negara Malaysia Monetary Notes	24,676	23,459
Bank Negara Malaysia Sukuk Ijarah Bonds	-	19,972
	<b>95,206</b>	<b>68,796</b>
<b>Total securities HFT</b>	<b>95,206</b>	<b>68,796</b>

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**A14. Financing and Advances**

**(i) By type**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
Cashline	2,318,119	2,092,616
Term financing		
- Housing financing	5,758,959	5,465,917
- Syndicated financing	67,199	71,137
- Hire purchase receivables	16,551,381	15,028,210
- Other term financing	27,449,940	23,512,350
Bills receivable	1,785	5,004
Trust receipts	112,443	126,423
Claims on customers under acceptance credits	3,020,317	2,881,944
Staff financing	612,823	455,891
Credit/charge cards	272,110	193,114
Revolving credit	2,095,080	1,540,800
	<b>58,260,156</b>	<b>51,373,406</b>
Unearned income	<b>(19,550,128)</b>	<b>(16,796,539)</b>
Gross financing and advances	<b>38,710,028</b>	<b>34,576,867</b>
Allowances for impaired financing and advances:		
- individual	<b>(443,598)</b>	-
- collective	<b>(662,450)</b>	-
- specific	-	(633,025)
- general	-	(533,708)
Net financing and advances	<b>37,603,980</b>	<b>33,410,134</b>

**(ii) By Shariah concepts**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
Bai' Bithaman Ajil	14,438,793	13,712,133
Al-Ijarah Thumma Al-Bai (AITAB)	13,678,291	12,399,343
Murabahah	8,947,827	6,938,773
Musyarakah Mutanaqisah	1,197,788	1,255,688
Bai Al-Dayn	3,501	3,004
Al-Ijarah Muntahiyah Bi Tamleek	67,199	71,137
Other concepts	376,629	196,789
Gross financing and advances	<b>38,710,028</b>	<b>34,576,867</b>

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**A14. Financing and Advances (contd.)**

**(iii) By type of customers**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
Domestic non-banking institutions	3,267,464	2,921,405
Domestic business enterprises		
- Small and medium enterprises	3,503,373	2,418,673
- Others	6,485,924	6,705,571
Government and statutory bodies	88,130	21,439
Individuals	25,227,032	22,386,011
Other domestic entities	9,849	7,986
Foreign entities in Malaysia	128,256	115,782
Gross financing and advances	<u>38,710,028</u>	<u>34,576,867</u>

**(iv) By profit rate sensitivity**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
Fixed rate		
- House financing	2,891,044	3,094,989
- Hire purchase receivables	13,679,353	12,399,743
- Other financing	4,800,984	4,752,629
Floating rate		
- House financing	2,133,451	1,719,045
- Other financing	15,205,196	12,610,461
Gross financing and advances	<u>38,710,028</u>	<u>34,576,867</u>

**(v) By economic purpose**

	<b>31 December 2010</b>		<b>30 June 2010</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities		5,393,049		4,020,840
Purchase of transport vehicles	14,716,444		13,585,853	
Less: Hire purchase receivables sold to Cagamas	<u>(995,101)</u>	13,721,343	<u>(1,137,321)</u>	12,448,532
Purchase of landed properties				
- residential	5,896,839		5,566,632	
- non-residential	<u>784,472</u>	6,681,311	<u>750,607</u>	6,317,239
Personal use		789,219		702,426
Consumer durables		-		1,113
Construction		1,549,832		769,318
Working capital		10,227,456		10,117,332
Credit/charge cards		272,110		193,113
Others		<u>75,708</u>		<u>6,954</u>
Gross financing and advances		<u>38,710,028</u>		<u>34,576,867</u>

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**A14. Financing and Advances (contd.)**

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

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
Maturity within one year	6,322,579	5,911,689
One year to three years	1,658,494	1,657,436
Three years to five years	6,162,613	5,250,191
After five years	24,566,342	21,757,551
Gross financing and advances	<u>38,710,028</u>	<u>34,576,867</u>

**(vii) Impaired financing and advances by economic purpose**

	<b>31 December 2010</b>		<b>30 June 2010</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities		7,932		6,739
Purchase of transport vehicles		55,511		40,757
Purchase of landed properties				
- residential	292,231		342,569	
- non-residential	<u>38,173</u>	330,404	<u>27,656</u>	370,225
Personal use		25,238		26,574
Credit/charge cards		4,677		2,834
Consumer durables		3		3
Construction		92,241		86,167
Working capital		<u>654,894</u>		<u>398,194</u>
Gross impaired financing and advances		<u>1,170,900</u>		<u>931,493</u>

**(viii) Movement in impaired financing and advances**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
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>	1,045,712
Impaired during the period	499,549	639,433
Reclassified as non-impaired during the period	(224,390)	(404,555)
Recovered	(146,854)	(143,316)
Amount written off	(123,631)	(220,279)
Expenses debited to customers' accounts	10,587	14,498
At end of period	<u>1,170,900</u>	<u>931,493</u>
Less:		
- Individual allowance	(443,598)	-
- Specific allowance	-	(633,025)
Net impaired financing and advances	<u>727,302</u>	<u>298,468</u>

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**A14. Financing and Advances (contd.)**

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

	31 December 2010 RM'000	30 June 2010 RM'000
Gross financing and advances	38,710,028	34,576,867
Less:		
- Individual allowance	(443,598)	-
- Specific allowance	-	(633,025)
Net financing and advances	<u>38,266,430</u>	<u>33,943,842</u>
Net impaired financing and advances as a percentage of net financing and advances	<u>1.90%</u>	<u>0.88%</u>

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

	31 December 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	57,063	-
Amount written back in respect of recoveries	(31,173)	-
Transfer to collective allowance	(1,589)	-
Amount written off	(54,526)	-
At end of the period	<u>443,598</u>	-
	31 December 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	46,933	-
Amount written back in respect of recoveries	(30,905)	-
Transfer from individual allowance	1,589	-
Amount written off	(69,105)	-
At end of the period	<u>662,450</u>	-
As a % of gross financing and advances less individual assessment allowance	<u>1.73%</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:**

	<b>31 December</b>	<b>30 June</b>
	<b>2010</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Specific Allowance</u>		
At 1 July		
- as previously stated	<b>633,025</b>	561,520
- effect of adopting FRS 139	<b>(633,025)</b>	-
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	-	<b>633,025</b>
	<b>31 December</b>	<b>30 June</b>
	<b>2010</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>General Allowance</u>		
At 1 July		
- as previously stated	<b>533,708</b>	436,446
- effect of adopting FRS 139	<b>(533,708)</b>	-
At 1 July, as restated	-	436,446
Allowance made during the period	-	97,262
At end of the period	-	<b>533,708</b>

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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.

	31 December 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
<b>Foreign exchange derivatives:</b>						
Currency forwards						
- Less than one year	992,801	23,468	(23,271)	685,223	3,119	(2,743)
<b>Profit rate derivatives:</b>						
Profit rate swap						
- Less than one year	600,000	1,556	-	933,800	80	(3,719)
Options						
- Less than one year	444,450	3,846	(20,553)	430,050	14,314	(14,313)
	<u>1,044,450</u>	<u>5,402</u>	<u>(20,553)</u>	<u>1,363,850</u>	<u>14,394</u>	<u>(18,032)</u>
<b>Total derivative assets/(liabilities)</b>	<b><u>2,037,251</u></b>	<b><u>28,870</u></b>	<b><u>(43,824)</u></b>	<b><u>2,049,073</u></b>	<b><u>17,513</u></b>	<b><u>(20,775)</u></b>

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**A16. Other Assets**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
Income receivables	98,195	89,597
Handling fees	115,160	108,129
Prepayments and deposits	87	2,072
Others	5,892	6,880
	<b>219,334</b>	<b>206,678</b>

**A17. Deposits from Customers**

**i) By type of deposit**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
<u>Mudharabah Fund</u>		
Demand deposits	3,006,937	2,870,838
Savings deposits	287,264	258,018
General investment deposits	13,189,009	13,686,631
Negotiable instruments of deposits	370,080	656,815
	<b>16,853,290</b>	<b>17,472,302</b>
<u>Non-Mudharabah Fund</u>		
Demand deposits	4,300,601	4,432,253
Savings deposits	5,511,145	5,029,645
Fixed return investment deposits	9,765,584	7,114,164
Structured deposits *	423,385	450,289
	<b>20,000,715</b>	<b>17,026,351</b>
	<b>36,854,005</b>	<b>34,498,653</b>

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

**ii) By type of customer**

	<b>31 December 2010 RM'000</b>	<b>30 June 2010 RM'000</b>
Business enterprises	15,185,700	12,630,647
Individuals	10,616,185	9,544,610
Government and statutory bodies	6,667,209	6,649,935
Others	4,384,911	5,673,461
	<b>36,854,005</b>	<b>34,498,653</b>

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**A18. Deposits and Placement of Banks and Other Financial Institutions**

	31 December 2010 RM'000	30 June 2010 RM'000
<u>Mudharabah Fund</u>		
Licensed banks	991,780	148,112
Licensed investment banks	29,974	-
Other financial institutions	428,112	232,288
	<u>1,449,866</u>	<u>380,400</u>
<u>Non-Mudharabah Fund</u>		
Licensed banks	-	667
Other financial institutions	607,818	310,633
	<u>607,818</u>	<u>311,300</u>
	<u>2,057,684</u>	<u>691,700</u>

**A19. Other Liabilities**

	Note	31 December 2010 RM'000	30 June 2010 RM'000
Profit payable		105,754	114,059
Profit equalisation reserve ("PER")	(i)	48,557	-
Sundry creditors		39,015	34,033
Deposit on trade financing		52,085	13,968
Provisions and accruals		3,697	11,950
Amount due to holding company		427,881	1,041,663
Others		175,306	15,466
		<u>852,295</u>	<u>1,231,139</u>

**(i) PER**

	31 December 2010 RM'000	30 June 2010 RM'000
At beginning of period	-	41,333
Provided during the period	48,967	31,525
Write back during the period	(410)	(72,858)
At end of period*	<u>48,557</u>	<u>-</u>

\* PER at the end of the second financial quarter of which the shareholder's portion is RM 3,198,696 (30 June 2010: RM nil).

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**A20. Income derived from Investment of Depositors' Funds**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
i) General investment deposits	367,880	249,676	703,185	443,807
ii) Other deposits	206,164	198,614	425,790	428,269
	<u>574,044</u>	<u>448,290</u>	<u>1,128,975</u>	<u>872,076</u>

**i) Income derived from investment of general investment deposits**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Financing and advances	298,501	206,777	567,193	364,744
Money at call and deposit with financial institutions	20,730	6,536	39,710	13,051
Securities AFS	23,179	19,101	44,982	34,042
Securities HTM	1,053	711	2,029	1,251
Securities HFT	327	342	473	495
	<u>343,790</u>	<u>233,467</u>	<u>654,387</u>	<u>413,583</u>
Amortisation of premium less accretion of discounts	(353)	532	(241)	2,003
Total finance income and hibah	<u>343,437</u>	<u>233,999</u>	<u>654,146</u>	<u>415,586</u>
Other operating income :				
Fee income				
- Processing fees	146	162	262	980
- Commissions	10,863	6,273	21,668	10,781
- Service charges	9,915	5,482	16,782	9,875
Unrealised gains on revaluation of derivatives	1,533	887	1,105	976
Gains on sale of securities AFS	2,290	725	8,247	738
Gains on sale of securities HFT	33	200	512	350
Unrealised gains/(losses) on revaluation of securities HFT	(358)	(41)	352	(4)
Unrealised gains on foreign exchange translations	21	1,989	111	4,525
	<u>367,880</u>	<u>249,676</u>	<u>703,185</u>	<u>443,807</u>

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

**ii) Income derived from investment of other deposits**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Financing and advances	167,450	165,101	343,445	351,975
Money at call and deposit with financial institutions	11,613	4,887	24,045	12,594
Securities AFS	12,956	15,175	27,237	32,850
Securities HTM	589	568	1,228	1,207
Securities HFT	191	297	286	478
	<b>192,799</b>	186,028	<b>396,241</b>	399,104
Amortisation of premium less accretion of discounts	<b>(219)</b>	193	<b>(146)</b>	1,933
Total finance income and hibah	<b>192,580</b>	186,221	<b>396,095</b>	401,037
Other operating income :				
Fee income				
- Processing fees	83	-	159	967
- Commissions	6,044	5,049	13,121	10,381
- Service charges	5,664	4,332	10,162	9,529
Unrealised gains on revaluation of derivatives	949	837	669	942
Gains on sale of securities AFS	1,092	697	4,994	712
Gains/(losses) on sale of securities HFT	(4)	160	310	338
Unrealised gains/(losses) on revaluation of securities HFT	(252)	(49)	213	(4)
Unrealised gains on foreign exchange translations	8	1,367	67	4,367
	<b>206,164</b>	198,614	<b>425,790</b>	428,269

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**A21. Income derived from Investment of Shareholder's Funds**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Financing and advances	30,594	24,599	64,220	53,841
Money at call and deposit with financial institutions	2,121	720	4,496	1,926
Securities AFS	2,364	2,259	5,093	5,025
Securities HTM	108	85	230	185
Securities HFT	35	45	53	73
	<b>35,222</b>	<b>27,708</b>	<b>74,092</b>	<b>61,050</b>
Amortisation of premium less accretion of discounts	(41)	24	(27)	296
Total finance income and hibah	<b>35,181</b>	<b>27,732</b>	<b>74,065</b>	<b>61,346</b>
Other operating income :				
Fee income				
- Processing fees	15	-	30	152
- Commissions	1,101	749	2,453	1,583
- Service charges	1,041	645	1,900	1,458
Unrealised gains on revaluation of derivatives	179	128	125	144
Gains on sale of securities AFS	188	107	934	109
Gains/(losses) on sale of securities HFT	(2)	24	58	52
Unrealised gains/(losses) on revaluation of securities HFT	(49)	(8)	40	(1)
Unrealised gains on foreign exchange translations	2	198	12	668
	<b>37,656</b>	<b>29,575</b>	<b>79,617</b>	<b>65,511</b>

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**A22. Allowance for Impairment on Financing and Advances**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired financing:				
Individual Allowance				
- made in the period	(11,869)	-	57,063	-
- written back	(11,603)	-	(31,173)	-
Specific allowance				
- made in the period	-	106,070	-	199,430
- written back	-	(24,339)	-	(39,808)
Collective Allowance				
- made in the period	17,687	-	46,933	-
- written back	30,417	-	(30,905)	-
General allowance				
- made in the period	-	50,991	-	174,831
- written back	-	(75,823)	-	(97,929)
Impaired financing				
- written off	1,472	9	2,573	172
- recovered	(13,383)	(7,761)	(27,674)	(16,416)
	<u>12,721</u>	<u>49,147</u>	<u>16,817</u>	<u>220,280</u>

**A23. Income attributable to Depositors**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah	100,627	69,443	194,367	139,359
- Non-Mudharabah	85,537	16,787	157,230	48,514
	<u>186,164</u>	<u>86,230</u>	<u>351,597</u>	<u>187,873</u>
Deposits and placements of banks and other financial institutions				
- Mudharabah	64,022	58,324	124,352	112,832
- Non-Mudharabah	696	753	1,403	1,475
	<u>64,718</u>	<u>59,077</u>	<u>125,755</u>	<u>114,307</u>
	<u>250,882</u>	<u>145,307</u>	<u>477,352</u>	<u>302,180</u>

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**A24. Overhead Expenses**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Personnel expenses	3,998	2,114	7,414	4,363
- Salaries, allowances and bonuses	3,137	1,605	5,739	3,206
- Pension costs	471	245	865	482
- Others	390	264	810	675
Establishment costs	340	538	698	1,072
- Rental of premises	173	142	316	285
- Repairs, servicing and maintenance	5	7	5	8
- Information technology expenses	162	389	377	779
Marketing costs	2,602	4,568	3,635	9,774
- Advertisement and publicity	2,596	4,565	3,623	9,767
- Others	6	3	12	7
Administration and general expenses	117,455	95,387	236,391	187,666
- Fees and brokerage	2,854	2,951	6,629	6,060
- Administrative expenses	1,915	2,955	3,267	3,793
- General expenses	1,826	2,086	3,574	4,279
- Shared service cost paid/payable to Maybank	110,860	87,395	222,921	173,534
	<b>124,395</b>	<b>102,607</b>	<b>248,138</b>	<b>202,875</b>

**A25. Taxation and Zakat**

The analysis of the taxation and zakat expense for the second financial quarter ended 31 December 2010 are as follows:

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Malaysian income tax	78,974	41,531	122,354	76,543
Deferred tax expense in relation to origination and reversal of temporary differences	(27,314)	136	(23,141)	(27,451)
Tax expense for the period	51,660	41,667	99,213	49,092
Zakat expense	2,516	1,718	4,060	3,915
	<b>54,176</b>	<b>43,385</b>	<b>103,273</b>	<b>53,007</b>

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**A26. Credit exposure arising from credit transactions with connected parties**

	<b>31 December 2010</b>
Outstanding credit exposure with connected parties (RM'000)	<b><u>175,773</u></b>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<b><u>0.5%</u></b>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<b><u>-</u></b>

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

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**A27. Commitments and Contingencies and Off-Balance Sheet Financial Instruments**

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 31 December 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
<b><u>Credit-related</u></b>						
Direct credit substitutes	221,714	221,714	187,335	231,467	231,467	197,308
Certain transaction-related contingent items	628,295	314,148	293,211	578,250	289,125	261,531
Short-term self-liquidating trade-related contingencies	211,398	42,280	37,861	141,549	28,310	25,121
Hire purchase financing sold to Cagamas Berhad	995,101	995,101	995,101	1,137,321	1,137,321	1,137,321
Irrevocable commitments to extend credit:						
- maturity within one year	8,845,917	-	-	8,490,457	-	-
- maturity more than one year	1,400,052	700,026	663,935	993,810	496,905	465,488
Miscellaneous	7,940	-	-	5,988	-	-
Total credit-related commitments and contingencies	<b>12,310,417</b>	<b>2,273,269</b>	<b>2,177,443</b>	<b>11,578,842</b>	<b>2,183,128</b>	<b>2,086,769</b>
<b><u>Derivative Financial Instruments</u></b>						
Foreign exchange related contracts:						
- less than one year	992,801	33,488	6,698	685,223	22,572	4,711
Profit rate related contracts:						
- less than one year	1,044,450	25,440	5,088	1,363,850	33,532	6,706
Total treasury-related commitments and contingencies	<b>2,037,251</b>	<b>58,928</b>	<b>11,786</b>	<b>2,049,073</b>	<b>56,104</b>	<b>11,417</b>
	<b>14,347,668</b>	<b>2,332,197</b>	<b>2,189,229</b>	<b>13,627,915</b>	<b>2,239,232</b>	<b>2,098,186</b>

\* 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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**A28. 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> 31 December 2010 RM'000	<u>Basel I</u> 30 June 2010 RM'000
Core capital ratio	10.72%	9.14%
Risk-weighted capital ratio ("RWCR")	11.19%	10.66%

**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	1,024,206	680,621
Less: Deferred tax assets	(150,335)	(79,712)
Total Tier I capital	3,472,871	3,199,909

Tier II capital

Collective allowance on non-impaired financing and advances	37,533	-
General allowance for bad and doubtful financing	-	533,708
Surplus of total EP over total EL <sup>1</sup>	114,726	-
Total Tier II capital	152,259	533,708
Total capital	3,625,130	3,733,617
Less: Other deduction	(94)	(9)
Capital base	3,625,036	3,733,608

<sup>1</sup> EP is defined as eligible provision and EL is defined as expected loss.

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**A28. Capital Adequacy (Contd.)**

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

**At 31 December 2010 - Basel II**

	<b>31 December 2010 RM'000</b>
Standardised Approach exposure	5,381,688
Internal Ratings Based Approach exposure after scaling factor	<u>19,120,984</u>
Total risk-weighted asset for credit risk	24,502,672
Total risk-weighted asset for market risk	606,867
Total risk-weighted asset for operational risk	2,116,592
Additional risk-weighted asset due to capital floor	<u>5,162,176</u>
Total risk-weighted assets	<u><b>32,388,307</b></u>

**At 30 June 2010 - Basel I**

	<b>30 June 2010</b>	
	<b>Notional RM'000</b>	<b>Risk-Weighted RM'000</b>
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		483,259
Total risk-weighted assets for credit and market risks		<u><b>35,001,014</b></u>

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**A28. Capital Adequacy (Contd.)**

**c) Disclosure on Capital Adequacy under IRB Approach**

Exposure Class	Gross Exposures / EAD before CRM RM'000	Net Exposures / EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>(i) Credit Risk</b>				
<b>(i.i) Exempted Exposures (Standardised Approach)</b>				
On-Balance-Sheet Exposures:				
Sovereigns/Central Banks	6,680,822	6,680,822	-	-
Insurance Cos, Securities Firms & Fund Managers	529	529	529	42
Corporates	1,785,130	1,778,474	1,778,474	142,278
Regulatory Retail	1,159,034	1,153,543	865,158	69,213
Residential Mortgage	176,657	176,657	102,581	8,207
Higher Risk Assets	15,705	15,705	23,557	1,885
Other Assets	2,729,935	2,729,935	2,561,400	204,912
Defaulted Exposures	15,362	14,336	14,123	1,130
<b>Total On-Balance Sheet Exposures</b>	<b>12,563,174</b>	<b>12,550,001</b>	<b>5,345,822</b>	<b>427,667</b>
Off-Balance-Sheet Exposures:				
Off balance sheet exposures other than OTC derivatives or credit derivatives	36,872	35,865	35,865	2,869
<b>Total Off-Balance Sheet Exposures</b>	<b>36,872</b>	<b>35,865</b>	<b>35,865</b>	<b>2,869</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>12,600,046</b>	<b>12,585,866</b>	<b>5,381,687</b>	<b>430,536</b>
<b>(i.ii) Exposures under the IRB Approach</b>				
On-Balance-Sheet Exposures:				
Banks, Development Financial Institutions & MDBs	209,563	209,563	190,283	15,223
Insurance Cos, Securities Firms & Fund Managers	1	1	-	-
Corporate Exposures	11,832,939	11,832,939	8,531,457	682,517
a) Corporates (excluding Specialised Lending and firm-size adjustments)	11,832,939	11,832,939	8,531,457	682,517
Retail Exposures	24,391,006	24,391,006	8,555,378	684,430
a) Residential Mortgages	3,928,038	3,928,038	2,147,440	171,795
b) Qualifying Revolving Retail Exposures	245,305	245,305	168,527	13,482
c) Hire Purchase Exposures	13,570,200	13,570,200	4,772,390	381,791
d) Other Retail Exposures	6,647,463	6,647,463	1,467,021	117,362
Defaulted Exposures	977,891	977,891	268,093	21,447
<b>Total On-Balance Sheet Exposures</b>	<b>37,411,400</b>	<b>37,411,400</b>	<b>17,545,211</b>	<b>1,403,617</b>
Off-Balance-Sheet Exposures:				
OTC Derivatives	58,440	58,440	22,692	1,815
Off balance sheet exposures other than OTC derivatives or credit derivatives	654,960	654,960	470,760	37,661
<b>Total Off-Balance Sheet Exposures</b>	<b>713,400</b>	<b>713,400</b>	<b>493,452</b>	<b>39,476</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>38,124,800</b>	<b>38,124,800</b>	<b>18,038,663</b>	<b>1,443,093</b>
<b>Total (Exposures under Standardised Approach &amp; IRB Approach)</b>	<b>50,724,846</b>	<b>50,710,666</b>	<b>23,420,350</b>	<b>1,873,629</b>
<b>(ii) Market Risk</b>				
Profit Rate Risk	1,089,918	42,751	1,047,167	502,175
Foreign Currency Risk	2,736	104,686	(101,950)	104,688
<b>(iii) Operational Risk</b>			<b>2,116,592</b>	<b>169,327</b>
<b>(iv) Total RWA and Capital Requirements</b>			<b>26,143,805</b>	<b>2,091,505</b>

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**A28. Capital Adequacy (Contd.)**

**d) Disclosure on Credit Risk: Disclosures on Risk Weights (Standardised Approach)**

**At 31 December 2010**

Risk weights	←-----Exposures after Netting and Credit Risk Mitigation -----→							Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	6,680,822	-	-	-	-	-	168,535	6,849,357	-
35%	-	-	-	-	56,679	-	-	56,679	19,838
50%	-	-	-	1,971	29,954	-	-	31,925	15,962
75%	-	-	-	1,153,543	91,018	-	-	1,244,561	933,421
100%	-	529	1,816,449	-	6,721	-	2,561,400	4,385,099	4,385,099
150%	-	-	-	-	-	18,245	-	18,245	27,367
<b>Total</b>	<b>6,680,822</b>	<b>529</b>	<b>1,816,449</b>	<b>1,155,514</b>	<b>184,372</b>	<b>18,245</b>	<b>2,729,935</b>	<b>12,585,866</b>	<b>5,381,687</b>

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**A28. Capital Adequacy (Contd.)**

**e) Disclosure on Exposures by Risk Grade or PD Band (IRB Approach)**

At 31 December 2010

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weight %	Undrawn Commitments RM'000	Risk Weighted Assets RM'000
<b>Non-Retail Exposures</b>					
<b>Bank</b>					
0.08 - 0.41	53,674	45.00	37.38	-	19,629
0.42 - 6.09	214,329	45.00	95.75	-	193,347
100.00	-	44.59	562.16	-	-
<b>Total for Bank Exposures</b>	<b>268,003</b>			<b>-</b>	<b>212,976</b>
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>					
100.00	13	45.00	562.50	-	-
<b>Total for Insurance Cos, Securities Firms &amp; Fund Managers Exposures</b>	<b>13</b>			<b>-</b>	<b>-</b>
<b>Corporate</b>					
0.02 - 0.13	3,123,713	45.20	28.72	-	880,644
0.14 - 0.55	2,106,306	45.95	47.20	-	963,405
0.56 - 2.92	4,748,793	42.60	86.04	-	3,789,900
2.93 - 99.99	2,387,661	45.96	181.06	-	3,339,561
100.00	668,207	43.70	546.31	-	-
<b>Total for Corporate Exposures</b>	<b>13,034,680</b>			<b>-</b>	<b>8,973,510</b>
<b>Total Non-Retail Exposures</b>	<b>13,302,696</b>			<b>-</b>	<b>9,186,486</b>
<b>Retail Exposures</b>					
<b>Residential Mortgages</b>					
0.25 - 4.44	3,110,431	26.15	47.89	-	1,329,104
4.45 - 44.46	714,642	25.18	125.44	-	697,636
44.47 - 99.99	102,966	21.38	230.04	-	120,700
100.00	145,260	74.80	934.98	-	98,180
<b>Total for Residential Mortgages Exposures</b>	<b>4,073,299</b>			<b>-</b>	<b>2,245,620</b>
<b>Qualifying Revolving Retail Exposure</b>					
0.25 - 4.44	221,184	74.63	46.78	57,701	75,646
4.45 - 44.46	86,423	74.63	234.90	9,050	113,579
44.47 - 99.99	4,012	74.63	586.82	297	9,047
100.00	1,031	74.63	932.90	-	555
<b>Total for Qualifying Revolving Retail Exposures</b>	<b>312,650</b>			<b>67,048</b>	<b>198,827</b>
<b>Hire Purchase Exposure</b>					
0.25 - 4.44	12,392,178	53.68	33.45	-	3,761,340
4.45 - 44.46	1,166,871	49.58	148.78	-	993,722
44.47 - 99.99	11,152	59.27	449.74	-	17,328
100.00	50,891	96.27	1,203.40	-	33,382
<b>Total Hire Purchase Exposures</b>	<b>13,621,092</b>			<b>-</b>	<b>4,805,772</b>
<b>Other Retail Exposure</b>					
0.25 - 4.44	2,145,909	20.84	29.58	174	533,735
4.45 - 44.46	4,289,494	11.49	34.88	63	852,992
44.47 - 99.99	212,184	14.71	118.91	26	80,571
100.00	167,476	69.06	863.26	-	134,660
<b>Total Other Retail Exposures</b>	<b>6,815,063</b>			<b>263</b>	<b>1,601,958</b>
<b>Total Retail Exposures</b>	<b>24,822,104</b>			<b>67,311</b>	<b>8,852,177</b>
<b>Total Non-Retail &amp; Retail Exposures under IRB Approach</b>	<b>38,124,800</b>			<b>67,311</b>	<b>18,038,663</b>

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**A29. 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 29(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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**A29. 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**

	<b>RM '000</b>
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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**A29. Changes in Accounting Policies and Prior Year Adjustments (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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**A30. 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 31 December 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 31 December 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 Second Quarter of the Financial Year 2010/11**

The Bank recorded steady growth in top line revenues for the six-month period ended 31 December 2010 in line with expansion of earning assets. Income derived from investment of depositors' funds grew by RM256.9 million or 29% to RM1,129.0 million over that of previous year's corresponding period. Contributing to the growth in income from depositors' fund by income classifications for the period were income from financing of RM910.6 million (81%), followed by income from investment in securities portfolio of RM92.8 million (8%), other income and amortisation of premium of RM61.8 million (5%) as well as income from deposit placement with financial institutions of RM63.7 million (6%). Income from investment of shareholder's funds also rose to RM79.6 million, higher by RM14.1 million or 21.5%.

Total Impairment Allowance was RM16.8 million against RM220.3 million in last year's corresponding period 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 debts which resulted in the provision write-back of RM43 million. Individual allowance stood at RM25.9 million and collective allowance at RM16.0 million for the period ended 31 December 2010. Impaired financing recovered higher by RM8.9 million or 55% to RM25.1 million as at 31 December 2010.

Todate, a total of RM48.6 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-*i*). The high allocation of PER for the period under review especially in September 2010 was as a result of surplus of distributable income arising from adoption of FRS139 on impairment allowance. The Bank decided to build up PER to shield against any future loss or impairment.

Hence, the Bank's total distributable income for the six-month period leapt to RM1,126.7 million, higher by RM385.4 million or 52% over last year's corresponding period.

In tandem with healthier growth in Bank's customer deposits during the period under review, the Bank's income attributable to depositors (including inter-bank lenders) rose by RM175.2 million, to RM477.4 million or 58% compared to that of previous corresponding period mainly due to preferential rates exercise so as to be competitive within the industry players. Income distributable comprised dividends paid on placements of Mudharabah and non-Mudharabah customer deposits of RM351.6 million (74%) and dividends on deposits and placements by banks and other financial institutions of RM125.7 million (26%).

For the six-month period ended 31 December 2010, Overhead Expenses recorded at RM248.1 million, an increase of RM45.3 million or 22% from the corresponding period last year. The increase of overall overhead expenses was is in consonant with growth in business which leveraging on the parent company infrastructure. Major components of the expenses were shared services cost of RM222.9 million (90%), head office expenses of RM18.1 million (7%) and direct business costs of RM7.1 million (3%).

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

The Bank's pre-tax profit for the six-month period ended 31 December 2010 of RM401.2 million was RM164.9 million or 70% higher than last year's corresponding period of RM236.3 million. Net of effective corporate tax pro-rated for the six-month period as well as zakat, the Bank registered a net profit after tax and zakat of RM297.9 million, up by RM114.7 million or 63% against that of the corresponding period last year.

The Bank's financing assets comprised consumer financing portfolio of 69% while business financing made up the remaining 31% as at December 2010. Gross financing closed at RM38.7 billion, a growth of RM4.1 billion or 12% from 30 June 2010. During the review period as a result of the adoption of FRS 139, the total net impaired financing and advances increased from RM298.5 million as at 30 June 2010 to RM727.3 million. The net impaired allowance ratio as at 31 December 2010 stood at 1.90% as compared to 0.88% as at 30 June 2010.

Total customer deposits clocked at RM36.9 billion, expanded by RM1.8 billion compared to RM34.5 billion recorded in last financial year ended 30 June 2010. Mudharabah fund accounted for 46% whilst and non-Mudharabah fund accounted for 54% 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 November 2010.

The Bank's core capital ratio and risk-weighted capital ratio under Basel II-Internal Rates Based ("IRB") recorded at 10.72% and 11.19% respectively as at December 2010.

**B2. Current Year Prospects**

The Malaysian economy is projected to grow by 7.0% in 2010 and 5.5% in 2011, supported by the improving consumer and business sentiment. With sustained consumer spending and roll out of major infrastructure projects and entry-point projects (EPPs) under the Economic Transformation Programme (ETP), the prospects for the banking sector remains positive. However, the financial services industry is expected to see increasing competition among strong domestic players and through industry liberalization as a result of the issuance of new licenses for commercial/Islamic banks.

With expected inflation to be at 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.

Under ETP, private sector is expected to strengthen and continue to become an important contributor to the economic growth fuelled by many projects. Islamic banking segment is expected to see strong growth of 15% annually from 2010 to 2015 supported by stronger business opportunities particularly in terms of consumer spending, business working capital and investments. Other opportunities would also arise from investment activities under 1Malaysia Development Bhd's business development fund, as well as private equity and venture capital for innovation and green financing.

With positive economic outlook and encouraging growth in its business after six months operating in financial year 2010/11, the Bank is confident to achieve the targeted growth set for financial year 2010/11 given the strong growth momentum in the second-half of this financial year.

**B3. Profit Forecast or Profit Guarantee**

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