

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2011

	Note	3rd Quarter Ended		Cumulative 9 Months Ended	
		31 March 2011 RM'000	31 March 2010 RM'000	31 March 2011 RM'000	31 March 2010 RM'000
Income derived from investment of depositors' funds	A21	618,895	458,076	1,747,870	1,330,152
Income derived from investment of shareholder's funds	A22	17,936	22,284	97,553	87,795
Allowance for losses on financing and advances	A23	(22,238)	(59,065)	(39,055)	(279,345)
Profit equalisation reserve		(16,307)	9,498	(64,863)	38,026
Other expenses directly attributable to depositors & shareholders' fund		(6,157)	(2,481)	(22,655)	(6,981)
Total distributable income		592,129	428,312	1,718,850	1,169,647
Income attributable to the depositors	A24	(264,446)	(176,471)	(741,798)	(478,651)
Total net income		327,683	251,841	977,052	690,996
Overhead expenses	A25	(135,295)	(106,974)	(383,433)	(309,849)
Finance cost	A26	(116)	-	(116)	-
Profit before taxation and zakat		192,272	144,867	593,503	381,147
Taxation	A27	(46,959)	(33,502)	(146,172)	(82,594)
Zakat	A27	(4,937)	(1,671)	(8,997)	(5,586)
Profit for the period		140,376	109,694	438,334	292,967
Profit attributable to :					
Equity holders of the parent		140,376	109,694	438,334	292,967
Earnings per share attributable to equity holder of the Bank - Basic/diluted (sen)		126.92	99.27	396.32	265.13

(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
(787435-M)
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2011

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31 March 2011 RM'000	31 March 2010 RM'000	31 March 2011 RM'000	31 March 2010 RM'000
Profit for the period	140,376	109,694	438,334	292,967
Other comprehensive income/(loss):				
Net (loss)/gain on available-for-sale financial assets	(13,105)	5,078	(14,959)	10,091
Income tax relating to components of other comprehensive income	3,276	(1,270)	3,740	(2,523)
Other comprehensive income/(loss) for the period, net of tax	(9,829)	3,808	(11,219)	7,568
Total comprehensive income for the period, net of tax	130,547	113,502	427,115	300,535
Total comprehensive income attributable to :				
Equity holders of the parent	130,547	113,502	427,115	300,535

(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 FINANCIAL POSITION AS AT 31 MARCH 2011

	Note	31 March 2011 RM'000	30 June 2010 RM'000
ASSETS			
Cash and short-term funds	A11	8,354,882	5,817,989
Deposits and placements with banks and other financial institutions	A12	106,421	707
Securities portfolio	A13	6,215,454	4,471,808
Financing and advances	A14	41,916,979	33,410,134
Derivative assets	A15	9,422	17,513
Other assets	A16	1,868,196	206,678
Statutory deposits with Bank Negara Malaysia		147,000	153,000
Deferred tax assets		163,808	79,712
TOTAL ASSETS		58,782,162	44,157,541
LIABILITIES			
Deposits from customers	A17	46,566,442	34,498,653
Deposits and placements of banks and other financial institutions	A18	3,108,036	691,700
Deposits and placements of holding company		3,738,779	4,359,646
Bills and acceptances payable		187,012	28,175
Derivative liabilities	A15	30,932	20,775
Other liabilities	A19	254,327	1,231,139
Provision for taxation and zakat		132,413	30,092
Subordinated Sukuk	A20	1,000,000	-
TOTAL LIABILITIES		55,017,941	40,860,180

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CONDENSED FINANCIAL STATEMENT
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Note	31 March 2011 RM'000	30 June 2010 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK			
Share capital		110,600	110,600
Reserves		3,653,621	3,186,761
TOTAL SHAREHOLDER'S EQUITY		3,764,221	3,297,361
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		58,782,162	44,157,541
COMMITMENTS AND CONTINGENCIES	A28	7,326,943	13,627,915
<u>CAPITAL ADEQUACY</u>	A29		
Basel I			
Core capital ratio		-	9.14%
Risk-weighted capital ratio		-	10.66%
Basel II			
Core capital ratio		10.26%	-
Risk-weighted capital ratio		13.44%	-

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MAYBANK ISLAMIC BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2011

	<=====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	-	-	-	-	-	438,334	438,334
Other comprehensive income	-	-	-	-	(11,219)	-	(11,219)
Total comprehensive income for the period	-	-	-	-	(11,219)	438,334	427,115
At 31 March 2011	110,600	2,488,400	1,697	147,338	639	1,015,547	3,764,221

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2011

<=====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	110,500	1,988,500	1,697	147,338	(15,621)	326,047	2,558,461
Net profit for the period	-	-	-	-	-	292,967	292,967
Other comprehensive income	-	-	-	-	7,568	-	7,568
Total comprehensive income for the period	-	-	-	-	7,568	292,967	300,535
Transfer to statutory reserve	-	-	-	15,320	-	(15,320)	-
Total transactions with shareholders	-	-	-	15,320	-	(15,320)	-
At 31 March 2010	110,500	1,988,500	1,697	162,658	(8,053)	603,694	2,858,996

(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 THIRD FINANCIAL QUARTER ENDED 31 MARCH 2011

	31 March 2011 RM'000	31 March 2010 RM'000
Profit before taxation and zakat	593,503	381,147
Adjustments for non-cash items		
Allowances for losses on financing and advances	81,855	304,138
Amortisation of premium less accretion of discount	524	(3,823)
Profit equalisation reserves	(64,863)	(38,026)
Operating profit before working capital changes	611,019	643,436
Changes in working capital:-		
Net changes in operating assets	(12,031,987)	(7,345,326)
Net changes in operating liabilities	14,110,145	6,305,059
Tax expense and zakat paid	(152,284)	(114,013)
Net cash used in from operations	2,536,893	(510,844)
Net change in cash and cash equivalents	2,536,893	(510,844)
Cash and cash equivalents at beginning of period	5,817,989	4,125,960
Cash and cash equivalents at end of period	8,354,882	3,615,116
Cash and cash equivalents comprise :		
Cash and short-term funds	8,354,882	3,615,116

(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/GP8-1) Issued by Bank Negara Malaysia

A1. Basis of Preparation

The unaudited condensed interim financial statements for the third financial quarter ended 31 March 2011 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 7: Financial Instruments-Disclosures
- (ii) FRS 101: Presentation of Financial Statements (revised 2009)
- (iii) FRS 139: Financial Instruments - Recognition and Measurement
- (iv) Amendments to FRS 2: Share-based Payment
- (v) Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations
- (vi) Amendments to FRS 132: Financial Instruments: Presentation
- (vii) Amendments to FRS 132: Financial Instruments: Presentation (Classification of Rights Issues)
- (viii) Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosure and IC Interpretation 9: Reassessment of Embedded Derivatives
- (ix) Amendments to FRSs contained in the document entitled 'Improvements to FRSs (2009)'
- (x) IC Interpretation 9: Reassessment of Embedded Derivatives
- (xi) IC Interpretation 10: Interim Financial Reporting and Impairment
- (xii) IC Interpretation 13: Customer Loyalty Programmes
- (xiii) IC Interpretation 14 FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- (xiv) IC Interpretation 17: Distributions of Non-cash Assets to Owners
- (xv) Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- (xvi) TR - 3: Guidance on Disclosures of Transition to IFRSs
- (xvii) TR i - 3: Presentation of Financial Statements of Islamic Financial Institutions
- (xviii) 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 A30;
- (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 A30.

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 A27)

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 A23)

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 third financial quarter ended 31 March 2011.

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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 third financial quarter ended 31 March 2011.

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 third financial quarter ended 31 March 2011.

A7. Issuance and Repayment of Debt and Securities

On 31 March 2011, the Bank issued RM1.0 billion nominal value Islamic Subordinated Sukuk under the Shariah principle of Musyarakah. The Subordinated Sukuk carries a tenure of 10 years from the issue date on 10 non-callable 5 basis, with a profit rate of 4.22% per annum payable semi-annually in arrears in March and September each year, and are due in March 2021. Under the 10 non-callable 5 basis feature, the Bank has the option to redeem the Subordinated Sukuk on any semi-annual distribution date on or after the 5th anniversary from the issue date. Should the Bank decide not to exercise its option to redeem the Subordinated Sukuk, the Subordinated Sukuk shall continue to be outstanding until the final maturity date.

The Facility qualifies as Tier-2 Capital of the Bank in accordance with the capital adequacy requirements issued by BNM.

There was no repayment of debt and equity securities during the third financial quarter ended 31 March 2011.

A8. Dividends

During the financial period ended 31 March 2011, an 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 third financial quarter ended 31 March 2011.

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

	31 March 2011 RM'000	30 June 2010 RM'000
Cash and balances with banks and other financial institutions	478,602	112,149
Money at call and interbank placements with remaining maturity not exceeding one month	7,876,280	5,705,840
	8,354,882	5,817,989

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

	31 March 2011 RM'000	30 June 2010 RM'000
Bank Negara Malaysia	105	707
Licensed banks	106,316	-
	106,421	707

A13. Securities Portfolio

	Note	31 March 2011 RM'000	30 June 2010 RM'000
Securities available-for-sale ("AFS")	(i)	5,584,268	4,222,546
Securities held-to-maturity ("HTM")	(ii)	150,405	180,466
Securities held-for-trading ("HFT")	(iii)	480,781	68,796
		6,215,454	4,471,808

(i) Securities AFS

	31 March 2011 RM'000	30 June 2010 RM'000
At fair value		
Money market instruments:-		
Cagamas bonds	166,794	231,996
Malaysian Government Investment Issues	3,399,776	2,446,888
Negotiable Islamic instruments of deposits	428,704	429,386
Bankers' acceptances and Islamic accepted bills	309,182	78,499
Khazanah bonds	232,315	186,560
Bank Negara Malaysia Sukuk Ijarah bonds	7,466	-
	4,544,237	3,373,329
Unquoted securities :		
Islamic private debt securities in Malaysia	1,040,031	849,217
	1,040,031	849,217
Total securities AFS	5,584,268	4,222,546

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A13. Securities Portfolio (contd.)

(ii) Securities HTM

	31 March 2011 RM'000	30 June 2010 RM'000
At amortised cost less impairment losses		
Money market instruments:-		
Malaysian Government Investment Issues	150,405	150,466
Unquoted securities :		
Islamic private debt securities in Malaysia	-	30,000
Total securities HTM	150,405	180,466

(iii) Securities HFT

	31 March 2011 RM'000	30 June 2010 RM'000
At fair value		
Money market instruments:-		
Malaysian Government Investment Issues	54,756	25,365
Bank Negara Malaysia Monetary Notes	426,025	23,459
Bank Negara Malaysia Sukuk Ijarah Bonds	-	19,972
	480,781	68,796
Total securities HFT	480,781	68,796

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A14. Financing and Advances

(i) By type

	31 March 2011 RM'000	30 June 2010 RM'000
Cashline	2,045,628	2,092,616
Term financing		
- Housing financing	5,937,964	5,465,917
- Syndicated financing	63,369	71,137
- Hire purchase receivables	17,719,659	15,028,210
- Other term financing	32,970,069	23,512,350
Bills receivable	1,411	5,004
Trust receipts	183,284	126,423
Claims on customers under acceptance credits	3,400,018	2,881,944
Staff financing	710,551	455,891
Credit/charge cards	282,259	193,114
Revolving credit	2,244,400	1,540,800
	<u>65,558,612</u>	<u>51,373,406</u>
Unearned income	(22,595,457)	(16,796,539)
Gross financing and advances	42,963,155	34,576,867
Allowances for impaired financing and advances:		
- individual	(392,696)	-
- collective	(653,480)	-
- specific	-	(633,025)
- general	-	(533,708)
Net financing and advances	<u>41,916,979</u>	<u>33,410,134</u>

(ii) By Shariah concepts

	31 March 2011 RM'000	30 June 2010 RM'000
Bai' Bithaman Ajil	16,252,117	13,712,133
Al-Ijarah Thumma Al-Bai (AITAB)	14,723,546	12,399,343
Murabahah	10,249,643	6,938,773
Musyarakah Mutanaqisah	1,360,144	1,255,688
Bai Al-Dayn	4,569	3,004
Al-Ijarah Muntahiyah Bi Tamleek	63,369	71,137
Other concepts	309,767	196,789
Gross financing and advances	<u>42,963,155</u>	<u>34,576,867</u>

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A14. Financing and Advances (contd.)

(iii) By type of customers

	31 March 2011 RM'000	30 June 2010 RM'000
Domestic non-banking institutions	3,300,975	2,921,405
Domestic business enterprises		
- Small and medium enterprises	3,696,552	2,418,673
- Others	7,719,197	6,705,571
Government and statutory bodies	84,019	21,439
Individuals	28,016,051	22,386,011
Other domestic entities	9,500	7,986
Foreign entities in Malaysia	136,861	115,782
Gross financing and advances	<u>42,963,155</u>	<u>34,576,867</u>

(iv) By profit rate sensitivity

	31 March 2011 RM'000	30 June 2010 RM'000
Fixed rate		
- House financing	2,782,992	3,094,989
- Hire purchase receivables	14,751,499	12,399,743
- Other financing	5,457,127	4,752,629
Floating rate		
- House financing	2,656,127	1,719,045
- Other financing	17,315,410	12,610,461
Gross financing and advances	<u>42,963,155</u>	<u>34,576,867</u>

(v) By economic purpose

	31 March 2011		30 June 2010	
	RM'000	RM'000	RM'000	RM'000
Purchase of securities		6,843,342		4,020,840
Purchase of transport vehicles	15,529,687		13,585,853	
Less: Hire purchase receivables sold to Cagamas	<u>(743,325)</u>	14,786,362	<u>(1,137,321)</u>	12,448,532
Purchase of landed properties				
- residential	6,083,822		5,566,632	
- non-residential	822,471	6,906,293	750,607	6,317,239
Personal use		834,674		702,426
Consumer durables		15		1,113
Construction		1,648,976		769,318
Working capital		11,586,932		10,117,332
Credit/charge cards		282,259		193,113
Others		74,302		6,954
Gross financing and advances		<u>42,963,155</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:

	31 March 2011 RM'000	30 June 2010 RM'000
Maturity within one year	7,085,616	5,911,689
One year to three years	1,430,677	1,657,436
Three years to five years	6,404,343	5,250,191
After five years	28,042,519	21,757,551
Gross financing and advances	<u>42,963,155</u>	<u>34,576,867</u>

(vii) Impaired financing and advances by economic purpose

	31 March 2011		30 June 2010	
	RM'000	RM'000	RM'000	RM'000
Purchase of securities		4,292		6,739
Purchase of transport vehicles		61,918		40,757
Purchase of landed properties				
- residential	253,469		342,569	
- non-residential	<u>29,940</u>	283,409	<u>27,656</u>	370,225
Personal use		21,689		26,574
Credit/charge cards		4,692		2,834
Consumer durables		3		3
Construction		66,525		86,167
Working capital		<u>624,049</u>		<u>398,194</u>
Gross impaired financing and advances		<u>1,066,577</u>		<u>931,493</u>

(viii) Movement in impaired financing and advances

	31 March 2011 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>	1,045,712
Impaired during the period	622,739	639,433
Reclassified as non-impaired during the period	(316,789)	(404,555)
Recovered	(195,600)	(143,316)
Amount written off	(219,958)	(220,279)
Expenses debited to customers' accounts	20,546	14,498
At end of period	<u>1,066,577</u>	<u>931,493</u>
Less:		
- Individual allowance	(392,696)	-
- Specific allowance	-	(633,025)
Net impaired financing and advances	<u>673,881</u>	<u>298,468</u>

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A14. Financing and Advances (contd.)

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

	31 March 2011 RM'000	30 June 2010 RM'000
Gross financing and advances	42,963,155	34,576,867
Less:		
- Individual allowance	(392,696)	-
- Specific allowance	-	(633,025)
Net financing and advances	<u>42,570,459</u>	<u>33,943,842</u>
Net impaired financing and advances as a percentage of net financing and advances	<u>1.58%</u>	<u>0.88%</u>

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

	31 March 2011 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	56,861	-
Amount written back in respect of recoveries	(22,227)	-
Transfer to collective allowance	(1,528)	-
Amount written off	(114,233)	-
At end of the period	<u>392,696</u>	-
	31 March 2011 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	43,740	-
Transfer from individual allowance	1,528	-
Amount written off	(105,726)	-
At end of the period	<u>653,480</u>	-
As a % of gross financing and advances less individual assessment allowance	<u>1.54%</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:**

	31 March 2011 RM'000	30 June 2010 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
	31 March 2011 RM'000	30 June 2010 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.

	31 March 2011			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	1,213,623	5,635	(5,579)	685,223	3,119	(2,743)
Profit rate derivatives:						
Profit rate swap						
- Less than one year	600,000	3,192	-	933,800	80	(3,719)
Options						
- Less than one year	489,150	595	(25,353)	430,050	14,314	(14,313)
	<u>1,089,150</u>	<u>3,787</u>	<u>(25,353)</u>	<u>1,363,850</u>	<u>14,394</u>	<u>(18,032)</u>
Total derivative assets/(liabilities)	<u>2,302,773</u>	<u>9,422</u>	<u>(30,932)</u>	<u>2,049,073</u>	<u>17,513</u>	<u>(20,775)</u>

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A16. Other Assets

	31 March 2011 RM'000	30 June 2010 RM'000
Income receivables	97,804	89,597
Amount due from holding company	1,402,943	-
Handling fees	120,763	108,129
Prepayments and deposits	28,475	2,072
Others	218,211	6,880
	1,868,196	206,678

A17. Deposits from Customers

i) By type of deposit

	31 March 2011 RM'000	30 June 2010 RM'000
<u>Mudharabah Fund</u>		
Demand deposits	3,467,200	2,870,838
Savings deposits	352,753	258,018
General investment deposits	17,769,016	13,686,631
Negotiable instruments of deposits	296,507	656,815
	21,885,476	17,472,302
<u>Non-Mudharabah Fund</u>		
Demand deposits	5,555,833	4,432,253
Savings deposits	5,874,503	5,029,645
Fixed return investment deposits	12,787,556	7,114,164
Structured deposits *	463,074	450,289
	24,680,966	17,026,351
	46,566,442	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

	31 March 2011 RM'000	30 June 2010 RM'000
Business enterprises	21,647,357	12,630,647
Individuals	11,930,059	9,544,610
Government and statutory bodies	7,404,002	6,649,935
Others	5,585,024	5,673,461
	46,566,442	34,498,653

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A18. Deposits and Placement of Banks and Other Financial Institutions

	31 March 2011 RM'000	30 June 2010 RM'000
<u>Mudharabah Fund</u>		
Licensed banks	1,230,051	148,112
Other financial institutions	659,527	232,288
	1,889,578	380,400
<u>Non-Mudharabah Fund</u>		
Licensed banks	8,464	667
Other financial institutions	1,209,994	310,633
	1,218,458	311,300
	3,108,036	691,700

A19. Other Liabilities

	Note	31 March 2011 RM'000	30 June 2010 RM'000
Profit payable		147,358	114,059
Profit equalisation reserve ("PER")	(i)	64,863	-
Sundry creditors		19,412	34,033
Deposit on trade financing		16,207	13,968
Provisions and accruals		6,487	11,950
Amount due to holding company		-	1,041,663
Others		-	15,466
		254,327	1,231,139

(i) PER

	31 March 2011 RM'000	30 June 2010 RM'000
At beginning of period	-	41,333
Provided during the period	65,273	31,525
Write back during the period	(410)	(72,858)
At end of period*	64,863	-

* PER at the end of the third financial quarter of which the shareholder's portion is RM 3,428,818 (30 June 2010: RM nil).

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A20. Subordinated Sukuk

	31 March 2011 RM'000	30 June 2010 RM'000
RM1,000 million Islamic Subordinated Sukuk due in 2021	1,000,000	-

On 31 March 2011, the Bank issued RM1.0 billion nominal value Islamic Subordinated Sukuk under the Shariah principle of Musyarakah. The Subordinated Sukuk carries a tenure of 10 years from the issue date on 10 non-callable 5 basis, with a profit rate of 4.22% per annum payable semi-annually in arrears in March and September each year, and are due in March 2021. Under the 10 non-callable 5 basis feature, the Bank has the option to redeem the Subordinated Sukuk on any semi-annual distribution date on or after the 5th anniversary from the issue date. Should the Bank decide not to exercise its option to redeem the Subordinated Sukuk, the Subordinated Sukuk shall continue to be outstanding until the final maturity date.

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A21. Income derived from Investment of Depositors' Funds

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31 March	31 March	31 March	31 March
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
i) General investment deposits	443,755	302,364	1,146,940	746,171
ii) Other deposits	175,140	155,712	600,930	583,981
	<u>618,895</u>	<u>458,076</u>	<u>1,747,870</u>	<u>1,330,152</u>

i) Income derived from investment of general investment deposits

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31 March	31 March	31 March	31 March
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Financing and advances	350,786	256,574	917,979	621,318
Money at call and deposit with financial institutions	29,076	11,055	68,786	24,106
Securities AFS	29,655	22,398	74,637	56,440
Securities HTM	1,205	893	3,234	2,144
Securities HFT	503	344	976	839
	<u>411,225</u>	<u>291,264</u>	<u>1,065,612</u>	<u>704,847</u>
Amortisation of premium less accretion of discounts	566	9	325	2,012
Total finance income and hibah	<u>411,791</u>	<u>291,273</u>	<u>1,065,937</u>	<u>706,859</u>
Other operating income :				
Fee income				
- Processing fees	197	191	459	1,171
- Commissions	14,263	8,182	35,931	18,963
- Service charges	11,096	6,809	27,878	16,684
Unrealised gains on revaluation of derivatives	1,203	118	2,308	1,094
Gains on sale of securities AFS	3,276	356	11,523	1,094
(Losses)/gains on sale of securities HFT	(207)	30	305	380
Unrealised gains/(losses) on revaluation of securities HFT	233	(70)	585	(74)
Unrealised gains/(losses) on foreign exchange translations	1,903	(4,525)	2,014	-
	<u>443,755</u>	<u>302,364</u>	<u>1,146,940</u>	<u>746,171</u>

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A21. Income derived from Investment of Depositors' Funds (contd)

ii) Income derived from investment of other deposits

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31 March 2011 RM'000	31 March 2010 RM'000	31 March 2011 RM'000	31 March 2010 RM'000
Financing and advances	137,523	134,294	480,968	486,269
Money at call and deposit with financial institutions	11,995	6,272	36,040	18,866
Securities AFS	11,868	11,322	39,105	44,172
Securities HTM	467	471	1,695	1,678
Securities HFT	225	178	511	656
	162,078	152,537	558,319	551,641
Amortisation of premium less accretion of discounts	317	(359)	171	1,574
Total finance income and hibah	162,395	152,178	558,490	553,215
Other operating income :				
Fee income				
- Processing fees	81	-	240	967
- Commissions	5,705	4,459	18,826	14,840
- Service charges	4,444	3,479	14,606	13,008
Unrealised gains on revaluation of derivatives	540	(86)	1,209	856
Gains on sale of securities AFS	1,043	144	6,037	856
(Losses)/gains on sale of securities HFT	(150)	(41)	160	297
Unrealised gains/(losses) on revaluation of securities HFT	94	(54)	307	(58)
Unrealised gains/(losses) on foreign exchange translations	988	(4,367)	1,055	-
	175,140	155,712	600,930	583,981

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A22. Income derived from Investment of Shareholder's Funds

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31 March 2011 RM'000	31 March 2010 RM'000	31 March 2011 RM'000	31 March 2010 RM'000
Financing and advances	13,859	19,264	78,079	73,105
Money at call and deposit with financial institutions	1,355	910	5,851	2,836
Securities AFS	1,255	1,616	6,348	6,641
Securities HTM	45	67	275	252
Securities HFT	30	26	83	99
	16,544	21,883	90,636	82,933
Amortisation of premium less accretion of discounts	55	(59)	28	237
Total finance income and hibah	16,599	21,824	90,664	83,170
Other operating income :				
Fee income				
- Processing fees	9	-	39	152
- Commissions	603	647	3,056	2,230
- Service charges	471	491	2,371	1,949
Unrealised gains/(losses) on revaluation of derivatives	71	(15)	196	129
Gains on sale of securities AFS	46	20	980	129
(Losses)/gains on sale of securities HFT	(32)	(7)	26	45
Unrealised gains/(losses) on revaluation of securities HFT	10	(8)	50	(9)
Unrealised gains/(losses) on foreign exchange translations	159	(668)	171	-
	17,936	22,284	97,553	87,795

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A23. Allowance for Impairment on Financing and Advances

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31 March 2011 RM'000	31 March 2010 RM'000	31 March 2011 RM'000	31 March 2010 RM'000
Allowance for impaired financing:				
Individual Allowance				
- made in the period	(202)	-	56,861	-
- written back	8,946	-	(22,227)	-
Specific allowance				
- made in the period	-	80,456	-	279,886
- written back	-	(11,111)	-	(50,919)
Collective Allowance	27,712	-	43,740	-
General allowance				
- made in the period	-	23,999	-	198,830
- written back	-	(25,911)	-	(123,840)
Impaired financing				
- written off	908	9	3,481	181
- recovered	(15,126)	(8,377)	(42,800)	(24,793)
	22,238	59,065	39,055	279,345

A24. Income attributable to Depositors

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31 March 2011 RM'000	31 March 2010 RM'000	31 March 2011 RM'000	31 March 2010 RM'000
Deposits from customers				
- Mudharabah	129,996	89,154	324,363	228,513
- Non-Mudharabah	77,256	39,173	234,486	87,687
	207,252	128,327	558,849	316,200
Deposits and placements of banks and other financial institutions				
- Mudharabah	56,506	47,430	180,858	160,262
- Non-Mudharabah	688	714	2,091	2,189
	57,194	48,144	182,949	162,451
	264,446	176,471	741,798	478,651

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A25. Overhead Expenses

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31 March	31 March	31 March	31 March
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	4,192	2,132	11,606	6,495
- Salaries, allowances and bonuses	3,124	1,653	8,863	4,859
- Pension costs	510	242	1,375	724
- Others	558	237	1,368	912
Establishment costs	436	521	1,134	1,593
- Rental of premises	142	143	458	428
- Repairs, servicing and maintenance	-	1	5	9
- Information technology expenses	294	377	671	1,156
Marketing costs	1,585	3,991	5,220	13,765
- Advertisement and publicity	1,582	3,989	5,205	13,756
- Others	3	2	15	9
Administration and general expenses	129,082	100,330	365,473	287,996
- Fees and brokerage	2,489	3,246	9,118	9,306
- Administrative expenses	1,343	796	4,610	4,589
- General expenses	4,623	1,659	8,197	5,938
- Shared service cost paid/payable to Maybank	120,627	94,629	343,548	268,163
	135,295	106,974	383,433	309,849

A26. Finance Cost

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31 March	31 March	31 March	31 March
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Islamic subordinated sukuk	116	-	116	-

A27. Taxation and Zakat

The analysis of the taxation and zakat expense for the second financial quarter ended 31 March 2011 are as follows:

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31 March	31 March	31 March	31 March
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	57,156	39,594	179,510	116,137
Deferred tax expense in relation to origination and reversal of temporary differences	(10,197)	(6,092)	(33,338)	(33,543)
Tax expense for the period	46,959	33,502	146,172	82,594
Zakat expense	4,937	1,671	8,997	5,586
	51,896	35,173	155,169	88,180

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A28. 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 March 2011			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	245,903	238,498	160,111	231,467	231,467	197,308
Certain transaction-related contingent items	613,668	297,645	258,405	578,250	289,125	261,531
Short-term self-liquidating trade-related contingencies	128,353	24,840	11,603	141,549	28,310	25,121
Hire purchase financing sold to Cagamas Berhad	-	-	-	1,137,321	1,137,321	1,137,321
Irrevocable commitments to extend credit:						
- maturity within one year	1,506,066	297,237	173,557	8,490,457	-	-
- maturity more than one year	454,041	89,392	39,833	993,810	496,905	465,488
Miscellaneous	2,076,139	69,438	28,780	5,988	-	-
Total credit-related commitments and contingencies	5,024,170	1,017,050	672,289	11,578,842	2,183,128	2,086,769
<u>Derivative Financial Instruments</u>						
Foreign exchange related contracts:						
- less than one year	1,213,623	23,792	10,587	685,223	22,572	4,711
Profit rate related contracts:						
- less than one year	1,089,150	23,247	8,501	1,363,850	33,532	6,706
Total treasury-related commitments and contingencies	2,302,773	47,039	19,088	2,049,073	56,104	11,417
	7,326,943	1,064,089	691,377	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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A29. 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 March 2011 RM'000	<u>Basel I</u> 30 June 2010 RM'000
Core capital ratio	10.26%	9.14%
Risk-weighted capital ratio ("RWCR")	<u>13.44%</u>	<u>10.66%</u>

Components of Tier I and Tier II capital:

<u>Tier I capital</u>		
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 ¹	<u>(150,335)</u>	<u>(79,712)</u>
Total Tier I capital	<u>3,472,871</u>	<u>3,199,909</u>
<u>Tier II capital</u>		
Subordinated sukuk	1,000,000	-
Collective allowance on non-impaired financing and advances	71,457	-
General allowance for bad and doubtful financing	-	533,708
Surplus of total EP over total EL ²	<u>6,229</u>	<u>-</u>
Total Tier II capital	<u>1,077,686</u>	<u>533,708</u>
Total capital	<u>4,550,557</u>	<u>3,733,617</u>
Less: Other deduction	<u>(124)</u>	<u>(9)</u>
Capital base	<u>4,550,433</u>	<u>3,733,608</u>

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

² EP is defined as eligible provision and EL is defined as expected loss.

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A29. 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 March 2011 - Basel II

	31 March 2011 RM'000
Standardised Approach exposure	3,254,142
Internal Ratings Based Approach exposure after scaling factor	<u>21,323,593</u>
Total risk-weighted asset for credit risk	24,577,735
Total risk-weighted asset for market risk	858,766
Total risk-weighted asset for operational risk	2,212,504
Additional risk-weighted asset due to capital floor	<u>6,207,948</u>
Total risk-weighted assets	<u>33,856,953</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		483,259
Total risk-weighted assets for credit and market risks		<u>35,001,014</u>

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A30. 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 30(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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A30. 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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A30. 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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A31. 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 Third Quarter of the Financial Year 2010/11

The Bank continued to record a healthy growth in top line revenues for the nine-month period ended 31 March 2011 in line with expansion of earning assets. Income derived from investment of depositors' funds grew by RM417.7 million or 31% to RM1,747.9 million over that of previous year's corresponding period. The income from depositors' fund by income classifications for the period were income from financing of RM1,398.9 million (80%), followed by income from investment in securities portfolio of RM120.2 million (7%), other income and amortisation of premium of RM123.9 million (7%) as well as income from deposit placement with financial institutions of RM104.8 million (6%). Income from investment of shareholder's funds also rose to RM97.6 million, higher by RM9.8 million or 11%.

Total Impairment Allowance was RM39.1 million against RM279.3 million in last year's corresponding period largely due to much lower provision required as opposed to exceptionally high provisions made last year. 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. Individual allowance stood at RM34.6 million and collective allowance at RM43.7 million for the period ended 31 March 2011. Impaired financing recovered higher by RM18.0 million or 73% to RM42.8 million as at 31 March 2011.

Todate, a total of RM64.9 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-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 impairment write-back following adoption of FRS139. The Bank decided to build up PER to shield against any future loss or impairment.

Hence, the Bank's total distributable income for the nine-month period leapt to RM1,718.9 million, higher by RM549.2 million or 47% 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 RM263.1 million, to RM741.8 million or 55% compared to that of previous corresponding period due to competitive market rate environment within the industry. Income distributable comprised dividends paid on placements of Mudharabah and non-Mudharabah customer deposits of RM558.8 million (75%) and dividends on deposits and placements by banks and other financial institutions of RM182.9 million (25%).

Overhead Expenses recorded at RM383.4 million, an increase of RM73.6 million or 24% from the corresponding period last year. The increase of overall overhead expenses is in consonant with growth in business which leveraging on the parent company infrastructure.

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

The Bank's pre-tax profit for the nine-month period ended 31 March 2011 of RM593.5 million was RM212.4 million or 56% higher than last year's corresponding period of RM381.1 million. Net of effective corporate tax pro-rated for the nine-month period as well as zakat, the Bank registered a net profit after tax and zakat of RM438.3 million, up by RM145.4 million or 50% against that of the corresponding period last year.

The Bank's financing assets comprised consumer financing portfolio of 68%, business financing of 10% while corporate financing made up the remaining 22% as at March 2011. Gross financing closed at RM42.9 billion, a growth of RM8.4 billion or 24% 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 RM724.0 million. The net impaired allowance ratio as at 31 March 2011 stood at 1.70% as compared to 0.88% as at 30 June 2010.

Total customer deposits clocked at RM46.6 billion, expanded by RM12.1 billion compared to RM34.5 billion recorded in last financial year ended 30 June 2010. Mudharabah fund accounted for 47% whilst and non-Mudharabah fund accounted for 53% of total customer deposits.

The Bank continued to dominate the industry with market share of financing and customer deposits of 25% and 26% respectively based on industry's position as at February 2011.

The Bank's core capital ratio and risk-weighted capital ratio under Basel II-Internal Rates Based ("IRB") recorded at 10.26% and 13.44% respectively as at March 2011.

B2. Current Year Prospects

Malaysia's real GDP is projected to grow 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, rising household debt and inflationary pressure have posed greater risk on the banking system, forcing Bank Negara Malaysia to introduce tightening measures to curb consumer loans growth. This is to be followed by the resumption in interest rate hikes expected in the second half of the year.

Nevertheless, 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 investment.

Barring unforeseen circumstances, the Bank expects its financial performance for the year ending 30 June 2011 to be better than the last financial year. The Bank is on track and with the encouraging growth in its business after nine months operating in financial year 2010/11, the Bank is confident to achieve the targeted growth set for FY 2010/11.

B3. Profit Forecast or Profit Guarantee

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