

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2009

Group	Note	2nd Quarter Ended		Cumulative 6 Months Ended	
		31 December 2009	31 December 2008	31 December 2009	31 December 2008
		RM'000	RM'000	RM'000	RM'000
Interest income	A16	2,732,413	3,163,811	5,460,664	5,735,690
Interest expense	A17	(1,049,359)	(1,616,395)	(2,149,994)	(2,923,259)
Net interest income		1,683,054	1,547,416	3,310,670	2,812,431
Income from Islamic Banking					
Scheme operations:					
Gross operating income		368,441	292,843	708,608	576,897
Profit equalisation reserves		(12,492)	12,234	28,897	13,413
	A29b	355,949	305,077	737,505	590,310
		2,039,003	1,852,493	4,048,175	3,402,741
Non-interest income	A18	1,218,100	832,186	2,360,071	1,327,182
Net income		3,257,103	2,684,679	6,408,246	4,729,923
Overhead expenses	A19	(1,638,741)	(1,403,024)	(3,209,490)	(2,629,507)
		1,618,362	1,281,655	3,198,756	2,100,416
Allowance for losses on loans, advances and financing	A20	(243,556)	(321,093)	(661,279)	(506,514)
Impairment losses on securities, net		(9,828)	(22,562)	(42,092)	(38,809)
Operating Profit		1,364,978	938,000	2,495,385	1,555,093
Impairment loss on investment in associated companies		-	-	-	(242,000)
Write-back of allowance for non-refundable deposit		-	-	-	483,824
		1,364,978	938,000	2,495,385	1,796,917
Share of profits in associated companies		34,976	22,285	60,784	45,142
Profit before taxation and zakat		1,399,954	960,285	2,556,169	1,842,059
Taxation & Zakat	B5	(376,574)	(225,617)	(626,036)	(536,635)
Profit for the period		1,023,380	734,668	1,930,133	1,305,424
Attributable to:					
Equity holders of the parent		993,502	734,560	1,875,305	1,306,733
Minority Interest		29,878	108	54,828	(1,309)
		1,023,380	734,668	1,930,133	1,305,424
Earnings per share attributable to equity holders of the parent	B13				
Basic		14.04 sen	13.35 sen ¹	26.50 sen	23.76 sen ¹
Fully diluted		14.04 sen	13.35 sen ¹	26.50 sen	23.76 sen ¹

¹ Adjusted for rights issue completed on 30 April 2009.

(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements)

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FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2009

Bank	Note	2nd Quarter Ended		Cumulative 6 Months Ended	
		31 December 2009 RM'000	31 December 2008 RM'000	31 December 2009 RM'000	31 December 2008 RM'000
Interest income	A16	2,140,994	2,468,528	4,283,866	4,938,264
Interest expense	A17	(795,990)	(1,202,058)	(1,630,255)	(2,443,652)
Net interest income		1,345,004	1,266,470	2,653,611	2,494,612
Non-interest income	A18	1,351,681	514,662	2,090,105	818,974
Net income		2,696,685	1,781,132	4,743,716	3,313,586
Overhead expenses	A19	(1,051,317)	(894,325)	(2,023,268)	(1,842,866)
		1,645,368	886,807	2,720,448	1,470,720
Allowance for losses on loans, advances and financing	A20	(128,707)	(137,469)	(299,901)	(277,164)
Impairment losses on securities, net		(9,818)	(6,035)	(43,912)	(42,073)
Operating Profit		1,506,843	743,303	2,376,635	1,151,483
Impairment loss on investment in a subsidiary		-	-	-	(242,000)
Write-back of allowance for non-refundable deposit		-	-	-	483,824
Profit before taxation and zakat		1,506,843	743,303	2,376,635	1,393,307
Taxation	B5	(409,035)	(144,278)	(635,619)	(353,161)
Profit for the period		1,097,808	599,025	1,741,016	1,040,146

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MALAYAN BANKING BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS AS AT 31 DECEMBER 2009

	Note	GROUP		BANK	
		31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
ASSETS					
Cash and short-term funds		30,975,103	23,607,979	25,630,637	17,448,312
Deposits and placements with financial institutions		8,703,846	6,299,175	7,317,617	7,563,969
Securities purchased under resale agreements		135,865	346,462	135,865	346,462
Securities portfolio	A9	58,225,811	57,727,128	50,670,251	47,020,177
Loans, advances and financing	A10	195,124,730	185,783,166	147,038,686	144,431,798
Derivative assets		959,666	973,685	935,529	929,904
Other assets	A11	5,223,518	5,249,290	3,788,452	3,818,866
Investment properties		49,109	26,578	-	-
Statutory deposits with Central Banks		4,379,089	4,050,932	1,846,752	2,110,143
Investment in subsidiaries		-	-	11,786,293	11,786,293
Interests in associates		2,595,478	2,630,123	418,639	343,049
Property, plant and equipment		1,395,566	1,395,562	1,113,545	1,115,140
Intangible assets		4,612,487	4,374,010	154,599	168,132
Deferred tax assets		1,502,053	1,493,132	1,176,448	1,194,897
Life, general takaful and family takaful fund assets		16,949,203	16,781,901	-	-
TOTAL ASSETS		330,831,524	310,739,123	252,013,313	238,277,142
LIABILITIES					
Deposits from customers	A12	230,865,510	212,598,589	178,114,153	163,452,930
Deposits and placements of banks and other financial institutions	A13	27,368,685	28,781,863	27,263,962	30,121,916
Obligations on securities sold under repurchase agreements		317,803	-	-	-
Bills and acceptances payable		1,376,894	1,470,063	1,242,225	1,328,279
Derivative liabilities		1,214,200	1,459,068	1,173,572	1,381,860
Other liabilities	A15	6,585,791	5,996,250	3,460,270	3,253,358
Recourse obligation on loans sold to Cagamas		465,614	516,265	465,614	516,265
Provision for taxation and zakat		168,088	87,743	-	-
Deferred tax liabilities		71,370	57,430	-	-
Borrowings	A14(i)	2,934,552	2,502,060	2,083,333	1,512,310
Subordinated obligations	A14(ii)	8,629,114	8,672,373	8,124,708	8,152,239
Capital Securities	A14(iii)	6,054,935	6,047,541	6,054,935	6,047,541
Life, general takaful and family takaful fund liabilities		4,488,390	4,529,995	-	-
Life, general takaful and family takaful policy holders' funds		12,460,712	12,251,906	-	-
TOTAL LIABILITIES		303,001,658	284,971,146	227,982,772	215,766,698

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UNAUDITED BALANCE SHEETS AS AT 31 DECEMBER 2009

	Note	GROUP		BANK	
		31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
SHAREHOLDERS' EQUITY					
Share capital		7,077,983	7,077,663	7,077,983	7,077,663
Reserves		19,822,852	17,821,083	16,952,558	15,432,781
		26,900,835	24,898,746	24,030,541	22,510,444
Minority Interest		929,031	869,231	-	-
Total equity		27,829,866	25,767,977	24,030,541	22,510,444
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		330,831,524	310,739,123	252,013,313	238,277,142
COMMITMENTS AND CONTINGENCIES					
	A25	242,786,455	221,586,702	224,596,696	201,853,878
<u>CAPITAL ADEQUACY</u>					
	A27				
Based on credit and market risks:					
<u>Without deducting dividend payable *</u>					
Core capital ratio		11.00%	11.00%	15.00%	14.29%
Risk-weighted capital ratio		14.86%	14.99%	15.00%	14.29%
<u>After deducting dividend payable</u>					
Core capital ratio:		10.76%	10.81%	14.69%	14.06%
Risk-weighted capital ratio:		14.61%	14.81%	14.69%	14.06%
Net assets per share attributable to equity holders of the parent		RM3.80	RM3.52	RM3.40	RM3.18

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

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MALAYAN BANKING BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2009

GROUP	<===== Non Distributable =====>											
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unrealised Holding Reserve/(Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserve RM'000	Revaluation Reserve RM'000	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 July 2009	7,077,663	5,901,692	4,664,983	15,250	(148,388)	(666,885)	63,191	2,742	7,988,498	24,898,746	869,231	25,767,977
Currency translation differences	-	-	-	-	-	259,655	-	-	-	259,655	3,041	262,696
Effects on adoption of Risk Based Capital ("RBC") Framework	-	-	-	-	(4,628)	-	-	-	(19,026)	(23,654)	(10,602)	(34,256)
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	-	306,196	-	-	-	-	306,196	9,332	315,528
Net gain/(loss) not recognised in the income statement	-	-	-	-	301,568	259,655	-	-	(19,026)	542,197	1,771	543,968
Net profit for the period	-	-	-	-	-	-	-	-	1,875,305	1,875,305	54,828	1,930,133
Total recognised income/(expense) for the year	-	-	-	-	301,568	259,655	-	-	1,856,279	2,417,502	56,599	2,474,101
Issue of ordinary shares pursuant to ESOS	320	1,805	-	-	-	-	-	-	-	2,125	-	2,125
Transfer to/from statutory reserves	-	-	451,320	-	-	-	-	-	(451,320)	-	-	-
Transfer to/from share option reserve	-	-	-	-	-	-	(63,191)	-	63,191	-	-	-
Revaluation reserve from investment properties	-	-	-	-	-	-	-	7,141	-	7,141	3,201	10,342
Dividend paid	-	-	-	-	-	-	-	-	(424,679)	(424,679)	-	(424,679)
At 31 December 2009	7,077,983	5,903,497	5,116,303	15,250	153,180	(407,230)	-	9,883	9,031,969	26,900,835	929,031	27,829,866

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2009

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

GROUP	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unrealised Holding Reserve/(Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserves RM'000	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 July 2008	4,881,123	2,097,011	4,573,636	15,250	(416,340)	(41,752)	63,069	8,130,496	19,302,493	789,269	20,091,762
Currency translation differences	-	-	-	-	-	(111,457)	-	-	(111,457)	(3,146)	(114,603)
Acquisition of an Interest by Minority Interest	-	-	-	-	-	-	-	-	-	93,473	93,473
Effects of acquisition/disposal of interests from/to minority interest	-	-	-	-	-	-	-	(20,116)	(20,116)	(19,594)	(39,710)
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	-	500,798	-	-	-	500,798	(11,794)	489,004
Net gain/(loss) not recognised in the income statement	-	-	-	-	500,798	(111,457)	-	(20,116)	369,225	58,939	428,164
Net profit for the period	-	-	-	-	-	-	-	1,306,733	1,306,733	(1,309)	1,305,424
Total recognised income for the period	-	-	-	-	500,798	(111,457)	-	1,286,617	1,675,958	57,630	1,733,588
Share-based payment under ESOS	-	-	-	-	-	-	(27,067)	-	(27,067)	-	(27,067)
Transfer to/from statutory reserves	-	-	353,326	-	-	-	-	(353,326)	-	-	-
Issue of ordinary shares pursuant to ESOS	24	154	-	-	-	-	-	-	178	-	178
Dividend paid	-	-	-	-	-	-	-	(722,410)	(722,410)	-	(722,410)
At 31 December 2008	4,881,147	2,097,165	4,926,962	15,250	84,458	(153,209)	36,002	8,341,377	20,229,152	846,899	21,076,051

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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2009

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

BANK	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Unrealised Holding Reserve/(Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserves RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 July 2009	7,077,663	5,901,692	4,483,770	(83,433)	139,771	63,191	4,927,790	22,510,444
Currency translation differences	-	-	-	-	19,743	-	-	19,743
Unrealised net gain on revaluation of securities available for sale	-	-	-	181,892	-	-	-	181,892
Net gain/(loss) not recognised in the income statement	-	-	-	181,892	19,743	-	-	201,635
Net profit for the period	-	-	-	-	-	-	1,741,016	1,741,016
Total recognised income/(expense) for the year	-	-	-	181,892	19,743	-	1,741,016	1,942,651
Transfer to/from statutory reserve	-	-	436,000	-	-	-	(436,000)	-
Transfer to/from share option reserve	-	-	-	-	-	(63,191)	63,191	-
Issue of ordinary shares pursuant to ESOS	320	1,805	-	-	-	-	-	2,125
Dividend paid	-	-	-	-	-	-	(424,679)	(424,679)
At 31 December 2009	7,077,983	5,903,497	4,919,770	98,459	159,514	-	5,871,318	24,030,541

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2009

	<=====Non Distributable=====>				Exchange Fluctuation Reserve	Other Reserves	Distributable Retained Profits	Total Equity
	Share Capital	Share Premium	Statutory Reserve	Unrealised Holding Reserve/(Deficit)				
BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2008	4,881,123	2,097,011	4,483,770	(400,753)	94,730	63,069	5,981,365	17,200,315
Currency translation differences	-	-	-	-	136,650	-	-	136,650
Unrealised net gain on revaluation of securities available for sale	-	-	-	571,465	-	-	-	571,465
Net gain/(loss) not recognised in the income statement	-	-	-	571,465	136,650	-	-	708,115
Net profit for the year	-	-	-	-	-	-	1,040,146	1,040,146
Total recognised income/(expense) for the year	-	-	-	571,465	136,650	-	1,040,146	1,748,261
Share-based payment under ESOS	-	-	-	-	-	122	-	122
Transfer to/from statutory reserves	-	-	261,000	-	-	-	(261,000)	-
Issue of ordinary shares pursuant to ESOS	24	154	-	-	-	-	-	178
Dividend paid	-	-	-	-	-	-	(722,410)	(722,410)
At 31 December 2008	4,881,147	2,097,165	4,744,770	170,712	231,380	63,191	6,038,101	18,226,466

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2009

	GROUP		BANK	
	31 December 2009 RM'000	31 December 2008 RM'000	31 December 2009 RM'000	31 December 2008 RM'000
Profit before taxation	2,556,169	1,842,059	2,376,635	1,393,307
Adjustments for non-operating and non-cash items	<u>674,774</u>	716,447	<u>(321,590)</u>	691,174
Operating profit before working capital changes	3,230,943	2,558,506	2,055,045	2,084,481
Changes in working capital:-				
Net changes in operating assets	5,416,385	(9,648,409)	8,945,130	(8,319,089)
Net changes in operating liabilities	(599,992)	4,259,519	(2,516,824)	3,704,442
Tax expense and zakat paid	<u>(612,060)</u>	<u>(706,177)</u>	<u>(677,744)</u>	<u>(617,249)</u>
Net cash generated from/(used in) operations	<u>7,435,276</u>	<u>(3,536,561)</u>	<u>7,805,607</u>	<u>(3,147,415)</u>
Net cash generated from/(used in) investing activities	36,612	(7,115,802)	496,357	(8,969,490)
Net cash generated from financing activities	<u>149,925</u>	4,970,560	<u>149,925</u>	4,411,831
	<u>186,537</u>	<u>(2,145,242)</u>	<u>646,282</u>	<u>(4,557,659)</u>
Net change in cash and cash equivalents	7,621,813	(5,681,803)	8,451,889	(7,705,074)
Cash and cash equivalents at beginning of year *	<u>23,353,290</u>	28,416,441	<u>17,178,748</u>	24,796,390
Cash and cash equivalents at end of year	<u>30,975,103</u>	22,734,638	<u>25,630,637</u>	17,091,316
* Cash and cash equivalents at beginning of year				
Cash and short term funds as previously reported	23,607,979	27,644,359	17,448,312	24,069,617
Effects of foreign exchange rate changes	<u>(254,689)</u>	772,082	<u>(269,564)</u>	726,773
As restated	<u>23,353,290</u>	28,416,441	<u>17,178,748</u>	24,796,390

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

A1. Basis of Preparation

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

The condensed interim financial statements were not audited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Chapter 9, part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2009. These explanatory notes attached to the audited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2009.

The significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited annual financial statements for the year ended 30 June 2009 except for adoption of the following Financial Reporting Standard (“FRS”) effective from the financial period beginning 1 July 2009:

- (i) FRS 8 Operating Segments
- (ii) Amendments to FRS 8 Operating Segments

The following new Financial Reporting Standards (“FRSs”), amendments to FRS and IC Interpretations have been issued but are not yet effective and have not been adopted by the Group and the Bank:

FRS, Amendments to FRS and Interpretations

	Effective date
(i) FRS 1 First-time Adoption of Financial Reporting Standards	July 2010
(ii) FRS 3 Business Combinations	July 2010
(iii) FRS 4 Insurance Contracts	January 2010
(iv) FRS 7 Financial Instruments-Disclosures	January 2010
(v) FRS 101 Presentation of Financial Statements	January 2010
(vi) FRS 123 Borrowing Costs	January 2010
(vii) FRS 127 Consolidated and Separate Financial Statements	July 2010
(viii) FRS 139 Financial Instruments – Recognition and Measurement	January 2010
(ix) Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations	July 2010
(x) Amendments to FRS 5 Non-current assets Held for Sale and Discontinued Operations	July 2010
(xi) Amendments to FRS 110 Events After the Balance Sheet Date	January 2010
(xii) Amendments to FRS 116 Property, Plant & Equipment	January 2010
(xiii) Amendments to FRS 117 Leases	January 2010
(xiv) Amendments to FRS 118 Revenue	January 2010
(xv) Amendments to FRS 119 Employee Benefits	January 2010
(xvi) Amendments to FRS 123 Borrowing Costs	January 2010
(xvii) Amendments to FRS 127 Consolidated and Separate Financial Statements	January 2010
(xviii) Amendments to FRS 128 Investments in associates	January 2010

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A1. Basis of Preparation (contd.)

	Effective date
(xix) Amendments to FRS 131 Interests in Joint Ventures	January 2010
(xx) Amendments to FRS 132 Financial Instruments Presentation	January 2010
(xxi) Amendments to FRS 134 Interim Financial Reporting	January 2010
(xxii) Amendments to FRS 136 Impairment of Assets	January 2010
(xxiii) Amendments to FRS 138 Intangible Assets	July 2010
(xxiv) Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures	January 2010
(xxv) TR i-3 Presentation of Financial Statements of Islamic Financial Institutions	January 2010
(xxvi) SOP i-1 Financial Reporting from an Islamic Perspective	January 2010
(xxvii) IC Interpretation 9: Reassessment of Embedded Derivatives	January 2010
(xxviii) IC Interpretation 10: Interim Financial Reporting and Impairment	January 2010
(xxix) IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	January 2010
(xxx) IC Interpretation 12: Service Concession Arrangements	July 2010
(xxxii) IC Interpretation 13: Customer Loyalty Programmes	January 2010
(xxxiii) IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 2010
(xxxiiii) IC Interpretation 15: Agreements for the Construction of Real Estate	July 2010
(xxxv) IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	July 2010
(xxxvi) IC Interpretation 17: Distributions of Non-cash Assets to Owners	July 2010

FRS 8 does not have significant impact on the financial statements of the Group and the Bank.

The allowance for doubtful debts and financing of the Group and the Bank are computed based on the requirements of BNM/GP3, which is consistent with the adoption made in the previous audited annual financial statements. Specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as bad and doubtful. Additional allowances are made for long outstanding non-performing loans aged more than five years. In addition, a general allowance based on a certain percentage of total risk-weighted assets for credit risk, which takes into account all balance sheet items and their perceived credit risk levels, is maintained.

BNM has issued detailed guidelines under the Risk-Based Capital Framework for insurers (“the RBC Framework”) which became effective for the annual period beginning on or after 1 January 2009. The insurance subsidiaries conducting conventional businesses of the Group have adopted the accounting policies in investments, receivables, unexpired risks and general and life insurance liabilities as specified in the RBC Framework for the annual period beginning on 1 July 2009. The effect of the RBC Framework to the unrealized holding reserves and retained profits of the Group as at 1 July 2009 is reflected in the Statement of Changes in Equity and does not have any significant impact on the financial statements of the Group other than those disclosed in the Statement of Changes in Equity.

A2. Significant Accounting Estimates and Judgments

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

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

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) Valuation of Investment Properties

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties and is performed by professional independent valuers.

(iii) Impairment of Goodwill

The Group tests annually whether the goodwill that has an indefinite life has suffered any impairment by measuring the recoverable amount of the goodwill based on the value-in-use method, which requires the use of estimates of cash flow projections, growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

(iv) Impairment of Other Intangible Assets

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

The determination of the estimated useful life of these intangible assets requires the Bank's management to analyse the circumstances, the industry and market practice and also to use judgment. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

(v) Liabilities of Insurance Business

The actuarial estimate of future contingent policy liabilities is computed in accordance with the standards and basis prescribed under the Insurance Act and Regulations, and uses a level net premium methodology with allowances for acquisition costs through the application of a zilmer or full preliminary term adjustments, whichever produces higher reserves.

For general claims, reserve is made upon notification of a new claim where the potential liability will be assessed based on information available. Where little or no information is available, a "blind" reserve will be used. The blind reserves are based on class of business and are reviewed annually in line with Bank Negara Malaysia guidelines. As and when more information becomes available regarding a claim, the reserve is amended accordingly.

(vi) Deferred Tax and Income Taxes

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

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A2. Significant Accounting Estimates and Judgments (contd.)

(vii) Allowances for Bad and Doubtful Debts

The Group and Bank review the doubtful loans, advances and financing at each reporting date to assess whether allowances for impairment should be recorded in the financial statements. In particular, judgment is required in the identification of doubtful loans and the estimation of realisation amount from the doubtful loans when determining the level of allowance required.

The Group and Bank have adopted certain criteria in the identification of doubtful loans, which include classifying loans as non-performing when repayments are in arrears for more than three (3) months. Specific allowances for doubtful loans are provided after taking into consideration of the values assigned to collateral. The values assigned to collateral are estimated based on market value and/or forced sales value, as appropriate and conforms to BNM guidelines. In addition to the specific allowances made, the Group and Bank also make general allowance against exposure not specifically identified based on a certain percentage of total risk-weighted assets for credit risk. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

The Group and the Bank assess whether there is any indication that an investment in subsidiaries and interest in associates may be impaired at each balance sheet date.

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

Judgements made by management in the process of applying the Group and Bank's accounting policies in respect of investment in subsidiaries and interest in associates are as follows:

- (i) The Bank determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and fundamentals
- (ii) Depending on their nature and the industries in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted cash flow, realisable net asset value and sector average price-earning ratio methods.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. These assumptions and other key sources of estimation uncertainty at the balance sheet date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

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A3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 30 June 2009 was not qualified.

A4. Seasonal or Cyclical Factors

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the second quarter and the financial half year ended 31 December 2009.

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

During the second quarter and the financial half year ended 31 December 2009, save as disclosed below and in Note A7, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank.

A6. Changes in Estimates

There were no material changes in estimates during the second quarter and the financial half year ended 31 December 2009.

A7. Changes in Debt and Equity Securities

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

(a) **Issuance of Shares**

The issued and paid-up share capital of the Bank was increased from RM7,077,663,368 as at 30 June 2009 to RM7,077,982,768 as at 31 December 2009, from the issuance of 319,400 new ordinary as follows:

Issuance of 255,520 new ordinary shares of RM1.00 each to eligible persons who have exercised their options under the Maybank Group Employee Share Option Scheme (ESOS), plus 63,880 bonus shares granted upon exercise of the options after bonus declaration, at the following option prices:

<u>Number of shares issued</u>	<u>Option price per share</u>	<u>No. of bonus shares issued:</u>
239,040	RM 9.23	59,760
2,000	RM 9.87	500
5,120	RM 9.92	1,280
9,360	RM10.19	2,340

A8. Dividend Paid

There was no dividend paid during the second quarter ended 31 December 2009.

On 30 September 2009, a final dividend in respect of the financial year ended 30 June 2009 of 8 sen per share less 25% taxation on 7,077,982,768 ordinary shares, amounting to RM424,678,966 (6 sen net per ordinary share) was approved. The dividend was paid on 27 October 2009.

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A9. Securities Portfolio

	Note	Group		Bank	
		31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
Securities held-for-trading	(i)	2,964,048	1,489,272	2,611,124	838,721
Securities available-for-sale	(ii)	46,369,524	47,877,105	40,084,586	39,349,558
Securities held-to-maturity	(iii)	8,892,239	8,360,751	7,974,541	6,831,898
		58,225,811	57,727,128	50,670,251	47,020,177

A9. (i) Securities Held-for-trading

At Fair value

Money market instruments:-

Malaysian Government Securities	500,249	63,813	500,249	4,940
Malaysian Government Treasury Bills	61,260	73,227	61,260	73,227
Malaysian Government Investment Issues	167,116	29,946	121,942	-
Khazanah Bonds	-	4,978	-	-
Bank Negara Malaysia Monetary Notes	144,386	444,031	120,290	444,031
Foreign Government Treasury Bills	121,343	-	121,343	-
Foreign Government Securities	37,665	4,738	-	-
Foreign Certificates of Deposits	245,989	219,426	-	-
	1,278,008	840,159	925,084	522,198

Quoted securities:

Shares	28,071	27,939	28,071	27,939
	28,071	27,939	28,071	27,939

Unquoted securities:

Private and Islamic Debt Securities in Malaysia	1,246,267	332,590	1,246,267	-
Foreign Private Debt Securities	411,702	288,584	411,702	288,584
	1,657,969	621,174	1,657,969	288,584

Total securities held-for-trading

	2,964,048	1,489,272	2,611,124	838,721
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A9. (ii) Securities Available-for-sale

**At Fair value, or cost less impairment losses
for certain unquoted equity instruments**

Money market instruments:-

Malaysian Government Securities	5,748,156	8,000,877	5,644,130	7,462,815
Malaysian Treasury Bills	-	9,902	-	9,902
Cagamas Bonds	351,738	289,075	351,738	289,075
Foreign Government Securities	7,950,530	7,601,976	5,260,434	4,889,677
Malaysian Government Investment Issues	6,281,058	8,128,186	3,602,010	5,156,329
Foreign Government Treasury Bills	1,533,245	556,106	1,365,739	405,546
Negotiable Instruments of Deposits	2,034,991	1,776,469	4,894,747	4,691,967
Bankers' Acceptances and Islamic Accepted Bills	3,984,105	3,070,391	3,637,418	3,024,272
Khazanah Bonds	987,010	828,797	677,240	359,850
Bank Negara Malaysia Monetary Notes	-	50,005	-	50,005
	28,870,833	30,311,784	25,433,456	26,339,438

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	Group		Bank	
	31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
A9. Securities Portfolio (contd)				
A9. (ii) Securities Available-for-sale (contd)				
Quoted Securities: -				
In Malaysia:				
Shares, Warrants, Trust Units and Loan Stocks	421,148	386,243	199,747	181,936
Outside Malaysia:				
Shares, Warrants, Trust Units and Loan Stocks	102,592	97,811	49,878	48,518
	523,740	484,054	249,625	230,454
Unquoted Securities:-				
Shares, trust units and loan stocks in Malaysia	695,287	691,283	445,671	441,733
Shares, trust units and loan stocks outside Malaysia	33,903	39,358	18,734	18,864
Private and Islamic Debt Securities in Malaysia	10,963,935	11,015,939	9,425,580	7,792,927
Malaysian Government Bonds	156,018	162,297	156,017	162,297
Foreign Government Bonds	83,165	80,671	-	-
Foreign Islamic Private Debt Securities	4,826,119	4,865,984	4,138,979	4,138,110
Credit Linked Notes	216,524	225,735	216,524	225,735
	16,974,951	17,081,267	14,401,505	12,779,666
Total securities available-for-sale	46,369,524	47,877,105	40,084,586	39,349,558
A9. (iii) Securities Held-To-Maturity				
At Amortised cost less impairment losses				
Money market instruments:-				
Malaysian Government Securities	6,251,361	6,263,488	6,251,253	6,032,944
Cagamas Bonds	11,836	13,390	11,836	1,670
Foreign Government Securities	735,944	443,637	-	-
Malaysian Government Investment Issues	527,889	512,691	377,381	275,248
Khazanah Bonds	16,236	-	16,236	-
	7,543,266	7,233,206	6,656,706	6,309,862
Unquoted Securities:-				
Private and Islamic Debt Securities in Malaysia	925,060	494,853	925,027	100,262
Malaysian Government Bonds	7,294	7,638	7,295	7,638
Foreign Islamic Private Debt Securities	446,019	640,842	414,904	424,915
Others	2,044	2,044	2,044	2,044
	1,380,417	1,145,377	1,349,270	534,859
Accumulated impairment losses	(31,444)	(17,832)	(31,435)	(12,823)
Total securities held-to-maturity	8,892,239	8,360,751	7,974,541	6,831,898

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A10. Loans, Advances and Financing

	Group		Bank	
	31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
Overdrafts	15,495,169	14,493,359	11,820,687	11,349,807
Term loans				
- Housing loans/financing	36,045,687	33,537,779	28,904,487	26,945,169
- Syndicated loan/financing	12,844,423	12,407,057	10,275,370	9,722,422
- Hire purchase receivables	39,318,887	38,050,669	21,791,599	22,366,959
- Lease receivables	3,294	3,381	3,272	3,277
- Other loans/financing	65,047,391	56,782,224	42,589,876	39,278,820
Credit card receivables	4,662,141	4,283,414	4,026,138	3,796,899
Bills receivable	2,101,892	2,293,815	2,089,487	2,223,077
Trust receipts	2,198,453	2,082,258	1,885,211	1,742,023
Claims on customers under acceptance credits	9,790,502	11,129,121	7,060,176	7,754,168
Loans/financing to banks and other financial institutions	9,008,533	10,170,957	8,845,861	9,967,406
Revolving credits	20,350,834	20,228,361	15,585,618	17,131,926
Staff loans	1,555,018	1,460,468	969,248	950,028
Housing loans to				
- Executive directors of the Bank	173	193	173	193
- Executive directors of subsidiaries	1,655	2,104	1,655	2,104
Others	524,637	488,514	-	-
	218,948,689	207,413,674	155,848,858	153,234,278
Unearned interest and income	(15,968,173)	(14,050,883)	(2,866,592)	(3,018,394)
Gross loans, advances and financing	202,980,516	193,362,791	152,982,266	150,215,884
Allowances for bad and doubtful debts and financing:				
- specific	(4,076,484)	(3,854,026)	(3,007,152)	(2,847,031)
- general	(3,779,302)	(3,725,599)	(2,936,428)	(2,937,055)
Net loans, advances and financing	195,124,730	185,783,166	147,038,686	144,431,798

(i) By type of customer

	Group		Bank	
	31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
Domestic operations:				
Domestic non-bank financial institutions				
- Stockbroking companies	150,132	96,725	149,953	96,546
- Others	11,085,850	11,364,670	8,404,360	9,566,429
Domestic business enterprise				
- Small and medium enterprise	19,722,630	20,725,182	16,293,050	16,956,711
- Others	35,025,219	31,940,124	29,464,736	27,972,236
Government and statutory bodies	2,294,685	2,282,784	2,267,081	2,213,320
Individuals	66,651,412	62,811,592	47,190,497	45,902,511
Other domestic entities	161,747	148,302	36,103	25,925
Foreign entities	572,216	574,944	491,412	468,954
Total domestic operations	135,663,891	129,944,323	104,297,192	103,202,632

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A10. Loans, Advances and Financing (contd)

(i) By type of customer (contd)

	Group		Bank	
	31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
Overseas operations:				
Singapore	41,599,864	39,269,681	41,599,864	39,269,681
Hong Kong SAR	2,819,415	2,892,352	2,819,415	2,892,352
United States of America	964,082	1,339,147	964,082	1,339,147
People's Republic of China	893,693	969,266	893,693	969,266
Vietnam	513,914	548,044	513,914	548,044
United Kingdom	1,228,427	1,280,950	1,228,427	1,280,950
Brunei	148,067	130,655	148,067	130,655
Cambodia	256,188	302,508	256,188	302,508
Bahrain	261,424	280,649	261,424	280,649
Labuan offshore	3,122,572	3,127,625	-	-
Philippines	855,065	793,490	-	-
Indonesia	14,590,912	12,417,737	-	-
Papua New Guinea	63,002	66,364	-	-
	67,316,625	63,418,468	48,685,074	47,013,252
Gross loans, advances and financing	202,980,516	193,362,791	152,982,266	150,215,884

(ii) By interest/profit rate sensitivity

Fixed rate				
- Housing loans/financing	13,399,951	11,235,546	9,831,631	7,724,707
- Hire purchase receivables	30,509,099	29,790,106	18,607,472	19,005,757
- Other fixed rate loans/financing	20,905,690	19,021,173	13,451,978	13,285,625
Variable rate			-	
- Base lending rate plus	69,355,678	64,648,964	62,172,202	59,291,964
- Cost plus	21,244,142	20,795,087	18,065,792	17,128,290
- Other variable rates	47,565,956	47,871,915	30,853,191	33,779,541
Gross loans, advances and financing	202,980,516	193,362,791	152,982,266	150,215,884

(ii) Total loans by economic purpose

	Group		Bank	
	31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
Domestic operations:				
Purchase of securities	12,471,627	11,437,474	10,081,302	9,891,754
Purchase of transport vehicles	21,083,633	19,844,339	8,611,899	8,912,826
- less Islamic loans sold to Cagamas	(752,739)	(268,304)	-	-
Purchase of landed properties				
- residential	25,414,495	24,649,453	19,958,824	19,241,121
- non-residential	6,818,282	6,493,344	6,104,830	5,797,391
- less Islamic housing loans sold to Cagamas	-	(315,069)	-	-
Purchase of fixed assets (exclude landed properties)	3,253	3,264	3,253	3,264
Personal use	4,296,765	3,782,771	3,680,680	3,348,353
Credit card	3,857,130	3,556,878	3,725,930	3,510,535
Purchase of consumer durables	8,463	15,709	7,276	14,838
Construction	6,740,598	6,300,230	5,983,944	5,426,053
Working capital	52,570,367	51,005,722	43,068,664	43,706,947
Others	3,152,017	3,438,512	3,070,590	3,349,550
Total domestic operations	135,663,891	129,944,323	104,297,192	103,202,632

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A10. Loans, Advances and Financing (contd)

(ii) Total loans by economic purpose (contd)

	Group		Bank	
	31 December	30 June	31 December	30 June
	2009	2009	2009	2009
	RM'000	RM'000	RM'000	RM'000
Overseas operations:				
Singapore	41,599,864	39,269,681	41,599,864	39,269,681
Hong Kong SAR	2,819,415	2,892,352	2,819,415	2,892,352
United States of America	964,082	1,339,147	964,082	1,339,147
People's Republic of China	893,693	969,266	893,693	969,266
Vietnam	513,914	548,044	513,914	548,044
United Kingdom	1,228,427	1,280,950	1,228,427	1,280,950
Brunei	148,067	130,655	148,067	130,655
Cambodia	256,188	302,508	256,188	302,508
Bahrain	261,424	280,649	261,424	280,649
Labuan Offshore	3,122,572	3,127,625	-	-
Philippines	855,065	793,490	-	-
Indonesia	14,590,912	12,417,737	-	-
Papua New Guinea	63,002	66,364	-	-
	67,316,625	63,418,468	48,685,074	47,013,252
Gross loans, advances and financing	202,980,516	193,362,791	152,982,266	150,215,884

(iii) Non-performing loans by economic purpose

Domestic operations:				
Purchase of securities	112,464	131,940	62,483	74,889
Purchase of transport vehicles	150,628	122,873	105,977	90,420
Purchase of landed properties				
- residential	1,825,662	1,957,069	1,386,923	1,480,025
- non-residential	358,150	332,185	321,835	294,607
Personal use	192,192	212,615	157,694	174,808
Credit card	52,468	53,267	50,697	52,733
Purchase of consumer durables	1,736	1,571	1,732	1,567
Construction	529,513	462,533	433,636	365,212
Working capital	2,447,743	2,391,994	1,971,127	2,026,305
Others	24,718	19,492	22,070	16,845
Total domestic operations	5,695,274	5,685,539	4,514,174	4,577,411
Overseas operations:				
Singapore	236,574	296,279	236,574	296,279
Hong Kong SAR	95,227	74,170	95,227	74,170
Brunei	2,351	2,789	2,351	2,789
Vietnam	19,114	20,859	19,114	20,859
United Kingdom	75,777	42,629	75,777	42,629
People's Republic of China	21,583	22,176	21,583	22,176
Cambodia	13,370	-	13,370	-
Labuan Offshore	124,523	107,238	-	-
Papua New Guinea	2,061	2,637	-	-
Philippines	37,274	33,922	-	-
Indonesia	345,951	426,994	-	-
	973,805	1,029,693	463,996	458,902
	6,669,079	6,715,232	4,978,170	5,036,313

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A10. Loans, Advances and Financing (contd)

(iv) Movement in non-performing loans, advances and financing ("NPL") are as follows:

	Group		Bank	
	31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
At beginning of the period/year	6,715,232	6,472,448	5,036,313	5,214,212
Non-performing during the period/year	2,236,406	4,519,887	1,335,555	3,012,997
Reclassified as performing	(1,005,578)	(1,870,449)	(708,432)	(1,513,811)
Acquired upon acquisition of subsidiaries	-	396,688	-	-
Recovered during the period/year	(709,982)	(1,398,790)	(431,876)	(959,732)
Amount written off	(626,321)	(1,439,402)	(287,014)	(797,628)
Converted to Securities	-	(931)	-	(931)
Exchange differences and expenses debited	59,322	35,781	33,624	81,206
At end of the period/year	6,669,079	6,715,232	4,978,170	5,036,313
Less: Specific allowance	(4,076,484)	(3,854,026)	(3,007,152)	(2,847,031)
- on non-performing loans	(3,810,502)	(3,589,888)	(2,746,973)	(2,586,136)
- performing loans	(265,982)	(264,138)	(260,179)	(260,895)
Net non-performing loans, advances and financing	2,592,595	2,861,206	1,971,018	2,189,282
Ratio of net non-performing loans:				
- Including specific allowance on performing loans	1.30%	1.51%	1.31%	1.49%
- Excluding specific allowance on performing loans	1.43%	1.64%	1.49%	1.66%

(v) Movement in specific allowance for bad and doubtful debts (and financing) accounts are as follows:

	Group		Bank	
	31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
<u>Specific Allowance</u>				
At beginning of the period/year	3,854,026	3,353,676	2,847,031	2,698,146
Allowance made during the period/year	1,155,996	2,088,853	707,684	1,337,489
Amount written back in respect of recoveries	(290,790)	(475,569)	(247,966)	(396,612)
Acquired upon acquisition of subsidiaries	-	356,983	-	-
Amount written off	(626,321)	(1,439,402)	(287,014)	(797,628)
Transfer to general allowance	(9,271)	(143)	(9,115)	-
Transferred to impairment losses in value of securities	-	(931)	-	(931)
Exchange differences	(7,156)	(29,441)	(3,468)	6,567
At end of the period/year	4,076,484	3,854,026	3,007,152	2,847,031

(vi) Movement in general allowance for bad and doubtful debts (and financing) accounts are as follows:

	Group		Bank	
	31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
<u>General Allowance</u>				
At beginning of the period/year	3,725,599	3,187,611	2,937,055	2,728,516
Allowance made during the period/year	88,184	358,818	-	202,599
Amount written back	(48,577)	(41,574)	(9,384)	-
Acquired upon acquisition of a subsidiary	-	240,660	-	-
Transfer from specific allowance	9,271	143	9,115	-
Exchange differences	4,825	(20,059)	(358)	5,940
At end of the period/year	3,779,302	3,725,599	2,936,428	2,937,055
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowance)	1.89%	1.96%	1.96%	1.99%

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A11. Other Assets

	Group		Bank	
	31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
Interest receivables	1,233,201	1,274,972	940,862	945,287
Prepayments and deposits	415,659	462,836	295,023	352,005
Other debtors	3,008,404	2,959,679	2,332,146	2,349,390
Amount due from related parties	-	-	-	57
Tax Recoverable	212,337	194,935	91,642	24,222
Foreclosed Properties	139,529	147,186	44,072	62,568
Prepaid land lease payment	214,388	209,682	84,707	85,337
	5,223,518	5,249,290	3,788,452	3,818,866

A12. Deposits from Customers

Fixed deposits and negotiable instruments of deposits				
- One year or less	115,493,623	115,657,191	83,709,488	86,308,707
- More than one year	10,510,108	3,075,955	9,686,164	1,585,090
Money Market deposits	15,737,853	11,118,846	15,737,852	11,118,846
Savings deposits	37,937,704	35,290,821	28,533,106	26,554,841
Demand deposits	48,250,140	44,730,963	38,147,189	35,708,559
Structured deposits *	2,936,082	2,724,813	2,300,354	2,176,887
	230,865,510	212,598,589	178,114,153	163,452,930

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

Business enterprises	86,575,674	76,884,016	63,575,372	55,882,422
Individuals	109,426,508	105,075,231	90,288,714	87,758,655
Government and statutory bodies	8,954,711	8,263,553	3,376,844	3,845,947
Others	25,908,617	22,375,789	20,873,223	15,965,906
	230,865,510	212,598,589	178,114,153	163,452,930

A13. Deposits and Placement of Banks and Other Financial Institutions

Licensed banks	17,637,232	21,450,131	18,494,411	23,327,742
Licensed finance companies	379,026	368,538	219,084	368,538
Licensed investment banks	230,852	650,255	230,853	650,255
Other financial institutions	9,121,575	6,312,939	8,319,614	5,775,381
	27,368,685	28,781,863	27,263,962	30,121,916

Maturity structure of deposits and placements of banks and other financial institutions				
- One year or less	21,615,510	26,704,881	21,754,276	28,280,565
- More than one year	5,753,175	2,076,982	5,509,686	1,841,351
	27,368,685	28,781,863	27,263,962	30,121,916

A14. Borrowings, Subordinated Obligations and Capital Securities

(i) Borrowings				
Unsecured				
- less than one year	431,474	592,814	205,410	281,360
- more than one year	2,503,078	1,909,246	1,877,923	1,230,950
	2,934,552	2,502,060	2,083,333	1,512,310
(ii) Subordinated obligations				
Unsecured				
- more than one year	8,629,114	8,672,373	8,124,708	8,152,239

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A14. Borrowings, Subordinated Obligations and Capital Securities (Contd.)

	Group		Bank	
	31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
(iii) Capital Securities				
Unsecured				
- more than one year	6,054,935	6,047,541	6,054,935	6,047,541

A15. Other Liabilities

Interest/Profit payable	950,739	1,120,462	832,044	893,331
Provision for outstanding claims	445,867	441,712	-	-
Unearned premium reserves	325,382	286,294	-	-
Profit Equalisation Reserves	17,107	46,477	-	-
Provisions and accruals	1,818,484	1,598,404	1,393,207	1,265,610
Due to brokers and clients	697,416	500,058	-	-
Deposits and other creditors	2,330,796	2,002,843	1,235,019	1,094,417
Dividend payable		-		-
	6,585,791	5,996,250	3,460,270	3,253,358

A16. Interest Income

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2009 RM'000	31 December 2008 RM'000	31 December 2009 RM'000	31 December 2008 RM'000
Group				
Loans, advances and financing				
- Interest income other than recoveries from NPL	2,095,918	2,453,820	4,155,336	4,349,730
- Recoveries from NPL	45,953	52,589	107,769	103,852
Money at call and deposit placements				
with financial institutions	105,710	145,670	205,197	389,538
Securities purchased under resale agreements	1,199	1,159	2,793	3,036
Securities held-for-trading	16,712	9,539	28,441	16,127
Securities available-for-sale	383,579	477,366	792,799	830,011
Securities held-to-maturity	105,945	31,239	209,957	43,400
	2,755,016	3,171,382	5,502,292	5,735,694
Amortisation of premium less accretion of discounts	(13,570)	5,519	(21,484)	23,685
Net interest/income clawed back/suspended	(9,033)	(13,090)	(20,144)	(23,689)
	2,732,413	3,163,811	5,460,664	5,735,690

Bank

Loans, advances and financing				
- Interest income other than recoveries from NPL	1,591,044	1,896,961	3,174,266	3,728,274
- Recoveries from NPL	44,482	51,943	106,288	102,347
Money at call and deposit placements				
with financial institutions	85,006	163,752	171,657	431,929
Securities purchased under resale agreements	43	46	67	151
Securities held-for-trading	16,183	3,177	26,333	4,830
Securities available-for-sale	340,760	363,505	683,685	674,074
Securities held-to-maturity	86,880	10,252	165,421	19,623
	2,164,398	2,489,636	4,327,717	4,961,228
Amortisation of premium less accretion of discounts	(14,371)	(8,018)	(23,708)	725
Net interest/income clawed back/suspended	(9,033)	(13,090)	(20,143)	(23,689)
	2,140,994	2,468,528	4,283,866	4,938,264

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A17. Interest Expense

<u>Group</u>	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	49,773	221,976	100,334	430,449
Deposits from customers	765,451	1,139,720	1,580,380	2,085,032
Loans sold to Cagamas	1,604	7,943	3,441	19,721
Floating rate certificates of deposits	206	3,423	256	6,483
Borrowings	41,169	59,899	81,297	70,472
Subordinated obligations	34,990	21,753	71,577	30,557
Subordinated bonds	55,606	60,775	111,323	105,848
Capital Securities	100,560	100,906	201,386	174,697
	1,049,359	1,616,395	2,149,994	2,923,259

Bank

Deposits and placements of banks and other financial institutions	50,862	190,889	103,831	453,563
Deposits from customers	556,035	820,630	1,147,279	1,646,471
Loans sold to Cagamas	1,605	7,943	3,442	19,721
Floating rate certificates of deposits	206	3,423	256	6,483
Borrowings	6,423	11,205	12,101	21,778
Subordinated obligations	34,991	21,753	71,578	30,557
Subordinated bonds	45,308	45,309	90,382	90,382
Capital Securities	100,560	100,906	201,386	174,697
	795,990	1,202,058	1,630,255	2,443,652

A18. Non-interest Income

Group

(a) Fee income:				
Commission	217,916	197,248	421,540	393,922
Service charges and fees	253,180	193,682	504,168	394,577
Guarantee fees	33,276	33,608	70,268	63,489
Underwriting fees	5,043	980	12,905	2,671
Brokerage income	20,597	10,738	43,897	21,622
Other loans related fee income	143,920	23,744	245,744	44,034
	673,932	460,000	1,298,522	920,315
(b) Net gain/(loss) arising from:				
Sale of securities held-for trading	5,578	(7,899)	8,211	(21,552)
Sale of securities available-for-sale	42,955	34,147	130,727	47,639
Redemption of securities held-to-maturity	-	(4)	2,281	(88)
	48,533	26,244	141,219	25,999
(c) Gross dividend from:				
Securities portfolio	2,251	6,574	13,994	18,321
(d) Unrealised (loss)/gain on revaluation of:				
- securities held-for-trading	(9,192)	52,714	635	85,659
- derivatives	93,821	(163,770)	178,316	(195,586)
	84,629	(111,056)	178,951	(109,927)
(e) Other income:				
Foreign exchange profit/(loss)	152,328	214,305	259,999	89,095
Net premiums written	144,931	128,787	285,362	251,545
Rental Income	6,456	5,372	13,054	12,278
Gain on disposal of property and equipment (net)	1,432	834	3,304	10,032
Gain on disposal of foreclosed properties	280	171	965	225
Others	103,328	100,955	164,701	109,299
	408,755	450,424	727,385	472,474
Total non-interest income	1,218,100	832,186	2,360,071	1,327,182

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A18. Non-interest Income (contd)

<u>Bank</u>	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2009 RM'000	31 December 2008 RM'000	31 December 2009 RM'000	31 December 2008 RM'000
(a) Fee income:				
Commission	189,749	172,004	366,334	367,158
Service charges and fees	191,369	173,021	382,119	346,117
Guarantee fees	27,565	28,668	59,808	58,276
Underwriting fees	304	905	8,166	2,599
Other loans related fee income	60,270	19,702	90,065	37,074
	469,257	394,300	906,492	811,224
(b) Net gain/(loss) arising from:				
Sale of securities held-for trading	2,517	24,829	2,457	19,974
Sale of securities available-for-sale	7,485	30,551	77,181	33,370
Redemption of securities held-to-maturity	-	(3)	1,853	(83)
	10,002	55,377	81,491	53,261
(c) Gross dividend income from:				
Securities portfolio	5,402	3,732	13,231	8,605
Subsidiary companies	611,415	1,800	629,121	1,800
	616,817	5,532	642,352	10,405
(d) Unrealised (loss)/gain on revaluation of:				
- securities held-for-trading	(9,056)	4,819	5,675	22,072
- derivatives	88,178	(119,067)	170,716	(145,722)
	79,122	(114,248)	176,391	(123,650)
(e) Other income:				
Foreign exchange profit/(loss)	135,289	154,707	223,298	41,534
Rental Income	5,898	5,530	11,931	12,101
Gain on disposal of property and equipment (net)	(10)	363	2,010	422
Others	35,306	13,101	46,140	13,677
	176,483	173,701	283,379	67,734
Total non-interest income	1,351,681	514,662	2,090,105	818,974

A19. Overhead Expenses

Group

Personnel costs				
- Salaries, allowances and bonuses	611,035	521,205	1,129,624	955,202
- Pension costs	67,487	54,302	129,501	124,174
- Others	78,024	55,616	174,075	111,552
	756,546	631,123	1,433,200	1,190,928
Establishment costs				
- Depreciation	46,085	44,602	91,665	70,176
- Rental of leasehold land and premises	39,800	38,586	78,319	60,349
- Repairs and maintenance of property and equipment	24,930	25,648	54,607	46,542
- Information technology expenses	134,514	115,782	258,125	221,983
- Others	44,273	18,453	92,673	40,226
	289,602	243,071	575,389	439,276
Marketing expenses				
- Advertisement and publicity	95,443	94,410	190,308	185,948
- Others	20,318	20,682	46,683	43,113
	115,761	115,092	236,991	229,061
Administration and general expenses				
- Fees and brokerage	162,832	117,716	336,748	235,536
- Administrative expenses	107,332	88,705	211,113	149,498
- General expenses	117,235	128,647	242,108	177,943
- Others	16,207	5,368	20,872	38,747
	403,606	340,436	810,841	601,724
Insurance claims incurred	73,226	73,302	153,069	168,518
	1,638,741	1,403,024	3,209,490	2,629,507

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A19. Overhead Expenses (contd)

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Personnel costs				
- Salaries, allowances and bonuses	465,538	398,610	851,653	791,853
- Pension costs	61,306	48,430	118,563	115,263
- Others	53,286	43,962	109,150	87,507
	580,130	491,002	1,079,366	994,623
Establishment costs				
- Depreciation	32,391	23,606	65,780	46,316
- Rental of leasehold land and premises	21,056	18,713	41,273	37,434
- Repairs and maintenance of property and equipment	13,115	16,485	31,792	34,082
- Information technology expenses	124,618	105,652	238,454	203,242
- Others	14,444	13,709	31,924	29,770
	205,624	178,165	409,223	350,844
Marketing expenses				
- Advertisement and publicity	66,992	66,089	117,631	133,568
- Others	15,319	20,269	36,626	40,555
	82,311	86,358	154,257	174,123
Administration and general expenses				
- Fees and brokerage	151,601	111,617	317,462	224,186
- Administrative expenses	55,909	49,392	116,498	103,884
- General expenses	51,501	47,662	98,938	92,769
- Others	11,637	2,807	21,059	36,186
	270,648	211,478	553,957	457,025
Overhead expenses allocated to subsidiary company	(87,396)	(72,678)	(173,535)	(133,749)
	1,051,317	894,325	2,023,268	1,842,866

A20. Allowance for Losses on Loans, Advances and Financing

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Allowance for bad and doubtful debts and financing:				
- general allowance made/(written back)	1,806	(106,890)	39,607	(67,348)
- specific allowance	502,958	640,063	1,155,996	1,057,584
- specific allowance written back	(131,338)	(94,556)	(290,790)	(257,998)
Bad debts and financing written off	1,459	1,133	3,215	2,267
Bad debts and financing recovered	(132,802)	(171,625)	(250,016)	(274,559)
Provision for other debts	1,473	52,968	3,267	46,568
	243,556	321,093	661,279	506,514
<u>Bank</u>				
Allowance for bad and doubtful debts and financing:				
- general allowance made/(written back)	20,220	(83,585)	(9,384)	(57,296)
- specific allowance	302,971	372,311	707,684	722,851
- specific allowance written back	(108,138)	(85,843)	(247,966)	(219,448)
Bad debts and financing written off	1,554	1,105	3,070	2,072
Bad debts and financing recovered	(88,459)	(123,232)	(155,462)	(220,917)
Provision for other debts	559	56,713	1,959	49,902
	128,707	137,469	299,901	277,164

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A21. SEGMENT INFORMATION

As of 1 July 2009, the Group adopted FRS 8 Operating Segments and Amendments to FRS 8 Operating Segments. The Group determines and presents operating segments based on information provided to senior management of the Group. Hence, comparative segment information has been restated to conform with current quarter's presentation.

The Group is organised into six (6) segments based on services and products available within the group. The Group comprises the following main business segments:

(a) Consumer banking

Consumer banking comprises the full range of products and services offered to individuals in Malaysia, including savings and fixed deposits, remittance services, current accounts, consumer loans such as housing loans and personal loans, hire purchases, unit trusts, bancassurance products and credit cards.

(b) Business and corporate banking

Business and corporate banking comprises the full range of products and services offered to business customers in Malaysia, ranging from large corporate and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(c) Treasury

Treasury comprises the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market instruments.

(d) Investment banking

Investment banking comprises business of an investment bank, discount house and securities broker. This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include direct lending, advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, and share and futures dealings.

(e) Insurance and asset management

Insurance and asset management comprise the business of underwriting all classes of general and life insurance businesses, offshore investment life insurance business, general takaful and family takaful businesses, asset and fund management, nominee and trustee services and custodian services.

(f) International banking

International comprises the full range of banking products and services offered to individuals and business customers in overseas, including in Singapore, Indonesia, Pakistan, Vietnam, China (including Hong Kong), United Kingdom, United States of America, and all other overseas banking operations.

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A21. SEGMENT INFORMATION (contd)

By Business Segments (contd)

Six Months Ended 31 December 2009	← Operating Segments →							Total RM'000
	Consumer Banking RM'000	Business and Corporate Banking RM'000	Treasury RM'000	Investment Banking RM'000	Insurance and Asset Management RM'000	International Banking RM'000	Head Office and Others RM'000	
Net interest income and Islamic banking income								
- external	1,624,500	1,005,600	287,700	15,848	50,040	1,273,908	(209,421)	4,048,175
- Inter-segment	-	-	-	4,952	(6,260)	992	316	-
	1,624,500	1,005,600	287,700	20,800	43,780	1,274,900	(209,105)	4,048,175
Net interest income and Islamic banking income	1,624,500	1,005,600	287,700	20,800	43,780	1,274,900	(209,105)	4,048,175
Non-interest income	561,630	254,400	484,700	116,100	428,250	605,000	(90,009)	2,360,071
Net income	2,186,130	1,260,000	772,400	136,900	472,030	1,879,900	(299,114)	6,408,246
Overhead expenses	(1,340,633)	(435,035)	(51,383)	(51,109)	(296,647)	(1,034,683)	-	(3,209,490)
Allowance for losses on loans, advances and financing	(180,300)	(360,500)	-	17,700	-	(138,179)	-	(661,279)
Impairment losses on securities, net	-	-	(33,392)	-	-	(8,700)	-	(42,092)
Operating Profit	665,197	464,465	687,625	103,491	175,383	698,338	(299,114)	2,495,385
Share of profits in associates	-	-	-	-	-	60,784	-	60,784
Profit before taxation and zakat	665,197	464,465	687,625	103,491	175,383	759,122	(299,114)	2,556,169
Taxation and zakat								(626,036)
Profit after taxation and zakat								1,930,133
Minority interest								(54,828)
Profit for the period								1,875,305

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A21. SEGMENT INFORMATION (contd)

By Business Segments (contd)

Six Months Ended 31 December 2008	← Operating Segments →						Head Office and Others RM'000	Total RM'000
	Consumer Banking RM'000	Business and Corporate Banking RM'000	Treasury RM'000	Investment Banking RM'000	Insurance and Asset Management RM'000	International Banking RM'000		
Net interest income and Islamic banking income								
- external	1,516,000	981,300	289,600	22,146	48,011	942,931	(397,247)	3,402,741
- Inter-segment	-	-	-	13,254	(1,811)	(40,931)	29,488	-
	<u>1,516,000</u>	<u>981,300</u>	<u>289,600</u>	<u>35,400</u>	<u>46,200</u>	<u>902,000</u>	<u>(367,759)</u>	<u>3,402,741</u>
Net interest income and Islamic banking income	1,516,000	981,300	289,600	35,400	46,200	902,000	(367,759)	3,402,741
Non-interest income	484,900	185,600	230,000	70,500	315,400	43,800	(3,018)	1,327,182
Net income	<u>2,000,900</u>	<u>1,166,900</u>	<u>519,600</u>	<u>105,900</u>	<u>361,600</u>	<u>945,800</u>	<u>(370,777)</u>	<u>4,729,923</u>
Overhead expenses	(1,163,199)	(389,034)	(41,581)	(50,732)	(320,943)	(664,018)	-	(2,629,507)
Allowance for losses on loans, advances and financing	(103,304)	(128,394)	-	(14,900)	(1,500)	(258,416)	-	(506,514)
Impairment losses on securities, net	-	-	(11,909)	-	-	(26,900)	-	(38,809)
Operating Profit	<u>734,397</u>	<u>649,472</u>	<u>466,110</u>	<u>40,268</u>	<u>39,157</u>	<u>(3,534)</u>	<u>(370,777)</u>	<u>1,555,093</u>
Impairment loss on investment in associated companies	-	-	-	-	-	-	(242,000)	(242,000)
Write-back of allowance for non-refundable deposit	-	-	-	-	-	-	483,824	483,824
Share of profits in associates	-	-	-	-	-	45,142	-	45,142
Profit before taxation and zakat	<u>734,397</u>	<u>649,472</u>	<u>466,110</u>	<u>40,268</u>	<u>39,157</u>	<u>41,608</u>	<u>(128,953)</u>	<u>1,842,059</u>
Taxation and zakat								<u>(536,635)</u>
Profit after taxation and zakat								<u>1,305,424</u>
Minority interest								<u>1,309</u>
Profit for the period								<u>1,306,733</u>

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A22. Carrying Amount of Revalued Assets

The Group's and the Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property and equipment that were brought forward from the previous audited annual financial statements for the year ended 30 June 2009.

A23. Subsequent Events

There were no material events subsequent to the balance sheet date, other than disclosed in Note B8.

A24. Changes in the Composition of the Group

The changes to the composition of the Group during the financial year are further elaborated in Note B8.

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A25. Commitments and Contingencies and Off-Balance Sheet Financial Instruments

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

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

<u>Group</u>	As at 31 December 2009			As at 30 June 2009		
	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
Direct credit substitutes	5,088,437	5,061,780	4,323,898	5,522,375	5,405,725	4,679,210
Certain transaction-related contingent items	11,088,457	5,561,871	4,853,480	10,646,667	5,323,022	4,534,832
Short-term self-liquidating trade-related contingencies	3,981,776	796,018	689,646	3,872,594	774,517	606,889
Islamic housing and hire purchase loans sold to Cagamas Berhad	752,739	752,739	75,274	583,373	583,373	425,839
Obligations under underwriting agreements	101,514	50,757	10,151	173,464	71,732	28,418
Irrevocable commitments to extend credit:						
- maturity within one year	92,665,393	-	-	92,604,558	-	-
- maturity exceeding one year	12,226,925	6,091,895	5,968,788	10,591,443	5,292,850	5,058,822
Foreign exchange related contracts:						
- less than one year	47,242,669	614,967	183,268	34,706,290	602,904	168,954
- one year to less than five years	2,269,736	42,934	14,563	1,534,291	24,257	7,544
Interest rate related contracts:						
- less than one year	42,665,261	1,713,087	426,083	36,831,395	1,304,947	312,414
- one year to less than five years	15,810,118	452,646	149,359	16,002,460	413,918	168,113
- five years and above	2,429,474	435,019	156,401	3,059,040	482,663	136,188
Miscellaneous	6,463,956	-	-	5,458,752	-	-
	242,786,455	21,573,713	16,850,911	221,586,702	20,279,908	16,127,223

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A25. Commitments and Contingencies and Off-Balance Sheet Financial Instruments (continued)

	As at 31 December 2009			As at 30 June 2009		
	Notional Amount RM'000	Credit Equivalent Amount*	Risk Weighted Amount*	Notional Amount RM'000	Credit Equivalent Amount*	Risk Weighted Amount*
Bank						
Direct credit substitutes	3,736,935	3,736,935	3,318,145	4,056,691	4,056,691	3,599,815
Certain transaction-related contingent items	10,058,808	5,029,404	4,357,523	9,921,241	4,960,621	4,213,174
Short-term self-liquidating trade-related contingencies	3,809,901	761,980	669,584	3,687,521	737,504	582,565
Islamic housing and hire purchase loans sold to Cagamas Berhad	-	-	-	-	-	-
Obligations under underwriting agreements	101,514	50,757	10,151	143,464	71,732	28,418
Irrevocable commitments to extend credit:						
- maturity within one year	81,595,406	-	-	79,615,789	-	-
- maturity exceeding one year	11,333,594	5,666,797	5,560,315	9,956,770	4,978,385	4,892,330
Foreign exchange related contracts:						
- less than one year	46,037,161	614,967	183,268	33,188,225	602,904	168,954
- one year to less than five years	2,269,736	42,934	14,563	1,534,292	24,257	7,544
Interest rate related contracts:						
- less than one year	42,291,180	1,669,889	417,423	36,511,553	1,294,415	308,835
- one year to less than five years	14,741,868	445,122	145,597	14,926,617	387,938	160,141
- five years and above	2,196,679	421,599	149,691	2,873,570	474,618	132,166
Miscellaneous	6,423,914	-	-	5,438,145	-	-
	224,596,696	18,440,384	14,826,260	201,853,878	17,589,065	14,093,942

* 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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A25. Commitments and Contingencies and Off-Balance Sheet Financial Instruments (contd.)

Market Risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2009, the amount of contracts that was not hedged in the Group and the Bank and, hence, exposed to market risk was RM355.2 million and RM283.9 million respectively (30 June 2009: RM332.8 million).

Credit Risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at 31 December 2009, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM254.5 million (30 June 2009: RM346.6 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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A26. Interest Rate Risk

Group As at 31 December 2009	Non trading book						Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
ASSETS									
Cash and short-term funds	25,489,159	-	-	-	-	5,485,944	-	30,975,103	1.32
Deposits and placements with banks and other financial institutions	549,127	6,832,689	1,180,780	60,638	-	80,612	-	8,703,846	1.05
Securities purchased under resale agreements	135,865	-	-	-	-	-	-	135,865	2.22
Securities held-for-trading	24,097	-	-	30,017	15,157	-	2,894,777	2,964,048	3.77
Securities available-for-sale	141,687	775,193	251,693	1,477,839	1,609,002	-	42,114,110	46,369,524	4.04
Securities held-to-maturity	22,851	-	41,227	5,096,936	3,539,329	191,896	-	8,892,239	3.27
Loans, advances and financing									
- performing	58,816,932	15,016,559	18,289,140	33,342,891	71,071,189	(225,274)	-	196,311,437	5.37
- non-performing*	-	-	-	-	-	(1,186,707)	-	(1,186,707)	-
Derivative assets							959,666	959,666	-
Other Assets	-	-	-	-	-	5,223,518	-	5,223,518	-
Other non-interest sensitive balances	-	-	-	-	-	14,533,782	-	14,533,782	-
Life, general takaful and family takaful fund assets	-	-	-	-	-	16,949,203	-	16,949,203	-
TOTAL ASSETS	85,179,718	22,624,441	19,762,840	40,008,321	76,234,677	41,052,974	45,968,553	330,831,524	

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A26. Interest Rate Risk (contd)

Group As at 31 December 2009	Non trading book							Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000				
LIABILITIES AND										
SHAREHOLDERS' EQUITY										
Deposits from customers	85,464,277	39,430,050	52,365,930	49,884,138	208,073	3,513,042	-	230,865,510	1.50	
Deposits and placements of banks and other financial institutions	16,255,893	7,026,880	1,068,336	1,930,580	290,014	796,982	-	27,368,685	1.37	
Obligation on securities sold under repurchase agreements	-	-	317,803	-	-	-	-	317,803	7.39	
Bills and acceptances payable	212,922	127,651	21,582	-	-	1,014,739	-	1,376,894	2.38	
Recourse obligations on loans sold to Cagamas	10,564	-	176,593	33,097	245,360	-	-	465,614	4.63	
Derivative liabilities	-	-	-	-	-	-	1,214,200	1,214,200	-	
Borrowings	-	-	205,410	1,193,223	684,700	851,219	-	2,934,552	0.92	
Subordinated obligations	-	-	2,529,114	3,000,000	3,100,000	-	-	8,629,114	4.21	
Capital Securities	-	-	-	-	-	6,054,935	-	6,054,935	-	
Other liabilities	-	-	-	-	-	6,585,791	-	6,585,791	-	
Other non-interest sensitive balances	-	-	-	-	-	239,458	-	239,458	-	
Life, general takaful and family takaful fund liabilities	-	-	-	-	-	4,488,390	-	4,488,390	-	
Life, general takaful and family takaful policy holders' funds	-	-	-	-	-	12,460,712	-	12,460,712	-	
Total Liabilities	101,943,656	46,584,581	56,684,768	56,041,038	4,528,147	36,005,268	1,214,200	303,001,658		
Shareholders' equity	-	-	-	-	-	26,900,835	-	26,900,835		
Minority interests	-	-	-	-	-	929,031	-	929,031		
Total Liabilities and Shareholders' Equity	101,943,656	46,584,581	56,684,768	56,041,038	4,528,147	63,835,134	1,214,200	330,831,524		
On-balance sheet interest sensitivity gap	(16,763,938)	(23,960,140)	(36,921,928)	(16,032,717)	71,706,530	(22,782,160)	44,754,353			
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,397,429)	1,744,144	2,123,266	(2,135,622)	(334,359)	-	-			
Total interest sensitivity gap	(18,161,367)	(22,215,996)	(34,798,662)	(18,168,339)	71,372,171	(22,782,160)	44,754,353	-		
Cumulative interest rate sensitivity gap	(18,161,367)	(40,377,363)	(75,176,025)	(93,344,364)	(21,972,193)	(44,754,353)	-			

* This is arrived at after deducting the general allowance and specific allowance from the outstanding non-performing loans.

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A26. Interest Rate Risk

Group As at 30 June 2009	Non trading book						Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000					
ASSETS										
Cash and short-term funds	16,126,913	-	-	-	-	7,481,066	-	23,607,979	1.20	
Deposits and placements with banks and other financial institutions	756,741	4,542,810	541,365	1,759	-	456,500	-	6,299,175	1.43	
Securities purchased under resale agreements	346,462	-	-	-	-	-	-	346,462	2.31	
Securities held-for-trading	-	-	-	-	-	-	1,489,272	1,489,272	3.09	
Securities available-for-sale	150,277	388,816	754,343	1,415,250	1,228,392	-	43,940,027	47,877,105	4.06	
Securities held-to-maturity	20,315	34,058	16,445	5,061,416	3,026,923	201,594	-	8,360,751	3.96	
Loans, advances and financing										
- performing	83,981,576	17,201,450	18,151,503	27,691,100	39,549,897	72,033	-	186,647,559	5.54	
- non-performing*	-	-	-	-	-	(864,393)	-	(864,393)	-	
Derivative assets	-	-	-	-	-	-	973,685	973,685	-	
Other Assets	-	-	-	-	-	5,249,290	-	5,249,290	-	
Other non-interest sensitive balances	-	-	-	-	-	13,970,337	-	13,970,337	-	
Life, general takaful and family takaful fund assets	-	-	-	-	-	16,781,901	-	16,781,901	-	
TOTAL ASSETS	101,382,284	22,167,134	19,463,656	34,169,525	43,805,212	43,348,328	46,402,984	310,739,123		

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A26. Interest Rate Risk (contd)

Group As at 30 June 2009	Non trading book						Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
LIABILITIES AND									
SHAREHOLDERS' EQUITY									
Deposits from customers	72,586,615	28,362,531	44,823,718	39,277,876	95,651	27,452,198	-	212,598,589	1.25
Deposits and placements of banks and other financial institutions	15,343,043	5,034,216	1,630,950	1,695,734	3,495,909	1,582,011	-	28,781,863	1.21
Bills and acceptances payable	451,247	243,942	15,349	-	-	759,525	-	1,470,063	2.32
Recourse obligations on loans sold to Cagamas	-	-	270,166	246,099	-	-	-	516,265	2.05
Derivative liabilities	-	-	-	-	-	-	1,459,068	1,459,068	-
Borrowings	-	-	592,814	1,909,246	-	-	-	2,502,060	1.35
Subordinated obligations	-	-	1,572,373	4,000,000	3,100,000	-	-	8,672,373	4.44
Capital Securities	-	-	-	-	-	6,047,541	-	6,047,541	-
Other liabilities	-	-	-	-	-	5,996,250	-	5,996,250	-
Other non-interest sensitive balances	-	-	-	-	-	145,173	-	145,173	-
Life, general takaful and family takaful fund liabilities	-	-	-	-	-	4,529,995	-	4,529,995	-
Life, general takaful and family takaful policy holders' funds	-	-	-	-	-	12,251,906	-	12,251,906	-
Total Liabilities	88,380,905	33,640,689	48,905,370	47,128,955	6,691,560	58,764,599	1,459,068	284,971,146	
Shareholders' equity	-	-	-	-	-	24,898,746	-	24,898,746	
Minority interests	-	-	-	-	-	869,231	-	869,231	
Total Liabilities and Shareholders' Equity	88,380,905	33,640,689	48,905,370	47,128,955	6,691,560	84,532,576	1,459,068	310,739,123	
On-balance sheet interest sensitivity gap	13,001,379	(11,473,555)	(29,441,714)	(12,959,430)	37,113,652	(41,184,248)	44,943,916		
Off-balance sheet interest sensitivity gap (interest rate swaps)	2,315,148	853,917	(558,350)	(1,573,887)	(1,036,828)	-	-		
Total interest sensitivity gap	15,316,527	(10,619,638)	(30,000,064)	(14,533,317)	36,076,824	(41,184,248)	44,943,916	-	
Cumulative interest rate sensitivity gap	15,316,527	4,696,889	(25,303,175)	(39,836,492)	(3,759,668)	(44,943,916)	-		

* This is arrived at after deducting the general allowance and specific allowance from the outstanding non-performing loans.

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A26. Interest Rate Risk (contd)

Bank As at 31 December 2009	Non trading book						Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
ASSETS									
Cash and short-term funds	22,585,327	-	-	-	-	3,045,310	-	25,630,637	1.32
Deposits and placements with banks and other financial institutions	446,815	5,405,218	1,149,046	16,495	-	300,043	-	7,317,617	0.97
Securities purchased under resale agreements	135,865	-	-	-	-	-	-	135,865	2.22
Securities held-for-trading	-	-	-	-	-	-	2,611,124	2,611,124	3.44
Securities available-for-sale	-	-	-	-	-	-	40,084,586	40,084,586	3.45
Securities held-to-maturity	-	-	81	4,786,359	2,996,023	192,078	-	7,974,541	3.27
Loans, advances and financing									
- performing	46,503,236	13,070,684	14,938,245	23,185,999	50,305,932	-	-	148,004,096	5.59
- non-performing*	-	-	-	-	-	(965,410)	-	(965,410)	-
Derivative assets	-	-	-	-	-	-	935,529	935,529	-
Other assets	-	-	-	-	-	3,788,452	-	3,788,452	-
Other non-interest sensitive balances	-	-	-	-	-	16,496,276	-	16,496,276	-
TOTAL ASSETS	69,671,243	18,475,902	16,087,372	27,988,853	53,301,955	22,856,749	43,631,239	252,013,313	

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A26. Interest Rate Risk (contd)

Bank	Non trading book						Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
As at 31 December 2009									
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	62,969,838	30,572,428	44,023,479	36,605,573	87,428	3,855,407	-	178,114,153	1.02
Deposits and placements of banks and other financial institutions	14,941,886	5,558,933	907,253	1,634,737	3,509,199	711,954	-	27,263,962	1.05
Bills and acceptances payable	103,271	127,651	21,582	-	-	989,721	-	1,242,225	2.42
Recourse obligations on loans sold to Cagamas	10,564	-	176,593	33,097	245,360	-	-	465,614	4.63
Derivative liabilities	-	-	-	-	-	-	1,173,572	1,173,572	-
Borrowings	-	-	205,410	1,193,223	684,700	-	-	2,083,333	0.92
Subordinated obligations	-	-	2,024,708	3,000,000	3,100,000	-	-	8,124,708	3.99
Capital Securities	-	-	-	-	-	6,054,935	-	6,054,935	-
Other liabilities	-	-	-	-	-	3,460,270	-	3,460,270	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	-
Total Liabilities	78,025,559	36,259,012	47,359,025	42,466,630	7,626,687	15,072,287	1,173,572	227,982,772	
Shareholders' equity	-	-	-	-	-	24,030,541	-	24,030,541	
Total Liabilities and Shareholders' Equity	78,025,559	36,259,012	47,359,025	42,466,630	7,626,687	39,102,828	1,173,572	252,013,313	
On-balance sheet interest sensitivity gap	(8,354,316)	(17,783,110)	(31,271,653)	(14,477,777)	45,675,268	(16,246,079)	42,457,667	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,195,229)	1,881,576	2,062,435	(2,304,923)	(443,859)	-	-	-	
Total interest sensitivity gap	(9,549,545)	(15,901,534)	(29,209,218)	(16,782,700)	45,231,409	(16,246,079)	42,457,667	-	
Cumulative interest rate sensitivity gap	(9,549,545)	(25,451,079)	(54,660,297)	(71,442,997)	(26,211,588)	(42,457,667)	-	-	

* This is arrived at after deducting the general allowance and specific allowance from the outstanding non-performing loans.

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A26. Interest Rate Risk (contd)

Bank As at 30 June 2009	Non trading book						Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000					
ASSETS										
Cash and short-term funds	13,867,437	-	-	-	-	3,580,875	-	17,448,312	1.20	
Deposits and placements with banks and other financial institutions	620,704	5,231,356	1,282,993	1,759	-	427,157	-	7,563,969	1.07	
Securities purchased under resale agreements	346,462	-	-	-	-	-	-	346,462	2.31	
Securities held-for-trading	-	-	-	-	-	-	838,721	838,721	2.95	
Securities available-for-sale	-	-	-	-	-	-	39,349,558	39,349,558	3.59	
Securities held-to-maturity	-	1,670	7,638	4,264,653	2,367,567	190,370	-	6,831,898	3.96	
Loans, advances and financing										
- performing	74,085,596	15,095,318	15,710,080	19,176,418	21,112,159	-	-	145,179,571	5.52	
- non-performing*	-	-	-	-	-	(747,773)	-	(747,773)	-	
Derivative assets	-	-	-	-	-	-	929,904	929,904	-	
Other assets	-	-	-	-	-	3,818,866	-	3,818,866	-	
Other non-interest sensitive balances	-	-	-	-	-	16,717,654	-	16,717,654	-	
TOTAL ASSETS	88,920,199	20,328,344	17,000,711	23,442,830	23,479,726	23,987,149	41,118,183	238,277,142		

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A26. Interest Rate Risk (contd)

Bank As at 30 June 2009	Non trading book						Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
LIABILITIES AND									
SHAREHOLDERS' EQUITY									
Deposits from customers	55,282,391	26,548,853	43,403,901	34,937,560	87,127	3,193,098	-	163,452,930	1.06
Deposits and placements of banks and other financial institutions	17,315,632	5,252,852	1,280,227	1,637,666	3,538,909	1,096,630	-	30,121,916	1.10
Bills and acceptances payable	235,334	243,942	15,349	-	-	833,654	-	1,328,279	2.32
Recourse obligations on loans sold to Cagamas	-	-	270,166	246,099	-	-	-	516,265	2.05
Derivative liabilities	-	-	-	-	-	-	1,381,860	1,381,860	-
Borrowings	-	-	281,360	1,230,950	-	-	-	1,512,310	1.35
Subordinated obligations	-	-	1,052,239	4,000,000	3,100,000	-	-	8,152,239	4.23
Capital Securities	-	-	-	-	-	6,047,541	-	6,047,541	-
Other liabilities	-	-	-	-	-	3,253,358	-	3,253,358	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	-
Total Liabilities	72,833,357	32,045,647	46,303,242	42,052,275	6,726,036	14,424,281	1,381,860	215,766,698	
Shareholders' equity	-	-	-	-	-	22,510,444	-	22,510,444	
Total Liabilities and Shareholders' Equity	72,833,357	32,045,647	46,303,242	42,052,275	6,726,036	36,934,725	1,381,860	238,277,142	
On-balance sheet interest sensitivity gap	16,086,842	(11,717,303)	(29,302,531)	(18,609,445)	16,753,690	(12,947,576)	39,736,323	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	2,113,766	796,988	(585,294)	(1,401,188)	(924,272)	-	-	-	
Total interest sensitivity gap	18,200,608	(10,920,315)	(29,887,825)	(20,010,633)	15,829,418	(12,947,576)	39,736,323	-	
Cumulative interest rate sensitivity gap	18,200,608	7,280,293	(22,607,532)	(42,618,165)	(26,788,747)	(39,736,323)	-	-	

* This is arrived at after deducting the general allowance and specific allowance from the outstanding non-performing loans.

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A27. Capital Adequacy

The capital adequacy ratios of the Group and the Bank, based on credit and market risks as at the following dates:

	Group		Bank	
	31 December 2009 RM'000	30 June 2009 RM'000	31 December 2009 RM'000	30 June 2009 RM'000
Before deducting proposed dividend:				
Core capital ratio	11.00%	11.00%	15.00%	14.29%
Risk-weighted capital ratio	<u>14.86%</u>	<u>14.99%</u>	<u>15.00%</u>	<u>14.29%</u>
After deducting proposed dividend:				
Core capital ratio	10.76%	10.81%	14.69%	14.06%
Risk-weighted capital ratio	<u>14.61%</u>	<u>14.81%</u>	<u>14.69%</u>	<u>14.06%</u>
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Paid-up share capital	7,077,983	7,077,663	7,077,983	7,077,663
Share premium	5,903,497	5,901,692	5,903,497	5,901,692
Other reserves	12,328,807	11,310,142	11,396,324	10,079,987
Capital Securities	6,054,936	6,047,541	6,054,935	6,047,541
	<u>31,365,223</u>	30,337,038	<u>30,432,739</u>	29,106,883
Less: Deferred tax assets ¹	(1,481,033)	(1,493,132)	(1,176,448)	(1,194,897)
Less: Goodwill ¹	(3,963,210)	(3,963,210)	(81,085)	(81,015)
Total Tier I capital	<u>25,920,980</u>	<u>24,880,696</u>	<u>29,175,206</u>	<u>27,830,971</u>
<u>Tier II capital</u>				
Subordinated obligations	8,629,113	8,653,373	8,124,707	8,152,239
General allowance for bad and doubtful debts	3,779,302	3,725,599	3,014,574	3,038,025
Total Tier II capital	<u>12,408,415</u>	<u>12,378,972</u>	<u>11,139,281</u>	<u>11,190,264</u>
Total capital	38,329,395	37,259,668	40,314,487	39,021,235
Less: Investment in subsidiary companies and associates ²	(3,308,319)	(3,342,964)	(12,142,009)	(12,067,698)
Less: Other deductions	(14,974)	-	(14,974)	-
Capital base	<u>35,006,102</u>	<u>33,916,704</u>	<u>28,157,504</u>	<u>26,953,537</u>

¹ Under Bank Negara Guidelines, deferred tax and goodwill are not allowed for computation of capital adequacy ratios.

² Excludes the cost of investment in subsidiary companies and associates, except for Myfin Berhad of RM18,993,759, as its business, assets and liabilities have been transferred to the Bank. For the Group, the cost of investments in insurance companies and associates are deducted from capital base.

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A27. Capital Adequacy (contd.)

The breakdown of risk-weighted assets (excluding deferred tax assets) in the various categories of risk-weights are as follows:

	31 December 2009		30 June 2009	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
Group				
0%	46,617,625	-	35,034,146	-
10%	988,090	98,809	362,633	36,263
20%	31,554,814	6,310,963	28,968,131	5,793,626
50%	35,754,578	17,877,289	33,248,708	16,624,354
100%	<u>180,330,725</u>	<u>180,330,725</u>	<u>170,959,552</u>	<u>170,959,552</u>
Total risk-weighted assets for credit risk		<u>204,617,786</u>		193,413,795
Total risk-weighted assets for market risk		<u>30,941,141</u>		<u>32,700,870</u>
Total risk-weighted assets for credit and market risks		<u>235,558,927</u>		<u>226,114,665</u>
Bank				
0%	35,246,025	-	24,132,473	-
10%	27,242	2,724	15,738	1,574
20%	34,241,017	6,848,203	30,769,597	6,153,919
50%	29,254,982	14,627,491	27,005,260	13,502,630
100%	<u>139,144,388</u>	<u>139,144,388</u>	<u>141,015,316</u>	<u>141,015,316</u>
Total risk-weighted assets for credit risk		<u>160,622,806</u>		160,673,439
Total risk-weighted assets for market risk		<u>27,132,719</u>		<u>27,922,999</u>
Total risk-weighted assets for credit and market risks		<u>187,755,525</u>		<u>188,596,438</u>

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A28. Credit Exposure Arising From Credit Transactions With Connected Parties

	GROUP		BANK	
	31 December 2009	30 June 2009	31 December 2009	30 June 2009
Outstanding credit exposures with connected parties (RM'000)	1,207,889	1,364,214	1,052,270	1,149,145
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	3.5%	4.0%	3.7%	4.3%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	0.6%	0.7%	0.7%	0.8%

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

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A29. The Operations of Islamic Banking

A29a. Unaudited Balance Sheets as at 31 December 2009

Group	31 December 2009 RM'000	30 June 2009 RM'000
ASSETS		
Cash and short-term funds	3,042,259	4,403,717
Deposits and placements with banks and other financial institutions	100,096	49,659
Securities portfolio	4,535,435	4,324,549
Financing and advances	29,993,975	25,468,811
Deferred tax assets	84,502	58,397
Derivative assets	18,537	23,641
Other assets	181,105	172,992
Statutory deposit with Bank Negara Malaysia	80,500	206,000
Total Assets	38,036,409	34,707,766
LIABILITIES		
Deposits from customers	28,068,706	24,778,718
Deposit and placements of banks and other financial institutions	6,384,931	6,153,166
Bills and acceptances payable	9,765	2,931
Derivatives liabilities	18,054	27,138
Other liabilities	709,417	1,020,861
Provision for taxation and zakat	34,982	28,597
Total Liabilities	35,225,855	32,011,411
ISLAMIC BANKING FUNDS		
Islamic Banking Funds	125,141	197,476
Reserves	2,685,413	2,498,879
	2,810,554	2,696,355
Total Liabilities and Islamic Banking Funds	38,036,409	34,707,766
COMMITMENTS AND CONTINGENCIES	13,660,652	15,234,088

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A29. The Operations of Islamic Banking (Contd)

A29b. Unaudited Income Statements for the Second Quarter and Financial Half Year Ended 31 December 2009

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2009 RM'000	31 December 2008 RM'000	31 December 2009 RM'000	31 December 2008 RM'000
Group				
Income derived from investment of depositors' funds	448,901	375,369	875,104	749,035
Expenses directly attributable to depositors and Islamic Banking Funds	(2,619)	(6,835)	(4,500)	(5,754)
Transfer from profit equalisation reserve	(12,492)	12,234	28,897	13,413
Gross attributable income	<u>433,790</u>	<u>380,768</u>	<u>899,501</u>	<u>756,694</u>
Allowance for losses on financing and advances	(49,147)	(43,515)	(220,280)	(76,934)
Total attributable income	384,643	337,253	679,221	679,760
Income attributable to the depositors	(145,110)	(176,336)	(302,048)	(344,826)
Income attributable to the Group	239,533	160,917	377,173	334,934
Income derived from investment of Islamic Banking Funds				
Gross investment income	29,581	41,691	65,468	72,688
Finance cost	-	-	-	-
Net income from investment of Islamic Banking Funds	<u>29,581</u>	<u>41,691</u>	<u>65,468</u>	<u>72,688</u>
	269,114	202,608	442,641	407,622
Overhead expenses	(102,634)	(80,836)	(203,080)	(151,108)
Profit before taxation and zakat	166,480	121,772	239,561	256,514
Taxation	(41,971)	(26,887)	(49,763)	(60,019)
Zakat	(1,722)	(2,994)	(3,933)	(7,256)
Profit for the period	122,787	91,891	185,865	189,239

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A29. The Operations of Islamic Banking (Contd)

A29b. Unaudited Income Statements for the Second Quarter and Financial Half Year Ended 31 December 2009

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

	Group	
	31 December 2009 RM'000	31 December 2008 RM'000
Gross attributable income	899,501	756,694
Net income from investment of Islamic Banking Funds	<u>65,468</u>	<u>72,688</u>
Total income before allowances for losses on financing and advances and overhead expenses	964,969	829,382
Income attributable to the depositors	<u>(302,048)</u>	<u>(344,826)</u>
	<u>662,921</u>	<u>484,556</u>
Net of Intercompany income & expenses	74,584	105,754
Income from Islamic Banking Scheme	<u>737,505</u>	<u>590,310</u>

A29c. Financing and Advances

	Group	
	31 December 2009 RM'000	30 June 2009 RM'000
Overdrafts	2,281,949	2,032,608
Term financing		
- Housing financing	5,319,308	4,967,816
- Syndicated financing	197,939	129,795
- Hire purchase receivables	14,078,070	12,658,514
- Other financing	17,566,758	13,491,187
Bills receivable	1,306	47,931
Trust receipts	120,817	137,853
Claims on customers under acceptance credits	2,768,374	3,374,953
Staff financing	365,571	308,966
Credit card receivables	131,200	82,596
Revolving credits	<u>1,455,000</u>	<u>263,100</u>
	<u>44,286,292</u>	<u>37,495,319</u>
Unearned income	<u>(13,097,892)</u>	<u>(11,028,542)</u>
Gross financing and advances	31,188,400	26,466,777
Allowance for bad and doubtful financing:		
- specific	(681,077)	(561,520)
- general	<u>(513,348)</u>	<u>(436,446)</u>
Net financing and advances	<u>29,993,975</u>	<u>25,468,811</u>

A29d. (i) Movements in non-performing financing and advances ("NPF") are as follows:

	Group	
	31 December 2009 RM'000	30 June 2009 RM'000
Balance at beginning of the period/year	1,045,712	1,106,390
Non-performing during the period/year	331,673	425,269
Recovered/regularized during the period/year	(218,840)	(383,655)
Amount written off	(40,065)	(107,801)
Expenses debited to customers' accounts	6,395	5,509
Balance at end of the period/year	<u>1,124,875</u>	<u>1,045,712</u>
Specific allowance	(681,077)	(561,520)
on non performing loan	<u>(675,273)</u>	<u>(558,277)</u>
on performing loan	<u>(5,804)</u>	<u>(3,243)</u>
Net NPF	<u>443,798</u>	<u>484,192</u>

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A29. The Operations of Islamic Banking (Contd)

A29d. (i) Movements in non-performing financing and advances ("NPF") are as follows: (contd)

Ratio of net non-performing financing and advances		
including specific allowance on performing financing	1.45%	1.87%
excluding specific allowance on financing	<u>1.47%</u>	<u>1.88%</u>

(ii) Movements in the allowance for bad and doubtful financing accounts are as follows:

	Group	
	31 December 2009 RM'000	30 June 2009 RM'000
<u>General allowance</u>		
At beginning of the period/year	436,446	333,981
Allowance made during the period/year	174,830	117,165
Allowance written back	(97,928)	(14,700)
At end of the period/year	<u>513,348</u>	<u>436,446</u>
As a percentage of gross financing and advances less specific allowance	<u>1.68%</u>	<u>1.69%</u>
<u>Specific allowance</u>		
At beginning of the period/year	561,520	549,632
Allowance made during the period in respect of recoveries	199,430	193,410
Amount written back	(39,808)	(73,721)
Amount written off	(40,065)	(107,801)
At end of the period/year	<u>681,077</u>	<u>561,520</u>

A29e. Deposits from Customers

(i) By type of deposit

	Group	
	31 December 2009 RM'000	30 June 2009 RM'000
<u>Mudharabah Fund</u>		
Demand deposits	2,553,145	2,530,270
Savings deposits	187,477	163,642
General investment deposits	11,670,188	10,536,150
Negotiable instruments of deposits	1,244,961	1,881,710
	<u>15,655,771</u>	<u>15,111,772</u>
<u>Non-Mudharabah Fund</u>		
Demand deposits	4,313,147	3,831,515
Savings deposits	4,798,127	4,414,806
Fixed return investment deposits	635,728	872,700
Structured deposits	2,665,933	547,925
	<u>12,412,935</u>	<u>9,666,946</u>
Total deposit from customers	<u>28,068,706</u>	<u>24,778,718</u>

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

B1. Performance Review

The Group posted profit attributable to equity holders amounting to RM1,875.3 million and RM993.5 million for the half year ended 31 December 2009 and 2nd quarter ended 31 December 2009 respectively, a significant increase of RM568.6 million or 43.5% for the half year and RM258.9 million or 35.2% for the quarter.

The Group's net interest income for the 6 months period ended 31 December 2009 increased by RM498.3 million or 17.7% to RM3,310.7 million. The increase in net interest income is mainly due to the full six months' contribution from PT Bank Internasional Indonesia Tbk (BII), a 97.5% subsidiary acquired on 30 September 2008, and higher contribution by the Bank, where interest expense decreased at a faster rate compared to interest income. Income from Islamic Banking Scheme operations for the 6 months ended 31 December 2009 also increased by RM147.2 million or 24.9% to RM737.5 million.

Non interest income increased significantly by RM1,032.9 million or 77.8% to RM2,360.1 million compared to the amount in the previous corresponding period. The significant increase is contributed by higher fee income, unrealized gain on revaluation of derivatives, foreign exchange profits, net gain on sale of held-for-trading and available-for-sale securities, which were higher by RM378.2 million, RM362.0 million, RM170.9 million and RM102.8 million respectively.

Overhead expenses increased by RM580.0 million or 22.1% to RM3,209.5 million over the amount in the corresponding period, mainly due to the full six months' contribution from BII compared to the corresponding period. Personnel cost increased by RM242.3 million or 20.3% to RM1,433.2 million. Establishment costs increased by RM136.1 million or 31% to RM575.4 million (including amortization of BII's Customer Deposits Intangibles). Administration and general expenses increased by RM209.1 million or 34.8% to RM810.8 million due to increase in royalties paid for the expansion of cards businesses and higher professional fees.

Allowance for losses on loans, advances and financing increased by RM154.8 million or 30.6% to RM661.3 million. The increase is mainly due to contribution by BII, which however, was mitigated by lower allowances in the domestic banking operations.

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B2. Variation of Current Quarter Results Against Preceding Quarter

The Group posted profit attributable to equity holders amounting to RM993.5 million for the 2nd quarter ended 31 December 2009, an increase of RM111.7 million or 12.7% compared to the preceding quarter.

The Group's net interest income and income from Islamic Banking Scheme operations for the 2nd quarter ended 31 December 2009 increased by RM29.8 million or 1.5% to RM2009.2 million against the preceding quarter.

Non-interest income for the quarter increased RM77.1 million or 6.7% to RM1,218.1 million compared to that of preceding quarter. The increase is mainly attributable to loans related fee income and foreign exchange profits.

Overhead expenses for the quarter increased by RM68.0 million or 4.3% over that of the preceding quarter mainly due to higher personnel expenses, which were higher by RM79.8 million, but was partly offset by lower insurance claims incurred of RM6.6 million and lower marketing expenses of RM5.5 million.

Compared to the preceding quarter, allowance for losses on loans, advances and financing and impairment losses were lower by RM174.1 million and RM22.5 million respectively.

B3. Prospects

With Malaysia's economy resuming growth in 2010, Maybank's core commercial banking operations is expected to perform better with positive but modest loan growth in all segments. Improved consumer sentiments will fuel further growth in the area of consumer financing. Improving capital market activity, coupled with the Group's effort to build internal capability and capacity is expected to provide better performance for the investment banking and insurance divisions. Whilst seeking to expand and regain market share in selected business segments, the Group will continue to be vigilant in ensuring asset quality is preserved. Prudent risk management practices and stringent asset quality management should contain the risk of deterioration in asset quality.

The Group's international operation is also expected to record better performance due to the global economic recovery as well as through business expansion. BII has shown good improvement and is expected to show much better growth in line with the vibrant banking sector in Indonesia and following new business strategy initiated by the management team. The Group's Singapore operations is also expected to contribute to the growth, albeit moderately and with strong asset quality.

With the improving economic environment in the markets that we operate and in the absence of the impairment charge which was incurred in the financial year 2009, the Group expects its financial performance for the current financial year ending 30 June 2010 to improve significantly. For financial year 2010, the Group has set its Key Performance Indicators (KPIs) with target revenue growth of 8.0% and with Return on Equity (ROE) of 11.0%. Barring unforeseen circumstances, the Group expects the revenue growth and ROE to exceed the KPIs set for financial year 2010.

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B4. Profit Forecast or Profit Guarantee

Neither the Group nor the Bank has made any profit forecast or issued any profit guarantee.

B5. Tax Expense and Zakat

The analysis of the tax expense for the second quarter and financial half year ended 31 December 2009 are as follows:

Group	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	372,452	279,417	642,988	476,893
Foreign income tax	36,801	(51,977)	47,255	11,777
	409,253	227,440	690,243	488,670
Overprovision in prior periods	-	(5)	-	(18)
Deferred tax expense				
- Origination and reversal of temporary differences	(36,167)	(9,296)	(70,972)	(2,177)
- Due to reduction in statutory rate	-	895	-	39,314
	(36,167)	(8,401)	(70,972)	37,137
Tax expense for the period	373,086	219,034	619,271	525,789
Zakat	3,488	6,583	6,765	10,846
	376,574	225,617	626,036	536,635

Bank	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	444,812	140,231	672,884	308,781
Foreign income tax	3,498	(219)	4,860	817
	448,310	140,012	677,744	309,598
Deferred tax expense				
- Origination and reversal of temporary differences	(39,275)	4,266	(42,125)	5,819
- Due to reduction in statutory rate	-	-	-	37,744
	(39,275)	4,266	(42,125)	43,563
Tax expense for the period	409,035	144,278	635,619	353,161

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (31 December 2008: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

B6. Sale of Unquoted Investments and Properties

There were no material gains or losses on sale of investments or properties during the period other than in the ordinary course of business.

B7. Quoted Securities

Financial institutions are exempted from the disclosure requirements relating to quoted securities.

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B8. Status of Corporate Proposals Announced but Not Completed

(a) Proposed Acquisition Of Approximately 20% Of The Total Charter Capital Of Vietnam's An Binh Commercial Joint Stock Bank ("ABBank")

ABBank has distributed shares via a bonus issue to the existing shareholders of ABBank (excluding Maybank) in August 2009. Therefore, Maybank has on 25 August 2009 completed the subscription of approximately 2.16 million additional shares in ABBank at VND20,000 per share for a total consideration of approximately VND43.3 billion or RM8.5 million (at the exchange rate of VND5,073 : RM1.00 as of 24 August 2009) to maintain its effective shareholding of 15% in ABBank.

On 10 December 2009 Maybank had received a letter from An Binh Bank confirming, amongst others, that all approvals including regulatory approvals required from the Prime Minister's Office, the State Bank of Vietnam and the State Securities Committee have been received. Based on the foregoing, Maybank has on 17 December 2009, successfully completed the acquisition of 17,813,366 shares in An Binh Bank ("Fourth Subscription"), representing 5% of the total charter capital of An Binh Bank ("Charter Capital") for a total consideration of approximately VND356.3 billion or the equivalent of approximately RM66.4 million (at the exchange rate of VND5,362 : RM1.00 as of 16 December 2009).

Pursuant thereto, Maybank now holds 60,565,443 shares in An Binh Bank, which represents 20% total Charter Capital of An Binh Bank.

(b) Family Takaful Business Joint Venture In Pakistan

On 23 June 2008, Maybank received an approval from Bank Negara Malaysia to establish or acquire a subsidiary to be used as a Special Purpose Vehicle ("SPV") for the purpose of acquiring 30% of the issued and paid-up capital of Pak-Kuwait Takaful Company Limited.

Maybank had on 8 July 2008 acquired Pelangi Amanmaz Sdn Bhd ("PASB") as a subsidiary to be used as the SPV for the joint venture. PASB has an authorised capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and issued and paid-up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

Through the acquisition, Maybank intends to venture into the Family Takaful business in Pakistan. Pak-Kuwait Family Takaful Company Limited is a newly incorporated company owned by Pak-Kuwait Investment Company and they will submit an application for license from the authorities in Pakistan to operate the family Takaful business. The issue and paid-up capital of the company is Pakistan Rupees 500 million.

There have been no material developments in the joint venture. Both parties are still currently finalizing the business plan for the Joint Venture Company.

PASB has changed its name to Etiqa International Holdings Sdn Bhd with effect from 15 December 2009.

(c) Proposed Issuance Of, Offer For Subscription Or Purchase Of, Or Invitation To Subscribe For, Or Purchase Of Innovative Tier 1 Capital Securities ("IT1CS") Programme Of Up To RM4.0 Billion And/Or Its Foreign Currency Equivalent In Nominal Value ("IT1CS Programme") By Maybank.

The IT1CS has been structured to comply with Bank Negara Malaysia's ("BNM") Guidelines on Innovative Tier 1 capital instruments. Maybank has obtained approvals from BNM and the Securities Commission vide their letters dated 28 May 2008 and 4 June 2008 respectively to issue the IT1CS Programme.

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B8. Status of Corporate Proposals Announced but Not Completed (Contd.)

(c) Proposed Issuance Of, Offer For Subscription Or Purchase Of, Or Invitation To Subscribe For, Or Purchase Of Innovative Tier 1 Capital Securities (“IT1CS”) Programme Of Up To RM4.0 Billion And/Or Its Foreign Currency Equivalent In Nominal Value (“IT1CS Programme”) By Maybank. (Contd.)

The IT1CS is issued in the form of capital securities via an IT1CS Programme. The IT1CS Programme would have a sixty-five (65) year tenure from the date of the first issuance.

The Bank shall have the option to redeem, in whole and not in part, any IT1CS issued on the First Optional Redemption Date of each IT1CS issued, which is a date falling no less than 10 year or no more than 15 years from the respective IT1CS date of first issuance, and every interest payment date thereafter, subject to prior approval of BNM.

The proceeds of the IT1CS Programme shall be used for Maybank’s working capital, general banking and other corporate purposes.

During the year, the following has been issued under the IT1CS Programme:

(i) SGD600 million IT1CS

On 11 August 2008, Maybank issued SGD600 million IT1CS. The SGD IT1CS has a principal stock settlement mechanism to redeem the IT1CS on the 60th year from the date of issuance. The Bank, however, has the option to redeem the IT1CS on the 10th anniversary of the issue date and on any interest payment date thereafter. On the 10th anniversary of the issue date, there will be a step-up in the interest rate.

(ii) RM1.1 billion IT1CS

On 25 September 2008, Maybank issued RM1.10 billion of IT1CS, which forms part of the overall IT1CS Programme. The RM IT1CS matures on 25 September 2068, and is callable on 25 September 2018 and on every interest payment date thereafter.

There is no new issuance under the IT1CS Programme other than the two issuances disclosed above.

(d) Proposed Rights Issue by PT Bank Internasional Indonesia Tbk (“BII”)

BII has announced their intention to embark on a rights issue exercise to raise gross proceeds of up to USD 150 million or RM 513.5 million equivalent. The proposed rights issue exercise has been approved by the Board of BII on 8 February 2010 and is expected to be completed by end of April 2010, subject to the appropriate approval from shareholders and regulators. Details of the rights issue such as ratio, discount and other relevant information will be announced in due course.

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B9. Deposits and Placements of Financial Institutions and Debt Securities

Please refer to note A12 and A13.

B10. Off-Balance Sheet Financial Instruments

Please refer to note A25.

B11. Changes in Material Litigation

- (a) In 2005, a subsidiary, Mayban Trustees Berhad ("MTB") and eleven other defendants were served with a writ of summons by ten plaintiffs'/bondholders' for an amount of approximately RM149.3 million. MTB was alleged to have acted in breach of trust and negligently in its capacity as Trustee for the bonds issued. MTB does not admit any liability to the claim and has defended the suit. The solicitors for MTB are unable to determine the maximum exposure of liability.

MTB is counterclaiming against and also claiming indemnity, contribution or other relief from the 2nd Plaintiff, the 1st and 3rd to 12th Defendants as well as a legal firm.

On 7 July 2008, the Plaintiffs entered judgment by consent against the 1st, 4th and 6th to 12th Defendants for the sum of RM149.3 million as well as withdrew the claim against the 5th defendant. The entering of the said judgment by consent is not in any way an implication of liability on the part of MTB and MTB has defended the suit.

The 1st Defendant had on 4 August 2008 served a counterclaim on MTB for approximately RM535 million being loss of profit, expenses and damages stated to have been incurred by it which allegedly arises as a result of MTB unlawfully declaring an Event Of Default ("EOD") on the bond("Counterclaim"). MTB had defended the Counterclaim and the 1st Defendant had on 25 August 2009 withdrawn the Counterclaim against MTB.

The trial for the suit had concluded in November 2009 and the Kuala Lumpur High Court has reserved judgment to a date to be notified by the Court.

The above contingent liability is covered by an existing Banker Blanket Bond Policy between the Bank and a subsidiary, Etiqa Insurance Berhad, which had entered into a facultative reinsurance contract for an insured sum of RM150 million with three(3) other re-insurers.

No provision is made in the Group's financial statements.

- (b) In 2004, Etiqa Takaful Berhad ("ETB") (formerly known as Takaful Nasional Berhad), now a subsidiary of the Bank, commenced a civil suit against a borrower ("the 1st Defendant") and three guarantors, for the sum of approximately RM25.8 million, following the recall of the relevant facility which was preceded by the 1st Defendant's failure to pay monthly instalments.

The 1st Defendant Counterclaimed for loss and damage amounting to approximately RM284 million as a result of ETB's alleged failure to release the balance of the facility of RM7.5 million. ETB had filed its Defence to the Counterclaim and applied to strike out the Counterclaim.

On 14 May 2009, the Court allowed ETB's application for Summary Judgment, but directed that a rebate be given if there is early settlement. The Court has also dismissed the 1st Defendant's Counterclaim against ETB with costs. The Defendants had filed two separate applications to the Kuala Lumpur High Court for stay of execution of the Summary Judgment. Both applications for stay of execution were dismissed by the Kuala Lumpur High Court.

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B11. Changes in Material Litigation (Contd.)

(b) The Defendants then filed :-

- (i) Notice of Motion to the Court of Appeal for stay of execution of the Summary Judgment; and
- (ii) Notice of Motion to appeal against the Summary Judgment

During the hearing of the Notice of Motion for stay of execution on 28 October 2009, the Court of Appeal dismissed the Notice of Motion with costs. As for the Notice of Motion to appeal against the Summary Judgment, the matter is fixed for hearing on 4 March 2010.

(c) A corporate borrower has issued a writ of summons and statement of claim against Maybank Investment Bank Berhad (formerly known as Aseambankers Malaysia Berhad) ("Maybank IB") in 2005 in its capacity as agent bank for three financial institutions as syndicated lenders claiming general, special and exemplary damages arising from alleged breach of duty owed by Maybank IB. Although it has not been quantified, the claim value is estimated at approximately RM450 million.

The credit facilities consist of a bridging loan of RM58.5 million and a revolving credit facility of RM4 million which were granted by Maybank IB and the three syndicated lenders. The loan was subsequently restructured to RM38 million with terms for repayment. In 2006, Maybank IB and the three syndicated lenders filed a suit against the corporate borrower for the recovery of the loan. The two suits were then ordered by the court to be heard together.

Out of the estimated claim of RM450 million, Maybank's exposure is RM189 million (inclusive of the assets and liabilities of Kewangan Bersatu Berhad (one of the syndicated lenders) and from Maybank IB which had been vested to the Bank in respect of this account pursuant to a vesting order dated 28 September 2006 and 21 May 2007 respectively.

The Court on 6 May 2009 entered judgement against Maybank IB as agent for the syndicated lenders for an estimated RM115.5 million with interest at 6% per annum from date of disbursement to realisation.

The balance of the judgement claim (including for general damages) against Maybank IB as agent for the syndicated lenders was ordered to be assessed by the Senior Assistant Registrar, at a later date. At this juncture, Maybank as one of the syndicated lenders has an exposure of RM48 million out of the RM115.5 million judgement. Maybank IB has filed a Notice of Appeal and an application for stay of execution of the judgement sum. Maybank IB had on 24 June 2009 obtained a stay order pending its appeal. The corporate borrower had on 24 June 2009 filed an appeal against the decision on the stay order ("Appeal") to the Court of Appeal. The Appeal was heard on 23 November 2009 and the Court of Appeal had dismissed the Appeal against the stay order. A case management date has been fixed on 25 February 2010 at the Court of Appeal for Maybank IB's appeal against the judgement obtained on 6 May 2009 at the High Court.

Maybank IB's solicitors are of the view that it has a more than even chance of succeeding in its appeal against the said judgement.

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B12. Proposed Interim Dividend

The Board of Directors has declared an interim dividend of 11.0 sen per share less 25% tax for the financial year ended 30 June 2010 (30 June 2009: final dividend of 8.0 sen per share less 25% taxation).

The interim dividend will be paid on 16 March 2010 to Depositors whose names are registered in the Record of Depositors on 4 March 2010.

B13. Earning Per Share (EPS)

Basic

The basic EPS of the Group is calculated by dividing the net profit for the quarter and the financial year attributable to ordinary share holders of the parent by the weighted-average number of ordinary shares in issue during the quarter and the cumulative period respectively.

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
Net profit for the period (RM'000)	993,502	734,560	1,875,305	1,306,733
Weighted average number of ordinary shares in issue ('000)	7,077,983	5,500,464 ¹	7,077,930	5,500,459 ¹
Basic earnings per share ('000)	14.04 sen	13.35 sen ¹	26.50 sen	23.76 sen ¹

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B13. Earning Per Share (EPS) (Contd.)

Diluted

The diluted EPS of the Group is calculated by dividing the net profit for the quarter and the cumulative period attributable to ordinary share holders of the parent by the weighted-average number of ordinary shares in issue, which has been adjusted for the number of shares that could have been issued under the Maybank Group Employee Share Option Scheme.

In the diluted EPS calculation, it was assumed that the share options were exercised into ordinary shares. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average price of the Bank's shares during the quarter) based on the monetary value of the subscription rights attached to the outstanding share options. This calculation serves to determine the number of dilutive shares to be added to the weighted-average ordinary shares in issue for the purpose of computing the dilution. No adjustment was made to the net profit for the quarter.

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Net profit for the year (RM'000)	993,502	734,560	1,875,305	1,306,733
Weighted average number of ordinary shares in issue ('000)	7,077,983	5,500,464	7,077,930	5,500,459
Effects of share option ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares in issue ('000)	7,077,983	5,500,464 ¹	7,077,930	5,500,459 ¹
Diluted earnings per share ('000)	14.04 sen	13.35 sen ¹	26.50 sen	23.76 sen ¹

¹ Adjusted for rights issue completed on 30 April 2009.

By Order of the Board

Mohd Nazlan Mohd Ghazali
LS0008977
Company Secretary
9 February 2010