

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

CONDENSED FINANCIAL STATEMENTS
AUDITED INCOME STATEMENTS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2010

<u>Group</u>	Note	4th Quarter Ended		Cumulative 12 Months Ended	
		30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Interest income	A16	2,783,987	2,922,198	10,955,220	11,569,863
Interest expense	A17	(991,781)	(1,358,616)	(4,184,347)	(5,650,357)
Net interest income		1,792,206	1,563,582	6,770,873	5,919,506
Income from Islamic Banking					
Scheme operations:					
Gross operating income		352,453	325,636	1,393,102	1,204,888
Profit equalisation reserves		3,298	(8,477)	41,642	19,433
	A29b	355,751	317,159	1,434,744	1,224,321
		2,147,957	1,880,741	8,205,617	7,143,827
Non-interest income	A18	1,127,174	1,400,668	4,666,035	3,375,190
Net income		3,275,131	3,281,409	12,871,652	10,519,017
Overhead expenses	A19	(1,616,446)	(1,524,389)	(6,412,072)	(5,559,165)
		1,658,685	1,757,020	6,459,580	4,959,852
Allowance for losses on loans, advances and financing	A20	(311,183)	(782,494)	(1,187,977)	(1,698,814)
Impairment losses on securities, net		(23,439)	(91,487)	(23,030)	(197,489)
Operating Profit		1,324,063	883,039	5,248,573	3,063,549
Impairment loss on interests in associates		-	(111,067)	-	(353,067)
Write off and impairment losses on goodwill		-	(1,619,518)	-	(1,619,518)
Write-back of allowance for non-refundable deposit		-	-	-	483,824
		1,324,063	(847,546)	5,248,573	1,574,788
Share of profits in associates		35,031	25,878	121,835	99,504
Profit before taxation and zakat		1,359,094	(821,668)	5,370,408	1,674,292
Taxation & Zakat	B5	(384,061)	(241,939)	(1,401,958)	(923,578)
Profit for the year		975,033	(1,063,607)	3,968,450	750,714
Attributable to:					
Equity holders of the parent		912,474	(1,118,140)	3,818,167	691,875
Minority Interest		62,559	54,533	150,283	58,839
		975,033	(1,063,607)	3,968,450	750,714
Earnings per share attributable to equity holders of the parent	B13				
Basic		12.89 sen	(17.62 sen)	53.94 sen	12.00 sen
Fully diluted		12.89 sen	(17.07 sen)	53.94 sen	12.00 sen

(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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AUDITED INCOME STATEMENTS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2010

<u>Bank</u>	Note	4th Quarter Ended		Cumulative 12 Months Ended	
		30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Interest income	A16	2,161,895	2,323,167	8,555,239	9,534,332
Interest expense	A17	(746,287)	(1,062,313)	(3,160,604)	(4,528,635)
Net interest income		1,415,608	1,260,854	5,394,635	5,005,697
Non-interest income	A18	851,782	947,044	3,722,049	2,705,060
Net income		2,267,390	2,207,898	9,116,684	7,710,757
Overhead expenses	A19	(998,669)	(952,841)	(4,004,773)	(3,736,643)
		1,268,721	1,255,057	5,111,911	3,974,114
Allowance for losses on loans, advances and financing	A20	85,986	(563,207)	(309,867)	(1,065,839)
Impairment losses on securities, net		(18,782)	(96,843)	(15,500)	(221,103)
Operating Profit		1,335,925	595,007	4,786,544	2,687,172
Impairment loss on investment in a subsidiary		-	(2,545,917)	-	(2,787,917)
Write-back of allowance for non-refundable deposit		-	-	-	483,824
Profit before taxation and zakat		1,335,925	(1,950,910)	4,786,544	383,079
Taxation	B5	(300,777)	(174,417)	(1,233,859)	(714,244)
Profit for the year		1,035,148	(2,125,327)	3,552,685	(331,165)

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MALAYAN BANKING BERHAD
(3813-K)
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CONDENSED FINANCIAL STATEMENTS
AUDITED BALANCE SHEETS AS AT 30 JUNE 2010

	Note	GROUP		BANK	
		30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
ASSETS					
Cash and short-term funds		28,707,992	23,607,979	19,403,616	17,448,312
Deposits and placements with financial institutions		8,915,375	6,299,175	7,098,198	7,563,969
Securities purchased under resale agreements		371,237	346,462	371,237	346,462
Securities portfolio	A9	54,170,046	57,727,128	47,544,091	47,020,177
Loans, advances and financing	A10	205,555,067	185,783,166	151,469,585	144,431,798
Derivative assets		1,306,769	973,685	1,281,682	929,904
Other assets	A11	5,319,548	5,249,290	3,832,316	3,818,866
Investment properties		45,324	26,578	-	-
Statutory deposits with Central Banks		4,471,382	4,050,932	1,932,981	2,110,143
Investment in subsidiaries		-	-	12,653,377	11,786,293
Interests in associates		2,471,438	2,630,123	418,700	343,049
Property, plant and equipment		1,359,852	1,395,562	1,077,597	1,115,140
Intangible assets		4,480,714	4,374,010	160,710	168,132
Deferred tax assets		1,564,963	1,493,132	1,148,176	1,194,897
Life, general takaful and family takaful fund assets		17,960,059	16,781,901	-	-
TOTAL ASSETS		336,699,766	310,739,123	248,392,266	238,277,142
LIABILITIES					
Deposits from customers	A12	236,909,788	212,598,589	175,379,741	163,452,930
Deposits and placements of banks and other financial institutions	A13	23,257,868	28,781,863	22,929,822	30,121,916
Obligations on securities sold under repurchase agreements		407,056	-	-	-
Bills and acceptances payable		3,061,586	1,470,063	2,898,997	1,328,279
Derivative liabilities		1,346,242	1,459,068	1,291,498	1,381,860
Other liabilities	A15	6,951,520	5,996,250	3,555,869	3,253,358
Recourse obligation on loans sold to Cagamas		649,977	516,265	649,977	516,265
Provision for taxation and zakat		466,889	87,743	283,353	-
Deferred tax liabilities		151,109	57,430	-	-
Borrowings	A14(i)	2,824,864	2,502,060	2,098,317	1,512,310
Subordinated obligations	A14(ii)	8,069,116	8,672,373	8,069,116	8,152,239
Capital Securities	A14(iii)	5,978,752	6,047,541	5,978,752	6,047,541
Life, general takaful and family takaful fund liabilities		5,021,911	4,529,995	-	-
Life, general takaful and family takaful policy holders' funds		12,938,148	12,251,906	-	-
TOTAL LIABILITIES		308,034,826	284,971,146	223,135,442	215,766,698

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

CONDENSED FINANCIAL STATEMENTS
AUDITED BALANCE SHEETS AS AT 30 JUNE 2010

	Note	GROUP		BANK	
		30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
SHAREHOLDERS' EQUITY					
Share capital		7,077,983	7,077,663	7,077,983	7,077,663
Reserves		20,799,193	17,821,083	18,178,841	15,432,781
		27,877,176	24,898,746	25,256,824	22,510,444
Minority Interest		787,764	869,231	-	-
Total equity		28,664,940	25,767,977	25,256,824	22,510,444
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		336,699,766	310,739,123	248,392,266	238,277,142
COMMITMENTS AND CONTINGENCIES	A25	232,273,335	221,586,702	213,216,362	201,853,878
<u>CAPITAL ADEQUACY</u>	A27				
Based on credit and market risks:					
<u>Without deducting dividend payable *</u>					
Core capital ratio		11.06%	11.00%	15.02%	14.29%
Risk-weighted capital ratio		14.67%	14.99%	15.02%	14.29%
<u>After deducting dividend payable</u>					
Core capital ratio:		-	10.81%	-	14.06%
- full electable portion paid in cash		10.10%	-	13.78%	-
- full electable portion reinvested		10.97%	-	14.91%	-
Risk-weighted capital ratio:		-	14.81%	-	14.06%
- full electable portion paid in cash		13.71%	-	13.78%	-
- full electable portion reinvested		14.58%	-	14.91%	-
Net assets per share attributable to equity holders of the parent		RM3.94	RM3.52	RM3.57	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
(3813-K)
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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2010

GROUP	Non Distributable							Revaluation Reserve RM'000	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
	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					
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	-	-	-	-	-	(282,549)	-	-	-	(282,549)	769	(281,780)
Effects of acquisition/disposal of interests from/ to minority interests	-	-	-	-	-	-	-	-	(43,047)	(43,047)	(246,325)	(289,372)
Effects on adoption of Risk Based Capital ("RBC") Framework for insurance subsidiaries	-	-	-	-	(4,628)	-	-	-	(3,292)	(7,920)	(3,550)	(11,470)
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	-	493,952	-	-	-	-	493,952	14,526	508,478
Net gain/(loss) not recognised in the income statement	-	-	-	-	489,324	(282,549)	-	-	(46,339)	160,436	(234,580)	(74,144)
Net profit for the period	-	-	-	-	-	-	-	-	3,818,167	3,818,167	150,283	3,968,450
Total recognised income/(expense) for the year	-	-	-	-	489,324	(282,549)	-	-	3,771,828	3,978,603	(84,297)	3,894,306
Issue of ordinary shares pursuant to ESOS	320	1,805	-	-	-	-	-	-	-	2,125	-	2,125
Transfer to/(from) statutory reserves	-	-	889,016	-	-	-	-	-	(889,016)	-	-	-
Transfer to/(from) share option reserve	-	-	-	-	-	-	(63,191)	-	63,191	-	-	-
Revaluation reserve from investment properties	-	-	-	-	-	-	-	6,315	-	6,315	2,830	9,145
Dividend paid	-	-	-	-	-	-	-	-	(1,008,613)	(1,008,613)	-	(1,008,613)
At 30 June 2010	7,077,983	5,903,497	5,553,999	15,250	340,936	(949,434)	-	9,057	9,925,888	27,877,176	787,764	28,664,940

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2010

GROUP	←===== Non Distributable =====→						Share Option Reserves RM'000	Revaluation Reserve RM'000	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
	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						
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	-	-	-	-	-	(625,133)	-	-	-	(625,133)	(2,825)	(627,958)
Effects of acquisition/disposal of interests from/to minority interest	-	-	-	-	-	-	-	-	(20,116)	(20,116)	34,129	14,013
Share of movement in reserves of associates	-	-	-	-	(22,129)	-	-	-	-	(22,129)	-	(22,129)
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	-	290,081	-	-	-	-	290,081	(8,938)	281,143
Net gain/(loss) not recognised in the income statement	-	-	-	-	267,952	(625,133)	-	-	(20,116)	(377,297)	22,366	(354,931)
Net profit for the period	-	-	-	-	-	-	-	-	691,875	691,875	58,839	750,714
Total recognised income for the period	-	-	-	-	267,952	(625,133)	-	-	671,759	314,578	81,205	395,783
Share-based payment under ESOS	-	-	-	-	-	-	122	-	-	122	-	122
Issue of ordinary shares pursuant to rights issue exercise	2,196,516	3,804,527	-	-	-	-	-	-	-	6,001,043	-	6,001,043
Transfer to/(from) statutory reserves	-	-	91,347	-	-	-	-	-	(91,347)	-	-	-
Issue of ordinary shares pursuant to ESOS	24	154	-	-	-	-	-	-	-	178	-	178
Revaluation reserve from investment properties	-	-	-	-	-	-	-	2,742	-	2,742	-	2,742
Dividend paid	-	-	-	-	-	-	-	-	(722,410)	(722,410)	(1,243)	(723,653)
At 30 June 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

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2010

<=====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	-	-	-	-	(152,266)	-	-	(152,266)
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	352,449	-	-	-	352,449
Net gain/(loss) not recognised in the income statement	-	-	-	352,449	(152,266)	-	-	200,183
Net profit for the period	-	-	-	-	-	-	3,552,685	3,552,685
Total recognised income/(expense) for the year	-	-	-	352,449	(152,266)	-	3,552,685	3,752,868
Transfer to/(from) statutory reserve	-	-	889,000	-	-	-	(889,000)	-
Transfer to/(from) share option reserve	-	-	-	-	-	(63,191)	63,191	-
Issue of ordinary shares pursuant to ESOS	320	1,805	-	-	-	-	-	2,125
Dividend paid	-	-	-	-	-	-	(1,008,613)	(1,008,613)
At 30 June 2010	7,077,983	5,903,497	5,372,770	269,016	(12,495)	-	6,646,053	25,256,824

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FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2010

	<=====Non Distributable=====>						Distributable Retained Profits RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Unrealised Holding Reserve/(Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Other Reserves 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	-	-	-	-	45,041	-	-	45,041
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	317,320	-	-	-	317,320
Net gain/(loss) not recognised in the income statement	-	-	-	317,320	45,041	-	-	362,361
Net profit for the year	-	-	-	-	-	-	(331,165)	(331,165)
Total recognised income/(expense) for the year	-	-	-	317,320	45,041	-	(331,165)	31,196
Share-based payment under ESOS	-	-	-	-	-	122	-	122
Transfer to/(from) statutory reserves	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to rights issue exercise	2,196,516	3,804,527	-	-	-	-	-	6,001,043
Issue of ordinary shares pursuant to ESOS	24	154	-	-	-	-	-	178
Dividend paid	-	-	-	-	-	-	(722,410)	(722,410)
At 30 June 2009	7,077,663	5,901,692	4,483,770	(83,433)	139,771	63,191	4,927,790	22,510,444

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MALAYAN BANKING BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2010

	GROUP		BANK	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Profit before taxation	5,370,408	1,674,292	4,786,544	383,079
Adjustments for non-operating and non-cash items	<u>1,224,063</u>	3,920,486	<u>(472,260)</u>	3,514,847
Operating profit before working capital changes	<u>6,594,471</u>	5,594,778	<u>4,314,284</u>	3,897,926
Changes in working capital:-				
Net changes in operating assets	<u>(20,229,880)</u>	(21,458,153)	<u>(7,075,336)</u>	(19,927,695)
Net changes in operating liabilities	<u>22,092,265</u>	9,809,027	<u>7,266,495</u>	7,821,968
Tax expense and zakat paid	<u>(1,178,589)</u>	(1,429,820)	<u>(1,020,629)</u>	(1,272,735)
Net cash generated from/(used in) operations	<u>7,278,267</u>	(7,484,168)	<u>3,484,814</u>	(9,480,536)
Net cash used in investing activities	<u>(422,802)</u>	(8,057,254)	<u>(298,985)</u>	(8,466,415)
Net cash (used in)/generated from financing activities	<u>(988,574)</u>	10,284,996	<u>(183,186)</u>	10,275,050
	<u>(1,411,376)</u>	2,227,742	<u>(482,171)</u>	1,808,635
Net change in cash and cash equivalents	<u>5,866,891</u>	(5,256,426)	<u>3,002,643</u>	(7,671,901)
Cash and cash equivalents at beginning of year *	<u>22,549,455</u>	28,755,910	<u>16,400,973</u>	25,120,213
Cash and cash equivalents at end of year	<u>28,416,346</u>	23,499,484	<u>19,403,616</u>	17,448,312
Cash and cash equivalents included in the cash flow statements comprise the following Balance Sheet amounts:				
Cash and short-term funds	<u>28,707,992</u>	23,607,979	<u>19,403,616</u>	17,448,312
Less : Monies held in trusts	<u>(291,646)</u>	(108,495)	-	-
	<u>28,416,346</u>	23,499,484	<u>19,403,616</u>	17,448,312
* Cash and cash equivalents at beginning of year				
Cash and short term funds as previously reported	<u>23,607,979</u>	27,644,359	<u>17,448,312</u>	24,069,617
Effects of foreign exchange rate changes	<u>(1,058,524)</u>	1,111,551	<u>(1,047,339)</u>	1,050,596
As restated	<u>22,549,455</u>	28,755,910	<u>16,400,973</u>	25,120,213

(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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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 audited condensed financial statements for the 4th quarter and financial year ended 30 June 2010 of 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 financial statements 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 audited condensed 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

At the date of authorisation of these financial statements, the following new FRSs, amendments to FRS and Interpretations of the Issues Committee ("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 for financial periods beginning on or after 1 January 2010

- (i) FRS 4: Insurance Contracts
- (ii) FRS 7: Financial Instruments-Disclosures
- (iii) FRS 101: Presentation of Financial Statements (revised 2009)
- (iv) FRS 123: Borrowing Costs
- (v) FRS 139: Financial Instruments - Recognition and Measurement
- (vi) Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- (vii) Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations
- (viii) Amendments to FRS 132: Financial instruments: Presentation
- (ix) Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosure and IC Interpretation 9: Reassessment of Embedded Derivatives
- (x) Amendments to FRSs contained in the document entitled 'Improvements to FRSs (2009)'
- (xi) IC Interpretation 9: Reassessment of Embedded Derivatives
- (xii) IC Interpretation 10: Interim Financial Reporting and Impairment
- (xiii) IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
- (xiv) IC Interpretation 13: Customer Loyalty Programmes

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

A1. Basis of Preparation (contd.)

- (xv) IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- (xvi) TR i - 3: Presentation of Financial Statements of Islamic Financial Institutions
- (xvii) SOP i - 1: Financial Reporting from an Islamic Perspective

Effective for financial periods ending on or after 31 December 2010

- (i) TR - 3: Guidance on Disclosures of Transition to IFRSs

Effective for financial periods beginning on or after 1 March 2010

- (i) Amendments to FRS 132: Financial Instruments: Presentation (Classification of Rights Issues)

Effective for financial periods beginning on or after 1 July 2010

- (i) FRS 1: First-time Adoption of Financial Reporting Standards
- (ii) FRS 3: Business Combinations (revised)
- (iii) FRS 127: Consolidated and Separate Financial Statements (amended)
- (iv) Amendments to FRS 2: Share-based Payment
- (v) Amendment to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- (vi) Amendments to FRS 138: Intangible Assets
- (vii) Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- (viii) IC Interpretation 12: Service Concession Arrangements
- (ix) IC Interpretation 15: Agreements for the Construction of Real Estate
- (x) IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- (xi) IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

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

These pronouncements are expected to have no significant impact to the financial statements of the Group and the Bank upon their initial application, except for the impact of FRS 4, 7 and 139. The impact of applying FRS 4, 7 and 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs.

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 is maintained.

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

A1. Basis of Preparation (contd.)

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 Judgements

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

(i) **Fair Value Estimation of Securities Held-for-trading (Note 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.

(ii) **Valuation of Investment Properties**

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

(iii) **Impairment of Goodwill**

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

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

A2. Significant Accounting Estimates and Judgments (contd.)

(v) Liabilities of Insurance Business

(a) Life Fund

With effect from 1 January 2009, liabilities of insurance business are determined in accordance with BNM's Risk-Based Capital Framework for insurers and valued using an actuarial valuation methodology, which is defined by the Framework as the Gross Premium Valuation method. The expected future cash flows are determined using best estimate assumptions with an appropriate allowance for provision of risk margin for adverse deviation from expected experience with at least 75% confidence level is secured in respect of guaranteed benefits.

(b) Family Takaful Fund

Family Takaful Fund is valued by annual actuarial valuation whereby estimates are made for future deaths, disabilities, maturities, instruments returns, voluntary terminations and expenses in accordance with contractual and regulatory requirements.

(c) General Insurance and General Takaful Businesses

The establishment of technical provisions for general insurance and general takaful businesses, including unearned premium/contribution reserves, unexpired risk reserves and claim liabilities/provision for outstanding claims, are based on specific methodologies. The eventual settlement of contribution and claim liabilities may vary from initial estimates due to uncertainties including but not restricted to inflation, economic conditions, judicial interpretations and legislative changes.

(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.

(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.

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

A2. Significant Accounting Estimates and Judgments (contd.)

(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.

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

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.

(ix) Impairment of Securities Portfolio

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

The impairment review comprises the following judgement made by Management:

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

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

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 fourth quarter and financial year ended 30 June 2010.

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

During the fourth quarter and financial year ended 30 June 2010, save as disclosed 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 fourth quarter and financial year ended 30 June 2010.

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.

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 30 June 2010, 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. Dividends Paid

The Bank paid the following dividends:

- a) A final dividend of 8 sen per share less 25% taxation for the financial year ended 30 June 2009, amounting to RM424,678,966 (6 sen net per ordinary share) was paid on 27 October 2009
- b) A first interim dividend of 11 sen per share less 25% taxation for the financial year ended 30 June 2010, amounting to RM583,933,535 (8.25 sen net per ordinary share) was paid on 16 March 2010

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

A9. Securities Portfolio

	Note	Group		Bank	
		30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Securities held-for-trading	(i)	2,651,103	1,489,272	2,241,928	838,721
Securities available-for-sale	(ii)	42,576,235	47,877,105	37,446,841	39,349,558
Securities held-to-maturity	(iii)	8,942,708	8,360,751	7,855,322	6,831,898
		54,170,046	57,727,128	47,544,091	47,020,177

A9. (i) Securities Held-for-trading

At Fair value

Money market instruments:-

Malaysian Government Securities	267,762	63,813	267,762	4,940
Malaysian Government Treasury Bills	25,727	73,227	25,727	73,227
Malaysian Government Investment Issues	50,818	29,946	25,453	-
Khazanah Bonds	-	4,978	-	-
Bank Negara Malaysia Monetary Notes	605,006	444,031	581,545	444,031
Foreign Government Treasury Bills	509,037	-	509,037	-
Foreign Government Securities	90,780	4,738	-	-
Foreign Certificates of Deposits	228,598	219,426	-	-
Sukuk Ijarah Bonds	69,902	-	49,930	-
	1,847,630	840,159	1,459,454	522,198

Quoted securities:

Shares	22,802	27,939	22,802	27,939
	22,802	27,939	22,802	27,939

Unquoted securities:

Private and Islamic Debt Securities in Malaysia	594,816	332,590	594,816	-
Foreign Private Debt Securities	185,855	288,584	164,856	288,584
	780,671	621,174	759,672	288,584

Total securities held-for-trading

	2,651,103	1,489,272	2,241,928	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	5,284,696	8,000,877	5,195,698	7,462,815
Malaysian Treasury Bills	-	9,902	-	9,902
Cagamas Bonds	1,978,555	289,075	1,746,559	289,075
Foreign Government Securities	7,357,037	7,601,976	5,012,151	4,889,677
Malaysian Government Investment Issues	5,655,221	8,128,186	3,153,796	5,156,329
Foreign Government Treasury Bills	2,489,382	556,106	2,352,420	405,546
Negotiable Instruments of Deposits	1,304,946	1,776,469	5,021,821	4,691,967
Bankers' Acceptances and Islamic Accepted Bills	1,104,706	3,070,391	1,026,207	3,024,272
Khazanah Bonds	830,758	828,797	578,002	359,850
Bank Negara Malaysia Monetary Notes	99,890	50,005	99,890	50,005
	26,105,191	30,311,784	24,186,544	26,339,438

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

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 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	407,559	386,243	182,936	181,936
Outside Malaysia:				
Shares, Warrants, Trust Units and Loan Stocks	82,056	97,811	35,387	48,518
	489,615	484,054	218,323	230,454
Unquoted Securities:-				
Shares, trust units and loan stocks in Malaysia	701,289	691,283	447,159	441,733
Shares, trust units and loan stocks outside Malaysia	27,449	39,358	17,024	18,864
Private and Islamic Debt Securities in Malaysia	9,925,149	11,015,939	8,156,657	7,792,927
Malaysian Government Bonds	144,475	162,297	144,475	162,297
Foreign Government Bonds	110,006	80,671	-	-
Foreign Islamic Private Debt Securities	4,713,610	4,865,984	4,091,929	4,138,110
Credit Linked Notes	151,784	225,735	151,784	225,735
Malaysia Global Sukuk	207,667	-	32,946	-
	15,981,429	17,081,267	13,041,974	12,779,666
Total securities available-for-sale	42,576,235	47,877,105	37,446,841	39,349,558
A9. (iii) Securities Held-To-Maturity				
At Amortised cost less impairment losses				
Money market instruments:-				
Malaysian Government Securities	6,237,200	6,263,488	6,237,092	6,032,944
Cagamas Bonds	11,794	13,390	11,794	1,670
Foreign Government Securities	824,404	443,637	-	-
Malaysian Government Investment Issues	527,466	512,691	377,000	275,248
Khazanah Bonds	16,603	-	16,603	-
	7,617,467	7,233,206	6,642,489	6,309,862
Unquoted Securities:-				
Private and Islamic Debt Securities in Malaysia	953,988	494,853	923,955	100,262
Malaysian Government Bonds	6,761	7,638	6,761	7,638
Foreign Islamic Private Debt Securities	394,513	640,842	312,135	424,915
Others	2,044	2,044	2,044	2,044
	1,357,306	1,145,377	1,244,895	534,859
Accumulated impairment losses	(32,065)	(17,832)	(32,062)	(12,823)
Total securities held-to-maturity	8,942,708	8,360,751	7,855,322	6,831,898

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

A10. Loans, Advances and Financing

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Overdrafts	15,393,797	14,493,359	11,442,783	11,349,807
Term loans				
- Housing loans/financing	36,293,612	33,537,779	28,805,714	26,945,169
- Syndicated loan/financing	13,053,818	12,407,057	10,487,792	9,722,422
- Hire purchase receivables	40,748,909	38,050,669	21,414,413	22,366,959
- Lease receivables	3,462	3,381	3,272	3,277
- Other loans/financing	74,264,535	56,782,224	44,827,809	39,278,820
Credit card receivables	4,973,369	4,283,414	4,233,074	3,796,899
Bills receivable	2,289,004	2,293,815	2,256,164	2,223,077
Trust receipts	2,250,995	2,082,258	1,826,866	1,742,023
Claims on customers under acceptance credits	10,316,581	11,129,121	7,434,317	7,754,168
Loans/financing to banks and other financial institutions	10,406,605	10,170,957	10,232,000	9,967,406
Revolving credits	20,853,403	20,228,361	15,930,021	17,131,926
Staff loans	1,636,344	1,460,468	959,607	950,028
Housing loans to				
- Executive directors of the Bank	-	193	-	193
- Executive directors of subsidiaries	839	2,104	435	2,104
Others	348,403	488,514	-	-
	232,833,676	207,413,674	159,854,267	153,234,278
Unearned interest and income	(19,575,236)	(14,050,883)	(2,775,394)	(3,018,394)
Gross loans, advances and financing	213,258,440	193,362,791	157,078,873	150,215,884
Allowances for bad and doubtful debts and financing:				
- specific	(3,864,832)	(3,854,026)	(2,842,531)	(2,847,031)
- general	(3,838,541)	(3,725,599)	(2,766,757)	(2,937,055)
Net loans, advances and financing	205,555,067	185,783,166	151,469,585	144,431,798

(i) By type of customer

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Domestic operations:				
Domestic non-bank financial institutions				
- Stockbroking companies	149,044	96,725	148,864	96,546
- Others	12,723,851	11,364,670	9,802,446	9,566,429
Domestic business enterprise				
- Small and medium enterprise	13,894,525	20,725,182	11,475,852	16,956,711
- Others	42,315,555	31,940,124	35,588,951	27,972,236
Government and statutory bodies	2,238,690	2,282,784	2,217,251	2,213,320
Individuals	72,201,991	62,811,592	49,683,456	45,902,511
Other domestic entities	125,319	148,302	53,514	25,925
Foreign entities	622,790	574,944	538,335	468,954
Total domestic operations	144,271,765	129,944,323	109,508,669	103,202,632

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

A10. Loans, Advances and Financing (contd)

(i) By type of customer (contd)

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Overseas operations:				
Singapore	40,588,966	39,269,681	40,588,966	39,269,681
Indonesia	17,102,481	12,417,737	-	-
Hong Kong SAR	3,068,938	2,892,352	3,068,938	2,892,352
United States of America	753,244	1,339,147	753,244	1,339,147
People's Republic of China	1,017,861	969,266	1,017,861	969,266
Vietnam	480,568	548,044	480,568	548,044
United Kingdom	994,784	1,280,950	994,784	1,280,950
Brunei	158,352	130,655	158,352	130,655
Cambodia	270,905	302,508	270,905	302,508
Bahrain	236,586	280,649	236,586	280,649
Labuan offshore	3,268,810	3,127,625	-	-
Philippines	969,478	793,490	-	-
Papua New Guinea	75,702	66,364	-	-
	68,986,675	63,418,468	47,570,204	47,013,252
Gross loans, advances and financing	213,258,440	193,362,791	157,078,873	150,215,884

(ii) By interest/profit rate sensitivity

Fixed rate				
- Housing loans/financing	12,681,639	11,235,546	9,534,313	7,724,707
- Hire purchase receivables	30,943,085	29,790,106	18,263,418	19,005,757
- Other fixed rate loans/financing	22,327,061	19,021,173	14,004,422	13,285,625
Variable rate				
- Base lending rate plus	75,881,193	64,648,964	65,916,914	59,291,964
- Cost plus	22,753,403	20,795,087	19,510,888	17,128,290
- Other variable rates	48,672,059	47,871,915	29,848,918	33,779,541
Gross loans, advances and financing	213,258,440	193,362,791	157,078,873	150,215,884

(ii) Total loans by economic purpose

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Domestic operations:				
Purchase of securities	14,705,379	11,437,474	10,553,240	9,891,754
Purchase of transport vehicles	22,456,973	19,844,339	8,863,247	8,912,826
- less Islamic loans sold to Cagamas	(1,137,321)	(268,304)	-	-
Purchase of landed properties				
- residential	26,284,395	24,649,453	20,673,808	19,241,121
- non-residential	7,308,932	6,493,344	6,557,672	5,797,391
- less Islamic housing loans sold to Cagamas	-	(315,069)	-	-
Purchase of fixed assets (exclude landed properties)	2,273	3,264	2,273	3,264
Personal use	4,585,420	3,782,771	3,883,845	3,348,353
Credit card	4,124,726	3,556,878	3,930,697	3,510,535
Purchase of consumer durables	7,144	15,709	6,023	14,838
Construction	6,707,287	6,300,230	5,936,640	5,426,053
Working capital	56,857,184	51,005,722	46,766,725	43,706,947
Others	2,369,373	3,438,512	2,334,499	3,349,550
Total domestic operations	144,271,765	129,944,323	109,508,669	103,202,632

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

A10. Loans, Advances and Financing (contd)

(ii) Total loans by economic purpose (contd)

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Overseas operations:				
Singapore	40,588,966	39,269,681	40,588,966	39,269,681
Indonesia	17,102,481	12,417,737	-	-
Hong Kong SAR	3,068,938	2,892,352	3,068,938	2,892,352
United States of America	753,244	1,339,147	753,244	1,339,147
People's Republic of China	1,017,861	969,266	1,017,861	969,266
Vietnam	480,568	548,044	480,568	548,044
United Kingdom	994,784	1,280,950	994,784	1,280,950
Brunei	158,352	130,655	158,352	130,655
Cambodia	270,905	302,508	270,905	302,508
Bahrain	236,586	280,649	236,586	280,649
Labuan Offshore	3,268,810	3,127,625	-	-
Philippines	969,478	793,490	-	-
Papua New Guinea	75,702	66,364	-	-
	68,986,675	63,418,468	47,570,204	47,013,252
Gross loans, advances and financing	213,258,440	193,362,791	157,078,873	150,215,884

(iii) Non-performing loans by economic purpose

Domestic operations:				
Purchase of securities	46,731	131,940	38,677	74,889
Purchase of transport vehicles	123,561	122,873	81,785	90,420
Purchase of landed properties				
- residential	1,726,239	1,957,069	1,380,860	1,480,025
- non-residential	313,602	332,185	285,946	294,607
Personal use	160,203	212,615	133,629	174,808
Credit card	46,872	53,267	44,039	52,733
Purchase of consumer durables	1,635	1,571	1,632	1,567
Construction	483,573	462,533	397,406	365,212
Working capital	2,204,582	2,391,994	1,800,178	2,026,305
Others	22,138	19,492	19,489	16,845
Total domestic operations	5,129,136	5,685,539	4,183,641	4,577,411
Overseas operations:				
Singapore	209,550	296,279	209,550	296,279
Indonesia	483,397	426,994	-	-
Hong Kong SAR	114,136	74,170	114,136	74,170
Brunei	2,056	2,789	2,056	2,789
Vietnam	17,500	20,859	17,500	20,859
United Kingdom	68,511	42,629	68,511	42,629
People's Republic of China	20,290	22,176	20,290	22,176
Cambodia	24,047	-	24,047	-
Labuan Offshore	79,900	107,238	-	-
Papua New Guinea	1,909	2,637	-	-
Philippines	35,888	33,922	-	-
	1,057,184	1,029,693	456,090	458,902
	6,186,320	6,715,232	4,639,731	5,036,313

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

A10. Loans, Advances and Financing (contd)

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

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
At beginning of the year	6,715,232	6,472,448	5,036,313	5,214,212
Non-performing during the year	4,622,381	4,519,887	2,795,711	3,012,997
Reclassified as performing	(2,190,759)	(1,870,449)	(1,525,988)	(1,513,811)
Acquired upon acquisition of subsidiaries	-	396,688	-	-
Recovered during the year	(1,430,570)	(1,398,790)	(874,761)	(959,732)
Amount written off	(1,682,059)	(1,439,402)	(925,144)	(797,628)
Converted to Securities	-	(931)	-	(931)
Amount transfer from other debts	97,095	-	97,095	-
Exchange differences and expenses debited	55,000	35,781	36,505	81,206
At end of the year	6,186,320	6,715,232	4,639,731	5,036,313
Less: Specific allowance	(3,864,832)	(3,854,026)	(2,842,531)	(2,847,031)
- on non-performing loans	(3,619,792)	(3,589,888)	(2,602,091)	(2,586,136)
- performing loans	(245,040)	(264,138)	(240,440)	(260,895)
Net non-performing loans, advances and financing	2,321,488	2,861,206	1,797,200	2,189,282
Ratio of net non-performing loans:				
- Including specific allowance on performing loans	1.10%	1.51%	1.17%	1.49%
- Excluding specific allowance on performing loans	1.22%	1.64%	1.32%	1.66%

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

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
<u>Specific Allowance</u>				
At beginning of the year	3,854,026	3,353,676	2,847,031	2,698,146
Allowance made during the year	2,148,300	2,088,853	1,307,829	1,337,489
Amount written back in respect of recoveries	(516,138)	(475,569)	(452,438)	(396,612)
Acquired upon acquisition of subsidiaries	-	356,983	-	-
Amount written off	(1,682,059)	(1,439,402)	(925,144)	(797,628)
Transfer to general allowance	(1,278)	(143)	-	-
Converted to Securities	-	(931)	-	(931)
Amount transfer from other debt	97,095	-	97,095	-
Exchange differences	(35,114)	(29,441)	(31,842)	6,567
At end of the year	3,864,832	3,854,026	2,842,531	2,847,031

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

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
<u>General Allowance</u>				
At beginning of the year	3,725,599	3,187,611	2,937,055	2,728,516
Allowance made during the year	477,569	358,818	-	202,599
Amount written back	(331,891)	(41,574)	(155,815)	-
Acquired upon acquisition of subsidiaries	-	240,660	-	-
Transfer from specific allowance	1,278	143	-	-
Exchange differences	(34,014)	(20,059)	(14,483)	5,940
At end of the year	3,838,541	3,725,599	2,766,757	2,937,055
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowance)	1.82%	1.96%	1.79%	1.99%

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

A11. Other Assets

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Interest receivables	1,265,281	1,274,972	962,790	945,287
Prepayments and deposits	390,089	462,836	250,400	352,005
Other debtors	3,211,371	2,959,679	2,494,749	2,349,390
Amount due from related parties	-	-	-	57
Tax Recoverable	113,029	194,935	-	24,222
Foreclosed Properties	131,592	147,186	41,709	62,568
Prepaid land lease payment	208,186	209,682	82,668	85,337
	5,319,548	5,249,290	3,832,316	3,818,866

A12. Deposits from Customers

Fixed deposits and negotiable instruments of deposits				
- One year or less	126,868,356	115,657,191	87,694,148	86,308,707
- More than one year	3,777,611	3,075,955	2,485,808	1,585,090
Money Market deposits	16,175,570	11,118,846	16,175,570	11,118,846
Savings deposits	38,779,000	35,290,821	28,860,081	26,554,841
Demand deposits	48,779,470	44,730,963	38,084,642	35,708,559
Structured deposits *	2,529,781	2,724,813	2,079,492	2,176,887
	236,909,788	212,598,589	175,379,741	163,452,930

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

Business enterprises	102,732,216	87,716,456	74,625,538	66,714,862
Individuals	111,773,287	105,097,914	91,052,361	87,781,338
Government and statutory bodies	10,566,271	8,314,519	3,770,907	3,896,913
Others	11,838,014	11,469,700	5,930,935	5,059,817
	236,909,788	212,598,589	175,379,741	163,452,930

A13. Deposits and Placement of Banks and Other Financial Institutions

Licensed banks	13,116,287	21,450,131	14,072,624	23,327,742
Licensed finance companies	347,957	368,538	214,524	368,538
Licensed investment banks	990,017	650,255	990,017	650,255
Other financial institutions	8,803,607	6,312,939	7,652,657	5,775,381
	23,257,868	28,781,863	22,929,822	30,121,916

Maturity structure of deposits and placements of banks and other financial institutions

- One year or less	17,429,944	26,704,881	17,331,142	28,280,565
- More than one year	5,827,924	2,076,982	5,598,680	1,841,351
	23,257,868	28,781,863	22,929,822	30,121,916

A14. Borrowings, Subordinated Obligations and Capital Securities

(i) Borrowings

Secured and Unsecured				
- less than one year	1,461,557	592,814	1,289,192	281,360
- more than one year	1,363,307	1,909,246	809,125	1,230,950
	2,824,864	2,502,060	2,098,317	1,512,310

(ii) Subordinated obligations

Unsecured				
- more than one year	8,069,116	8,672,373	8,069,116	8,152,239

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

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

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
(iii) Capital Securities				
Unsecured				
- more than one year	5,978,752	6,047,541	5,978,752	6,047,541

A15. Other Liabilities

Interest/Profit payable	994,634	1,120,462	857,311	893,331
Provision for outstanding claims	437,200	441,712	-	-
Unearned premium reserves	317,570	286,294	-	-
Profit Equalisation Reserves	4,228	46,477	-	-
Provisions and accruals	2,006,024	1,598,404	1,563,740	1,265,610
Due to brokers and clients	511,829	500,058	-	-
Deposits and other creditors	2,680,035	2,002,843	1,134,818	1,094,417
	6,951,520	5,996,250	3,555,869	3,253,358

A16. Interest Income

	4th Quarter Ended		Cumulative 12 Months Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Group				
Loans, advances and financing				
- Interest income other than recoveries from NPL	2,156,230	2,047,315	8,400,087	8,619,354
- Recoveries from NPL	49,762	56,656	199,805	234,581
Money at call and deposit placements				
with financial institutions	108,930	311,041	411,668	798,125
Securities purchased under resale agreements	1,675	1,092	5,817	4,830
Securities held-for-trading	13,021	5,116	59,930	30,502
Securities available-for-sale	369,559	461,324	1,543,461	1,771,858
Securities held-to-maturity	105,497	75,134	419,378	162,510
	2,804,674	2,957,678	11,040,146	11,621,760
Amortisation of premium less accretion				
of discounts	(11,304)	(23,646)	(46,404)	(2,738)
Net interest/income clawed back/suspended	(9,383)	(11,834)	(38,522)	(49,159)
	2,783,987	2,922,198	10,955,220	11,569,863
Bank				
Loans, advances and financing				
- Interest income other than recoveries from NPL	1,634,746	1,572,952	6,371,212	7,002,039
- Recoveries from NPL	49,176	56,639	197,721	232,954
Money at call and deposit placements				
with financial institutions	84,880	291,871	344,712	855,066
Securities purchased under resale agreements	161	31	600	375
Securities held-for-trading	9,937	2,126	52,671	11,219
Securities available-for-sale	315,565	381,239	1,336,057	1,427,633
Securities held-to-maturity	88,844	44,357	340,988	79,133
	2,183,309	2,349,215	8,643,961	9,608,419
Amortisation of premium less accretion				
of discounts	(12,031)	(14,214)	(50,200)	(24,928)
Net interest/income clawed back/suspended	(9,383)	(11,834)	(38,522)	(49,159)
	2,161,895	2,323,167	8,555,239	9,534,332

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

A17. Interest Expense

	4th Quarter Ended		Cumulative 12 Months Ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
Group	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	39,199	255,698	191,008	816,055
Deposits from customers	727,672	839,365	3,066,145	3,934,006
Loans sold to Cagamas	1,127	1,349	5,100	28,584
Floating rate certificates of deposits	444	609	1,075	9,364
Borrowings	42,419	68,456	164,984	163,056
Subordinated obligations	33,266	38,918	137,995	110,687
Subordinated bonds	49,117	55,489	220,113	217,027
Capital Securities	98,537	98,732	397,927	371,578
	991,781	1,358,616	4,184,347	5,650,357
Bank				
Deposits and placements of banks and other financial institutions	40,466	239,941	193,627	826,609
Deposits from customers	523,503	632,069	2,224,190	2,969,219
Loans sold to Cagamas	1,127	1,349	5,100	28,584
Floating rate certificates of deposits	444	609	1,075	9,364
Borrowings	4,105	5,856	20,890	32,794
Subordinated obligations	33,266	38,918	137,995	110,687
Subordinated bonds	44,839	44,839	179,800	179,800
Capital Securities	98,537	98,732	397,927	371,578
	746,287	1,062,313	3,160,604	4,528,635

A18. Non-interest Income

Group				
(a) Fee income:				
Commission	238,923	222,604	869,807	806,543
Service charges and fees	242,660	252,001	984,891	866,374
Guarantee fees	34,422	30,746	134,090	127,171
Underwriting fees	11,167	34,527	41,508	38,363
Brokerage income	21,234	23,226	89,060	53,974
Other loans related fee income	137,826	77,162	487,584	165,090
	686,232	640,266	2,606,940	2,057,515
(b) Net gain/(loss) arising from:				
Sale of securities held-for trading	14,547	(12,005)	28,612	(27,505)
Sale of securities available-for-sale	25,423	48,139	191,045	141,743
Redemption of securities held-to-maturity	-	142	2,267	750
Gain on liquidation of subsidiaries	28	-	659	-
	39,998	36,276	222,583	114,988
(c) Gross dividend from securities portfolio	11,856	4,129	30,427	29,972
(d) Unrealised (loss)/gain on revaluation of:				
- securities held-for-trading	8,668	23,848	5,060	76,327
- derivatives	(47,858)	50,778	306,237	(248,207)
	(39,190)	74,626	311,297	(171,880)
(e) Other income:				
Foreign exchange profit	129,128	283,239	517,220	437,143
Net premiums written	94,334	124,328	530,080	505,267
Actuarial surplus	154,107	199,324	191,401	213,696
Rental income	5,155	5,643	24,175	24,891
Gain on disposal of property and equipment (net)	4,458	8,122	19,115	16,585
(Loss)/gain on disposal of foreclosed properties	(1,133)	12,816	66	13,285
Others	42,229	11,899	212,731	133,728
	428,278	645,371	1,494,788	1,344,595
Total non-interest income	1,127,174	1,400,668	4,666,035	3,375,190

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

A18. Non-interest Income (contd)

Bank	4th Quarter Ended		Cumulative 12 Months Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
(a) Fee income:				
Commission	218,937	195,448	775,781	730,599
Service charges and fees	180,541	176,948	750,250	694,547
Guarantee fees	28,062	28,190	113,546	116,409
Underwriting fees	9,714	10,210	30,134	12,953
Other loans related fee income	29,734	35,609	135,647	79,381
	466,988	446,405	1,805,358	1,633,889
(b) Net gain/(loss) arising from:				
Sale of securities held-for trading	11,241	(4,132)	14,320	18,705
Sale of securities available-for-sale	15,279	39,212	123,752	133,263
Gain on liquidation of subsidiaries	29	-	29	-
Redemption of securities held-to-maturity	-	-	1,838	612
	26,549	35,080	139,939	152,580
(c) Gross dividend income from:				
Securities portfolio	8,197	539	24,379	14,781
Subsidiary companies	245,031	85,901	869,862	647,448
Associated companies	4,273	-	8,563	-
	257,501	86,440	902,804	662,229
(d) Unrealised (loss)/gain on revaluation of:				
- securities held-for-trading	10,416	22,483	11,322	26,747
- derivatives	(33,318)	18,272	315,028	(232,869)
	(22,902)	40,755	326,350	(206,122)
(e) Other income:				
Foreign exchange profit	104,422	258,719	442,345	342,734
Rental income	5,589	5,621	23,449	24,459
Gain on disposal of property and equipment (net)	760	8,654	12,883	8,238
Others	12,875	65,370	68,921	87,053
	123,646	338,364	547,598	462,484
Total non-interest income	851,782	947,044	3,722,049	2,705,060

A19. Overhead Expenses

Group

Personnel costs				
- Salaries, allowances and bonuses	553,472	544,135	2,265,710	2,062,684
- Pension costs	77,458	58,131	278,299	242,585
- Others	112,407	77,400	374,412	248,689
	743,337	679,666	2,918,421	2,553,958
Establishment costs				
- Depreciation	44,199	40,864	181,642	146,167
- Amortisation of intangible assets	37,079	86,893	153,146	132,367
- Rental of leasehold land and premises	40,249	33,463	158,538	131,417
- Repairs and maintenance of property and equipment	30,770	39,410	111,533	108,446
- Information technology expenses	107,701	128,316	479,322	480,027
- Others	4,644	18,749	24,311	43,886
	264,642	347,695	1,108,492	1,042,310
Marketing expenses				
- Advertisement and publicity	53,984	86,961	363,459	347,211
- Others	(961)	20,722	75,000	85,732
	53,023	107,683	438,459	432,943
Administration and general expenses				
- Fees and brokerage	167,355	160,336	656,329	509,763
- Administrative expenses	102,316	113,548	410,525	358,959
- General expenses	172,105	58,249	516,980	306,004
- Others	33,791	(5,388)	66,292	46,608
	475,567	326,745	1,650,126	1,221,334
Insurance claims incurred	79,877	62,600	296,574	308,620
	1,616,446	1,524,389	6,412,072	5,559,165

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

A19. Overhead Expenses (contd)

	4th Quarter Ended		Cumulative 12 Months Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Bank				
Personnel costs				
- Salaries, allowances and bonuses	423,602	410,824	1,703,243	1,636,271
- Pension costs	74,176	52,243	257,950	222,531
- Others	63,145	52,113	223,109	178,243
	560,923	515,180	2,184,302	2,037,045
Establishment costs				
- Depreciation	32,636	32,226	130,484	103,312
- Amortisation of intangible assets	12,112	11,243	45,637	45,664
- Rental of leasehold land and premises	19,918	20,051	81,454	76,629
- Repairs and maintenance of property and equipment	21,527	19,758	68,916	68,930
- Information technology expenses	99,041	113,739	443,473	436,449
- Others	4,214	933	15,907	11,296
	189,448	197,950	785,871	742,280
Marketing expenses				
- Advertisement and publicity	25,795	58,146	221,396	249,867
- Others	(4,218)	18,839	56,891	80,257
	21,577	76,985	278,287	330,124
Administration and general expenses				
- Fees and brokerage	161,228	155,268	616,139	491,416
- Administrative expenses	52,005	68,313	224,967	219,991
- General expenses	88,087	45,508	228,055	180,913
- Others	34,329	(2,666)	64,243	41,580
	335,649	266,423	1,133,404	933,900
Overhead expenses allocated to subsidiary company	(108,928)	(103,697)	(377,091)	(306,706)
	998,669	952,841	4,004,773	3,736,643

A20. Allowance for Losses on Loans, Advances and Financing

	4th Quarter Ended		Cumulative 12 Months Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Group				
Allowance for bad and doubtful debts and financing:				
- general allowance made/(written back)	84,848	356,447	145,678	317,244
- specific allowance	557,834	538,089	2,148,300	2,088,853
- specific allowance written back	(115,134)	(139,083)	(516,138)	(475,569)
Bad debts and financing written off	24,866	1,284	31,797	5,694
Bad debts and financing recovered	(241,784)	(151,696)	(624,716)	(517,931)
Provision for other debts	553	177,453	3,056	280,523
	311,183	782,494	1,187,977	1,698,814
Bank				
Allowance for bad and doubtful debts and financing:				
- general allowance made/(written back)	(148,307)	226,839	(155,815)	202,599
- specific allowance	323,790	352,986	1,307,829	1,337,489
- specific allowance written back	(105,549)	(106,776)	(452,438)	(396,612)
Bad debts and financing written off	24,743	1,186	30,152	5,391
Bad debts and financing recovered	(180,846)	(87,453)	(422,828)	(366,408)
Provision for other debts	183	176,425	2,967	283,380
	(85,986)	563,207	309,867	1,065,839

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

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) Global Market

Global market 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.

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

A21. SEGMENT INFORMATION (contd)

By Business Segments (contd)

Twelve Months Ended 30 June 2010	Business Segments				Insurance and Asset Management RM'000	International Banking RM'000	Head Office and Others RM'000	Total RM'000
	Consumer Banking RM'000	Business and Corporate Banking RM'000	Global Market RM'000	Investment Banking RM'000				
Net interest income and Islamic banking income								
- external	3,285,200	2,036,000	614,200	25,149	106,281	2,558,828	(420,041)	8,205,617
- Inter-segment	-	-	-	3,651	(19,001)	2,172	13,178	-
	3,285,200	2,036,000	614,200	28,800	87,280	2,561,000	(406,863)	8,205,617
Net interest income and Islamic banking income	3,285,200	2,036,000	614,200	28,800	87,280	2,561,000	(406,863)	8,205,617
Non-interest income	1,174,530	483,400	811,600	206,800	964,950	1,187,600	(162,845)	4,666,035
Net income	4,459,730	2,519,400	1,425,800	235,600	1,052,230	3,748,600	(569,708)	12,871,652
Overhead expenses	(2,674,061)	(881,476)	(95,460)	(112,709)	(609,447)	(2,038,919)	-	(6,412,072)
Allowance for losses on loans, advances and financing	(187,273)	(422,917)	-	20,900	(1,213)	(597,474)	-	(1,187,977)
Impairment losses on securities, net	-	-	(39,830)	-	-	16,800	-	(23,030)
Operating Profit	1,598,396	1,215,007	1,290,510	143,791	441,570	1,129,007	(569,708)	5,248,573
Share of profits in associates	-	-	-	-	-	121,835	-	121,835
Profit before taxation and zakat	1,598,396	1,215,007	1,290,510	143,791	441,570	1,250,842	(569,708)	5,370,408
Taxation and zakat								(1,401,958)
Profit after taxation and zakat								3,968,450
Minority interest								(150,283)
Profit for the period								3,818,167

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

A21. SEGMENT INFORMATION (contd)

By Business Segments (contd)

Twelve Months Ended 30 June 2009	Business Segments						Head Office and Others RM'000	Total RM'000
	Consumer Banking RM'000	Business and Corporate Banking RM'000	Global Market RM'000	Investment Banking RM'000	Insurance and Asset Management RM'000	International Banking RM'000		
Net interest income and Islamic banking income								
- external	3,060,200	1,888,100	507,500	59,527	102,823	2,192,220	(666,543)	7,143,827
- Inter-segment	-	-	-	22,673	(15,423)	(51,880)	44,630	-
	<u>3,060,200</u>	<u>1,888,100</u>	<u>507,500</u>	<u>82,200</u>	<u>87,400</u>	<u>2,140,340</u>	<u>(621,913)</u>	<u>7,143,827</u>
Net interest income and Islamic banking income	3,060,200	1,888,100	507,500	82,200	87,400	2,140,340	(621,913)	7,143,827
Non-interest income	1,013,900	382,200	208,100	146,930	862,930	693,100	68,030	3,375,190
Net income	<u>4,074,100</u>	<u>2,270,300</u>	<u>715,600</u>	<u>229,130</u>	<u>950,330</u>	<u>2,833,440</u>	<u>(553,883)</u>	<u>10,519,017</u>
Overhead expenses	(2,367,799)	(801,334)	(84,781)	(104,532)	(640,143)	(1,560,576)	-	(5,559,165)
Allowance for losses on loans, advances and financing	(230,098)	(537,494)	-	1,700	(1,500)	(931,422)	-	(1,698,814)
Impairment losses on securities, net	-	-	(81,609)	(5,000)	18,820	(129,700)	-	(197,489)
Operating Profit	<u>1,476,203</u>	<u>931,472</u>	<u>549,210</u>	<u>121,298</u>	<u>327,507</u>	<u>211,742</u>	<u>(553,883)</u>	<u>3,063,549</u>
Impairment loss on investment in associated companies	-	-	-	-	-	-	(353,067)	(353,067)
Write off and impairment losses on goodwill	-	-	-	-	-	-	(1,619,518)	(1,619,518)
Write-back of allowance for non-refundable deposit	-	-	-	-	-	-	483,824	483,824
Share of profits in associates	-	-	-	-	-	99,626	(122)	99,504
Profit before taxation and zakat	<u>1,476,203</u>	<u>931,472</u>	<u>549,210</u>	<u>121,298</u>	<u>327,507</u>	<u>311,368</u>	<u>(2,042,766)</u>	<u>1,674,292</u>
Taxation and zakat								<u>(923,578)</u>
Profit after taxation and zakat								<u>750,714</u>
Minority interest								<u>(58,839)</u>
Profit for the period								<u>691,875</u>

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

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.

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

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 30 June 2010			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*
Direct credit substitutes	5,209,922	5,209,922	4,151,936	5,522,375	5,405,725	4,679,210
Certain transaction-related contingent items	11,443,670	5,721,837	5,062,677	10,646,667	5,323,022	4,534,832
Short-term self-liquidating trade-related contingencies	3,137,785	627,557	487,491	3,872,594	774,517	606,889
Islamic housing and hire purchase loans sold to Cagamas Berhad	1,137,321	1,137,321	1,137,321	583,373	583,373	425,839
Obligations under underwriting agreements	123,871	46,936	9,387	173,464	71,732	28,418
Irrevocable commitments to extend credit:						
- maturity within one year	79,635,652	-	-	92,604,558	-	-
- maturity exceeding one year	10,950,125	5,475,064	5,296,484	10,591,443	5,292,850	5,058,822
Foreign exchange related contracts:						
- less than one year	52,397,492	882,747	251,119	34,706,290	602,904	168,954
- one year to less than five years	2,280,351	43,330	15,103	1,534,291	24,257	7,544
Interest rate related contracts:						
- less than one year	42,808,028	1,815,893	440,726	36,831,395	1,304,947	312,414
- one year to less than five years	15,615,090	459,891	143,487	16,002,460	413,918	168,113
- five years and above	2,657,835	433,752	158,705	3,059,040	482,663	136,188
Miscellaneous	4,876,193	-	-	5,458,752	-	-
	232,273,335	21,854,250	17,154,436	221,586,702	20,279,908	16,127,223

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

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

<u>Bank</u>	As at 30 June 2010			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	3,659,767	3,659,767	3,269,184	4,056,691	4,056,691	3,599,815
Certain transaction-related contingent items	10,618,480	5,309,241	4,683,204	9,921,241	4,960,621	4,213,174
Short-term self-liquidating trade-related contingencies	2,961,992	592,399	461,530	3,687,521	737,504	582,565
Obligations under underwriting agreements	93,871	46,936	9,387	143,464	71,732	28,418
Irrevocable commitments to extend credit:						
- maturity within one year	70,392,423	-	-	79,615,789	-	-
- maturity exceeding one year	9,663,589	4,831,795	4,684,632	9,956,770	4,978,385	4,892,330
Foreign exchange related contracts:						
- less than one year	49,578,656	860,175	246,408	33,188,225	602,904	168,954
- one year to less than five years	2,280,351	43,330	15,103	1,534,292	24,257	7,544
Interest rate related contracts:						
- less than one year	42,649,004	1,815,310	440,580	36,511,553	1,294,415	308,835
- one year to less than five years	14,047,226	419,989	133,449	14,926,617	387,938	160,141
- five years and above	2,415,491	418,729	151,194	2,873,570	474,618	132,166
Miscellaneous	4,855,512	-	-	5,438,145	-	-
	213,216,362	17,997,671	14,094,671	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.

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

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 30 June 2010, the amount of contracts that was not hedged in the Group and the Bank and, hence, exposed to market risk was RM156.7 million and RM115.0 million respectively (30 June 2009: RM332.8 million for Group and Bank).

Credit Risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank and certain subsidiaries have a gain position. As at 30 June 2010, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM509.2 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.

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

A26. Interest Rate Risk

Group As at 30 June 2010	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	25,097,194	-	-	-	-	3,610,798	-	28,707,992	1.65	
Deposits and placements with banks and other financial institutions	867,258	6,426,270	1,141,060	51,331	-	429,456	-	8,915,375	1.20	
Securities purchased under resale agreements	371,237	-	-	-	-	-	-	371,237	2.21	
Securities held-for-trading	-	-	-	-	-	-	2,651,103	2,651,103	3.39	
Securities available-for-sale	-	-	301,579	4,401,848	3,371,150	3,246,745	31,254,913	42,576,235	4.18	
Securities held-to-maturity	67,904	657	128,141	5,126,154	3,523,210	96,642	-	8,942,708	4.97	
Loans, advances and financing										
- performing	93,071,656	16,915,742	20,496,595	29,631,508	46,956,619	-	-	207,072,120	6.22	
- non-performing*	-	-	-	-	-	(1,517,053)	-	(1,517,053)	-	
Derivative assets	-	-	-	-	-	-	1,306,769	1,306,769	-	
Other Assets	-	-	-	-	-	5,319,548	-	5,319,548	-	
Other non-interest sensitive balances	-	-	-	-	-	14,393,673	-	14,393,673	-	
Life, general takaful and family takaful fund assets	-	-	-	-	-	17,960,059	-	17,960,059	-	
TOTAL ASSETS	119,475,249	23,342,669	22,067,375	39,210,841	53,850,979	43,539,868	35,212,785	336,699,766		

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

A26. Interest Rate Risk (contd)

Group As at 30 June 2010	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	92,181,901	35,935,301	53,587,986	51,204,076	209,509	3,791,015	-	236,909,788	1.63
Deposits and placements of banks and other financial institutions	12,820,856	2,495,075	954,840	1,894,099	3,513,079	1,579,919	-	23,257,868	1.24
Obligation on securities sold under repurchase agreements	54,252	352,804	-	-	-	-	-	407,056	7.00
Bills and acceptances payable	293,803	1,568,520	18,297	-	-	1,180,966	-	3,061,586	2.60
Recourse obligations on loans sold to Cagamas	-	15,952	114,446	519,579	-	-	-	649,977	4.83
Derivative liabilities	-	-	-	-	-	-	1,346,242	1,346,242	-
Borrowings	2,636	43,976	1,300,695	181,096	809,125	487,336	-	2,824,864	3.19
Subordinated obligations	969,116	-	1,000,000	3,000,000	3,100,000	-	-	8,069,116	3.87
Capital Securities	-	-	-	-	-	5,978,752	-	5,978,752	-
Other liabilities	-	-	-	-	-	6,951,520	-	6,951,520	-
Other non-interest sensitive balances	-	-	-	-	-	617,998	-	617,998	-
Life, general takaful and family takaful fund liabilities	-	-	-	-	-	5,021,911	-	5,021,911	-
Life, general takaful and family takaful policy holders' funds	-	-	-	-	-	12,938,148	-	12,938,148	-
Total Liabilities	106,322,564	40,411,628	56,976,264	56,798,850	7,631,713	38,547,565	1,346,242	308,034,826	
Shareholders' equity	-	-	-	-	-	27,877,176	-	27,877,176	
Minority interests	-	-	-	-	-	787,764	-	787,764	
Total Liabilities and Shareholders' Equity	106,322,564	40,411,628	56,976,264	56,798,850	7,631,713	67,212,505	1,346,242	336,699,766	
On-balance sheet interest sensitivity gap	13,152,685	(17,068,959)	(34,908,889)	(17,588,009)	46,219,266	(23,672,637)	33,866,543		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(2,461,179)	6,807,288	558,053	(4,593,964)	(310,198)	-	-		
Total interest sensitivity gap	10,691,506	(10,261,671)	(34,350,836)	(22,181,973)	45,909,068	(23,672,637)	33,866,543	-	
Cumulative interest rate sensitivity gap	10,691,506	429,835	(33,921,001)	(56,102,974)	(10,193,906)	(33,866,543)	-		

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

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

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		

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

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	80,468,488	31,851,976	49,941,960	46,971,668	202,131	3,162,366	-	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	4.79	
Derivative liabilities	-	-	-	-	-	-	1,459,068	1,459,068	-	
Borrowings	-	-	592,814	1,909,246	-	-	-	2,502,060	3.44	
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	96,262,778	37,130,134	54,023,612	54,822,747	6,798,040	34,474,767	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	96,262,778	37,130,134	54,023,612	54,822,747	6,798,040	60,242,744	1,459,068	310,739,123		
On-balance sheet interest sensitivity gap	5,119,506	(14,963,000)	(34,559,956)	(20,653,222)	37,007,172	(16,894,416)	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	7,434,654	(14,109,083)	(35,118,306)	(22,227,109)	35,970,344	(16,894,416)	44,943,916	-		
Cumulative interest rate sensitivity gap	7,434,654	(6,674,429)	(41,792,735)	(64,019,844)	(28,049,500)	(44,943,916)	-			

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

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

A26. Interest Rate Risk (contd)

Bank As at 30 June 2010	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	16,299,554	-	-	-	-	3,104,062	-	19,403,616	1.35	
Deposits and placements with banks and other financial institutions	736,583	5,486,942	450,177	1,331	-	423,165	-	7,098,198	1.24	
Securities purchased under resale agreements	371,237	-	-	-	-	-	-	371,237	2.21	
Securities held-for-trading	-	-	-	-	-	-	2,241,928	2,241,928	2.86	
Securities available-for-sale	-	-	-	3,094,311	1,919,633	3,277,430	29,155,467	37,446,841	3.46	
Securities held-to-maturity	-	-	100,254	4,663,816	2,993,839	97,413	-	7,855,322	4.61	
Loans, advances and financing										
- performing	80,324,502	14,651,808	17,403,803	19,000,062	21,058,968	-	-	152,439,143	5.72	
- non-performing*	-	-	-	-	-	(969,558)	-	(969,558)	-	
Derivative assets	-	-	-	-	-	-	1,281,682	1,281,682	-	
Other assets	-	-	-	-	-	3,832,316	-	3,832,316	-	
Other non-interest sensitive balances	-	-	-	-	-	17,391,541	-	17,391,541	-	
TOTAL ASSETS	97,731,876	20,138,750	17,954,234	26,759,520	25,972,440	27,156,369	32,679,077	248,392,266		

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

A26. Interest Rate Risk (contd)

Bank As at 30 June 2010	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	62,970,728	24,909,776	45,995,966	37,732,497	85,050	3,685,724	-	175,379,741	1.21	
Deposits and placements of banks and other financial institutions	13,358,591	2,421,057	809,502	1,607,321	3,508,079	1,225,272	-	22,929,822	1.17	
Bills and acceptances payable	176,856	1,568,520	18,297	-	-	1,135,324	-	2,898,997	2.66	
Recourse obligations on loans sold to Cagamas	-	15,952	114,446	519,579	-	-	-	649,977	4.83	
Derivative liabilities	-	-	-	-	-	-	1,291,498	1,291,498	-	
Borrowings	-	-	1,289,192	-	809,125	-	-	2,098,317	0.68	
Subordinated obligations	969,116	-	1,000,000	3,000,000	3,100,000	-	-	8,069,116	3.87	
Capital Securities	-	-	-	-	-	5,978,752	-	5,978,752	-	
Other liabilities	-	-	-	-	-	3,555,869	-	3,555,869	-	
Other non-interest sensitive balances	-	-	-	-	-	283,353	-	283,353	-	
Total Liabilities	77,475,291	28,915,305	49,227,403	42,859,397	7,502,254	15,864,294	1,291,498	223,135,442		
Shareholders' equity	-	-	-	-	-	25,256,824	-	25,256,824		
Total Liabilities and Shareholders' Equity	77,475,291	28,915,305	49,227,403	42,859,397	7,502,254	41,121,118	1,291,498	248,392,266		
On-balance sheet interest sensitivity gap	20,256,585	(8,776,555)	(31,273,169)	(16,099,877)	18,470,186	(13,964,749)	31,387,579	-		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(2,640,977)	6,768,450	519,710	(4,440,554)	(206,629)	-	-	-		
Total interest sensitivity gap	17,615,608	(2,008,105)	(30,753,459)	(20,540,431)	18,263,557	(13,964,749)	31,387,579	-		
Cumulative interest rate sensitivity gap	17,615,608	15,607,503	(15,145,956)	(35,686,387)	(17,422,830)	(31,387,579)	-	-		

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

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

A26. Interest Rate Risk (contd)

Bank	Non trading book							Trading books	Total	Effective interest rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest sensitive	RM'000			
As at 30 June 2009	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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		

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

A26. Interest Rate Risk (contd)

Bank As at 30 June 2009	Non trading book								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	Trading books RM'000	Total 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	4.79
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	-
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.

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

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	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
Before deducting proposed dividend:				
Core capital ratio	11.06%	11.00%	15.02%	14.29%
Risk-weighted capital ratio	<u>14.67%</u>	<u>14.99%</u>	<u>15.02%</u>	<u>14.29%</u>

After deducting proposed dividend:

The proposed gross dividend consists of an electable portion of 40 sen (30 sen net per ordinary share) which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan as disclosed in Note B 8(e).

Thereof, there will be a range of extreme possibilities that the full electable portion is reinvested in new ordinary shares or the full electable portion is not reinvested but paid in cash.

Based on the above, the range of capital adequacy ratios of the Group and the Bank after deducting the proposed dividend are as follows:

Core capital ratio	-	10.81%	-	14.06%
- full electable portion paid in cash	10.10%	-	13.78%	-
- full electable portion reinvested	10.97%	-	14.91%	-
Risk-weighted capital ratio	-	14.81%	-	14.06%
- full electable portion paid in cash	13.71%	-	13.78%	-
- full electable portion reinvested	14.58%	-	14.91%	-

Components of Tier I and Tier II capital:

Tier I capital

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	13,813,992	11,310,142	12,506,193	10,079,987
Capital Securities	<u>5,978,752</u>	<u>6,047,541</u>	<u>5,978,752</u>	<u>6,047,541</u>
	32,774,224	30,337,038	31,466,425	29,106,883
Less: Deferred tax assets ¹	(1,564,963)	(1,493,132)	(1,148,176)	(1,194,897)
Less: Goodwill ¹	(4,154,486)	(3,963,210)	(81,015)	(81,015)
Total Tier I capital	<u>27,054,775</u>	<u>24,880,696</u>	<u>30,237,234</u>	<u>27,830,971</u>

Tier II capital

Subordinated obligations	8,069,116	8,653,373	8,069,116	8,152,239
General allowance for bad and doubtful debts	<u>3,838,541</u>	<u>3,725,599</u>	<u>3,015,865</u>	<u>3,038,025</u>
Total Tier II capital	<u>11,907,657</u>	<u>12,378,972</u>	<u>11,084,981</u>	<u>11,190,264</u>
Total capital	38,962,432	37,259,668	41,322,215	39,021,235
Less: Investment in subsidiary companies and associates ²	(3,065,249)	(3,342,964)	(13,009,007)	(12,067,698)
Less: Other deductions	(18,060)	-	(18,051)	-
Capital base	<u>35,879,123</u>	<u>33,916,704</u>	<u>28,295,157</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.

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

A27. Capital Adequacy (contd.)

² The capital adequacy ratios of the Group and the Bank are in compliance with Basel I Risk Weighted Capital Adequacy Framework. The minimum regulatory capital adequacy requirement is 8% (2009: 8%) for the risk-weighted capital ratio.

On 29 June 2010, the Bank has received approval from Bank Negara Malaysia to migrate to Internal Ratings-Based approach for credit risk under Basel II Risk Weighted Capital Adequacy Framework from 1 July 2010 onwards.

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

	30 June 2010		30 June 2009	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
Group				
0%	47,975,526	-	35,034,146	-
10%	358,525	35,853	362,633	36,263
20%	34,064,190	6,812,838	28,968,131	5,793,626
50%	36,259,184	18,129,592	33,248,708	16,624,354
100%	<u>192,475,276</u>	<u>192,475,276</u>	<u>170,959,552</u>	<u>170,959,552</u>
Total risk-weighted assets for credit risk		217,453,559		193,413,795
Total risk-weighted assets for market risk		<u>27,081,304</u>		<u>32,700,870</u>
Total risk-weighted assets for credit and market risks		<u>244,534,863</u>		<u>226,114,665</u>
Bank				
0%	34,795,220	-	24,132,473	-
10%	26,682	2,668	15,738	1,574
20%	35,521,589	7,104,318	30,769,597	6,153,919
50%	29,207,263	14,603,632	27,005,260	13,502,630
100%	<u>143,201,723</u>	<u>143,201,723</u>	<u>141,015,316</u>	<u>141,015,316</u>
Total risk-weighted assets for credit risk		164,912,341		160,673,439
Total risk-weighted assets for market risk		<u>23,431,606</u>		<u>27,922,999</u>
Total risk-weighted assets for credit and market risks		<u>188,343,947</u>		<u>188,596,438</u>

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

A28. Credit Exposure Arising From Credit Transactions With Connected Parties

	GROUP		BANK	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
Outstanding credit exposures with connected parties (RM'000)	<u>5,020,680</u>	<u>1,364,214</u>	<u>4,814,535</u>	<u>1,149,144</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>2.5%</u>	<u>0.7%</u>	<u>3.2%</u>	<u>0.8%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

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

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

A29. The Operations of Islamic Banking

A29a. Audited Balance Sheets as at 30 June 2010

Group	Note	30 June 2010 RM'000	30 June 2009 RM'000
ASSETS			
Cash and short-term funds		5,818,068	4,403,717
Deposits and placements with banks and other financial institutions		707	49,659
Securities portfolio		4,700,919	4,324,549
Financing and advances	A29c	33,516,386	25,432,558
Deferred tax assets		79,712	58,397
Derivative assets		17,513	23,641
Other assets		222,559	209,245
Statutory deposit with Bank Negara Malaysia		153,000	206,000
Total Assets		44,508,864	34,707,766
LIABILITIES			
Deposits from customers	A29e	34,693,613	24,778,718
Deposit and placements of banks and other financial institutions		5,051,346	6,153,166
Bills and acceptances payable		28,175	2,931
Derivatives liabilities		20,775	27,138
Other liabilities		1,235,875	1,020,861
Provision for taxation and zakat		31,607	28,597
Total Liabilities		41,061,391	32,011,411
ISLAMIC BANKING FUNDS			
Islamic Banking Funds		207,410	197,476
Reserves		3,240,063	2,498,879
		3,447,473	2,696,355
Total Liabilities and Islamic Banking Funds		44,508,864	34,707,766
COMMITMENTS AND CONTINGENCIES		13,627,916	15,234,088

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

A29. The Operations of Islamic Banking (Contd)

A29b. Audited Income Statements for the 4th Quarter and Financial Year Ended 30 June 2010

	4th Quarter Ended		Cumulative 12 Months Ended	
	30 June	30 June	30 June	30 June
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds	489,112	405,301	1,822,872	1,549,778
Expenses directly attributable to depositors and Islamic Banking Funds	(8,512)	(12,974)	(15,493)	(32,943)
Transfer from profit equalisation reserve	3,298	(8,477)	41,642	19,433
Gross attributable income	483,898	383,850	1,849,021	1,536,268
Allowance for losses on financing and advances	(71,019)	(58,754)	(350,363)	(198,652)
Total attributable income	412,879	325,096	1,498,658	1,337,616
Income attributable to the depositors	(193,414)	(148,912)	(671,956)	(655,319)
Income attributable to the Group	219,465	176,184	826,702	682,297
Income derived from investment of Islamic Banking Funds				
Gross investment income	49,331	32,107	137,157	131,025
Net income from investment of Islamic Banking Funds	49,331	32,107	137,157	131,025
	268,796	208,291	963,859	813,322
Overhead expenses	(118,755)	(113,903)	(428,821)	(331,218)
Profit before taxation and zakat	150,041	94,388	535,038	482,104
Taxation	(37,691)	(25,906)	(121,005)	(114,959)
Zakat	(1,486)	4,427	(7,091)	(6,055)
Profit for the period	110,864	72,909	406,942	361,090

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

A29. The Operations of Islamic Banking (Contd)

A29b. Audited Income Statements for the 4th Quarter and Financial Year Ended 30 June 2010

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

	Group	
	30 June 2010 RM'000	30 June 2009 RM'000
Gross attributable income	1,849,021	1,536,268
Net income from investment of Islamic Banking Funds	137,157	131,025
Total income before allowances for losses on financing and advances and overhead expenses	1,986,178	1,667,293
Income attributable to the depositors	(671,956)	(655,319)
	1,314,222	1,011,974
Net of Intercompany income & expenses	120,522	212,347
Income from Islamic Banking Scheme	1,434,744	1,224,321

A29c. Financing and Advances

	Group	
	30 June 2010 RM'000	30 June 2009 RM'000
Cashline	2,092,616	2,032,608
Term financing		
- Housing financing	5,465,917	4,967,816
- Syndicated financing	177,389	129,795
- Hire purchase receivables	15,028,210	12,658,514
- Other financing	23,512,351	13,491,187
Bills receivable	5,004	47,931
Trust receipts	126,423	137,853
Claims on customers under acceptance credits	2,881,944	3,374,953
Staff financing	455,891	308,966
Credit card receivables	193,113	46,343
Revolving credits	1,540,800	263,100
	51,479,658	37,459,066
Unearned income	(16,796,539)	(11,028,542)
Gross financing and advances	34,683,119	26,430,524
Allowance for bad and doubtful financing:		
- specific	(633,025)	(561,520)
- general	(533,708)	(436,446)
Net financing and advances	33,516,386	25,432,558

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

	Group	
	30 June 2010 RM'000	30 June 2009 RM'000
Balance at beginning of the year	1,045,712	1,106,390
Non-performing during the year	639,433	425,269
Recovered/regularized during the year	(547,871)	(383,655)
Amount written off	(220,279)	(107,801)
Expenses debited to customers' accounts	14,498	5,509
Balance at end of the year	931,493	1,045,712
Specific allowance	(633,025)	(561,520)
on non performing loan	(628,424)	(558,277)
on performing loan	(4,601)	(3,243)
Net NPF	298,468	484,192

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

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	0.88%	1.87%
including specific allowance on performing financing	0.89%	1.88%
excluding specific allowance on performing financing	0.89%	1.88%

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

	Group	
	30 June 2010	30 June 2009
	RM'000	RM'000
<u>General allowance</u>		
At beginning of the year	436,446	333,981
Allowance made during the year	230,930	117,165
Allowance written back	(133,668)	(14,700)
At end of the year	533,708	436,446
As a percentage of gross financing and advances less specific allowance	1.57%	1.69%
<u>Specific allowance</u>		
At beginning of the year	561,520	549,632
Allowance made during the period in respect of recoveries	351,462	193,410
Amount written back	(59,678)	(73,721)
Amount written off	(220,279)	(107,801)
At end of the year	633,025	561,520

A29e. Deposits from Customers

(i) By type of deposit

	Group	
	30 June 2010	30 June 2009
	RM'000	RM'000
<u>Mudharabah Fund</u>		
Demand deposits	2,870,838	2,530,270
Savings deposits	258,018	163,642
General investment deposits	13,895,924	10,536,150
Negotiable instruments of deposits	656,815	1,881,710
	17,681,595	15,111,772
<u>Non-Mudharabah Fund</u>		
Demand deposits	4,447,704	3,831,515
Savings deposits	5,029,645	4,414,806
Fixed return investment deposits	7,084,380	872,700
Structured deposits	450,289	547,925
	17,012,018	9,666,946
Total deposit from customers	34,693,613	24,778,718

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

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 RM3,818.2 million, a significant increase of RM3,126.3 million or 451.9% for the financial year ended 30 June 2010. For the fourth quarter ended 30 June 2010, the Group posted profit attributable to equity holders amounting to RM912.5 million, a significant increase of RM2,030.6 million or 181.6%.

The Group's net interest income for the financial year ended 30 June 2010 increased by RM851.4 million or 14.4% to RM6,770.9 million. The increase in net interest income is mainly due to the full year's contribution from PT Bank Internasional Indonesia Tbk (BII), a 97.5% subsidiary acquired on 30 September 2008, and lower interest expense in Malaysian and Singapore banking operations arising from reduction in OPR in early 2009. Income from Islamic Banking operations for the financial year ended 30 June 2010 also increased by RM210.4 million or 17.2% to RM1,434.7 million and this was mainly contributed by the growth of assets in the Islamic business.

Non interest income increased significantly by RM1,290.8 million or 38.3% to RM4,666.0 million for the financial year ended 30 June 2010. The increase was contributed by significantly higher fee income arising from commission, service charges & fees and other loans related fee income amounting to RM549.4 million, unrealised gain on revaluation of derivatives amounting to RM483.2 million, realised gain arising from sale of securities amounting to RM108.7 million and foreign exchange profit due to strengthening of Ringgit Malaysia against other major currencies amounting to RM80.1 million.

Overhead expenses increased by RM852.9 million or 15.3% to RM6,412.1 million for the financial year ended 30 June 2010 over the amount in the corresponding period, mainly due to the full year's contribution from BII compared to the corresponding period. Personnel cost increased by RM364.5 million or 14.3% to RM2,918.4 million. Establishment costs increased by RM66.2 million or 6.3% to RM1,108.5 million (including amortisation of BII's Customer Deposits Intangibles of RM70.2 million). Administration and general expenses increased by RM428.8 million or 35.1% to RM1,650.1 million due mainly to increase in royalties paid for the expansion of cards businesses, insurance premium and higher professional fees.

Allowance for losses on loans, advances and financing decreased by RM510.8 million or 30.1% to RM1,188.0 million due to improvements in loan assets quality and better recovery.

B2. Variation of Current Quarter Results Against Preceding Quarter

The Group posted profit attributable to equity holders amounting to RM912.5 million for the fourth quarter ended 30 June 2010, a decrease of RM117.9 million or 11.4% compared to the preceding quarter.

The Group's net interest income and income from Islamic Banking Scheme operations for the fourth quarter ended 30 June 2010 increased by RM138.5 million or 6.9% to RM2,148.0 million against the preceding quarter.

Non-interest income for the quarter decreased RM51.6 million or 4.4% to RM1,127.2 million compared to that of preceding quarter. The decrease is mainly attributable to the unrealised loss on revaluation of derivatives incurred for the current quarter compared to unrealised gain on revaluation of derivatives incurred for the preceding quarter.

Overhead expenses for the quarter increased by RM30.3 million or 1.9% over that of the preceding quarter mainly due to higher administrative and general expenses and claims incurred, which increased by RM111.8 million and 16.3 million respectively. This was however partly offset by lower marketing expenses of RM95.4 million.

Compared to the preceding quarter, allowance for losses on loans, advances and financing and impairment losses were higher by RM95.7 million and RM65.9 million respectively.

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

B3. Prospects

Moving forward, Maybank has set its sight on becoming a regional financial services leader, focusing on three key home markets of Malaysia, Singapore and Indonesia which collectively contributed some 95.7% to Group revenue and 98.7% to Group profit before tax and zakat in the last financial year. The economy in each of these countries is growing strongly again after the recent global financial crisis. Malaysia's GDP is expected to grow 7.5% in 2010 and 6.1% in 2011 while Singapore's GDP is expected to grow by 12.3% in 2010 and 5.2% in 2011. Indonesia which continued to grow during the crisis is expected to grow 5.9% and 6.1% in 2010 and 2011 respectively. Maybank expects demand for financing to remain strong, driven mainly by consumer finance in Malaysia, consumer and small and medium enterprises in Indonesia and broad based growth in Singapore. The Group targets financing growth rate to be 24% at PT Bank Internasional Indonesia Tbk ("BII") in Indonesia, 12% in Malaysia and 5% in Singapore.

Maybank's strategic objectives are to grow its market share for both deposit and financing in the retail business in Malaysia, build a global wholesale banking business across its footprint in ASEAN, and derive greater contribution from its insurance business as it becomes a leader in the domestic market and explore regional expansion. To be a regional leader, Maybank expects profit before tax and zakat contribution from outside of Malaysia to further grow from the current 21.0 %.

Becoming a regional ASEAN Islamic bank has been identified as a strategic differentiator. Maybank is in the midst of converting its subsidiary, Bank Maybank Indocorp in Indonesia into a Syariah bank and is awaiting Bank Indonesia to issue the Syariah Banking License.

Competition in the Malaysian financial services industry however is expected to stiffen following Bank Negara Malaysia's issuance of new commercial banking licenses, branch expansion of existing foreign banks and further consolidation of domestic banks. Whilst the increase in overnight lending rate will result in improvement in net interest income, competitive pressure for loans pricing is expected to offset the aforesaid improvement. Net interest margin is therefore expected to remain relatively stable.

In support of the new vision and realization of the strategic objectives for the group, Maybank has realigned its organization structure, focusing on three key business pillars of Community Financial Services (CFS), Global Wholesale Banking (GWB) and Insurance and Takaful. Key to the reorganization is to leverage on the shared distribution model where the branches will function as points of sales for all group products and services, and to penetrate the corporate customer base for wholesale banking products not only in Malaysia (where the impetus for growth will be sourced from the private and public investment under the Tenth Malaysia Plan), but in the region and beyond.

While the Group makes further investments in people, technology and processes in the immediate future to realise its vision and strategic objectives, it will continue with efforts to reduce costs through synergies and centre of excellence.

The Group will continue to focus on improving asset quality and lowering credit cost. With the expected introduction of higher capital adequacy requirement under Basel III framework, capital for growth and compliance remains a top priority. The implementation of the Dividend Reinvestment Plan to allow a significant portion of the dividend paid to be reinvested as capital is a key initiative to preserve equity capital.

Barring any unforeseen circumstances, the Group expects its financial performance for the financial year ending 30 June 2011 to be better than the last financial year. The Group has accordingly set two Key Performance Indicators (KPIs) for the financial year ending 30 June 2011; Growth in loans and debt securities of 12% and Return on Equity of 14%.

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

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 4th quarter and financial year ended 30 June 2010 are as follows:

Group	4th Quarter Ended		Cumulative 12 Months Ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	512,279	410,099	1,597,595	1,033,106
Foreign income tax	60,099	31,703	81,783	62,363
	572,378	441,802	1,679,378	1,095,469
Overprovision in prior years	(121,643)	(26,740)	(121,643)	(25,759)
Deferred tax expense				
- Origination and reversal of temporary differences	(71,462)	(168,210)	(165,611)	(198,462)
- Due to reduction in statutory rate	-	(785)	-	41,621
- Overprovision in prior years	(744)	(803)	(744)	(803)
	(72,206)	(169,798)	(166,355)	(157,644)
Tax expense for the year	378,529	245,264	1,391,380	912,066
Zakat	5,532	(3,325)	10,578	11,512
	384,061	241,939	1,401,958	923,578

Bank	4th Quarter Ended		Cumulative 12 Months Ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	381,425	297,460	1,406,212	820,507
Foreign income tax	6,554	(2,322)	10,866	(109)
	387,979	295,138	1,417,078	820,398
Over provision in prior years	(113,097)	803	(113,097)	-
Deferred tax expense				
- Origination and reversal of temporary differences	26,639	(120,721)	(69,378)	(146,187)
- Due to reduction in statutory rate	-	-	-	40,836
- Under/(over) provision in prior years	(744)	(803)	(744)	(803)
	25,895	(121,524)	(70,122)	(106,154)
Tax expense for the year	300,777	174,417	1,233,859	714,244

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (30 June 2009: 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.

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

B8. Status of Corporate Proposals Announced but Not Completed

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

ABBank distributed shares via a bonus issue to the existing shareholders of ABBank (excluding Maybank) in August 2009. Therefore, Maybank had 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 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 had 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 RM750,000,000 comprising 750,000,000 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.

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

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 previous financial 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) Rights Issue by PT Bank Internasional Indonesia Tbk (“BII”)

Maybank had on 19 February 2010 announced that its subsidiary, PT Bank Internasional Indonesia Tbk (“BII”) will embark on a rights issue to raise gross proceeds of approximately Rp 1.407 trillion.

The rights issue size of Rp 1.407 trillion comprised the issuance of 6,253,554,529 new ordinary shares of Rp 22.5 each on the basis of one (1) new ordinary share in BII for every eight (8) existing ordinary shares in BII at an issue price of Rp225 per rights share. The shareholders of BII had approved the rights issue in the EGM held on 26 March 2010. Maybank had fully subscribed to its rights entitlement under the rights issue and any excess rights shares to the extent they are not taken up or not validly taken up.

The proceeds from the rights issue after defraying estimated expenses would be used principally for credit expansion as part of BII’s plan to improve its capital structure and strengthen its balance sheet to spearhead further growth.

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

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

(e) Dividend Reinvestment Plan

Maybank via the announcement on 25 March 2010 proposed to undertake a recurrent and optional dividend reinvestment plan that allows shareholders of Maybank ("**Shareholders**") to reinvest their Dividend (as defined below) into new ordinary share(s) of RM1.00 each in Maybank ("**Maybank Shares**") ("**Dividend Reinvestment Plan**").

The rationale of Maybank embarking on the Dividend Reinvestment Plan are as follows:

- a) To enhance and maximise Shareholders' value via the subscription of new Maybank Shares where the issue price of a new Maybank Share shall be at a discount;
- b) To provide the Shareholders with greater flexibility in meeting their investment objectives, as they would have the choice of receiving cash or reinvesting in the Company through subscription of additional Maybank Shares without having to incur material transaction or other related costs.
- c) To benefit from the participation by Shareholders in the Dividend Reinvestment Plan to the extent that if the Shareholders elect to reinvest into new Maybank Shares, the cash which would otherwise be payable by way of Dividend will be reinvested to fund the continuing business growth of the Group. Reinvestment Plan will not only enlarge the Maybank's share capital base and strengthen its capital position, but will also add liquidity of Maybank Shares on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

Whenever a cash dividend (either an interim, final, special or other dividend) ("**Dividend**") is announced, the Board may, in its absolute discretion, determine that the Dividend Reinvestment Plan will apply to the whole or a portion of the cash Dividend ("**Electable Portion**") and where applicable any remaining portion of the Dividend will be paid in cash.

Each Shareholder has the following options in respect of the Electable Portion:

- a) elect to receive the Electable Portion in cash; or
- b) elect to reinvest the entire Electable Portion into new Maybank Shares credited as fully paid-up at an issue price to be determined on a price fixing date subsequent to the receipt of all relevant regulatory approvals.

The Dividend Reinvestment Plan had received all the necessary approvals from Bank Negara Malaysia, Bursa Securities and from its shareholders via an EGM held on 14 May 2010.

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

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

- (f) **Transfer by Maybank of its entire direct equity interest of 69.05% in Mayban Fortis Holdings Berhad ("Mayban Fortis") to Etiqa International Holdings Sdn Bhd (formerly known as Pelangi Amanmaz Sdn Bhd) ("Etiqa International") for a purchase consideration of RM359,340,912 to be satisfied by an amount owing by Etiqa International to Maybank ("Transfer")**

Maybank via an announcement on 5 April 2010 entered into a sale and purchase agreement to transfer 165,321,478 Mayban Fortis Shares representing its direct equity interest of 69.05% in Mayban Fortis to Etiqa International for a purchase consideration of RM359,340,912 to be satisfied by an amount owing by Etiqa International to Maybank ("**SPA**"). After the completion of the Transfer, Etiqa International will serve as the investment holding company for Maybank's insurance, takaful and asset management businesses.

The Transfer was completed on 5 May 2010. Mayban Fortis is now a 69.05% subsidiary of Etiqa International and the remaining 30.95% is held by Fortis Insurance International N.V.. Etiqa International is a wholly-owned subsidiary of Maybank.

- (g) **Proposed Conversion to Syariah Banking and Capital Reduction of PT Bank Maybank Indocorp (Indonesia)**

Maybank had on 23 June 2010 announced the proposed conversion to Syariah Banking, and corresponding reduction of share capital of its 96.83% owned subsidiary incorporated in Indonesia, PT Bank Maybank Indocorp ("BMI"), based on an earlier decision by BMI's shareholders and subject to approval by the Indonesian central bank, Bank Indonesia.

The decision to convert BMI's business activities from Conventional Banking to Syariah Banking was undertaken by BMI's shareholders in order to tap the vast and growing business potential of Syariah Banking in Indonesia.

In line with the proposed conversion of business activities, a capital reduction exercise is undertaken that will result in the reduction of BMI's authorised capital, issued capital and paid up capital from IDR945,069,000,000 (RM346,840,323) [representing 945,069 shares with a nominal value of IDR1,000,000 per share] to IDR819,307,255,056.87 (RM300,685,763) [representing 945,069 shares with a nominal value of IDR866,928.50 per share].

The capital reduction exercise was effected by way of elimination of retained losses, in line with Bank Indonesia regulations governing such a change in business activity. BMI's books as at 31 December 2009 carried retained losses amounting to IDR136,396,427,619.31 (RM50,057,489).

This exercise was undertaken to enable BMI to make a fresh start under its new business activity of Syariah Banking, with a balance sheet that reflects fair value, without being burdened by the accumulated losses.

This capital reduction exercise did not have any material effect on the earnings or assets of the Maybank Group for the year ended 30 June 2010.

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

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

(h) Acquisition of 8,682,815 Non-Redeemable Preference Shares (“NRPS”) held by Employees Provident Fund (“EPF”) in Mayban Fortis Holdings Berhad (“MFHB”) for a total cash consideration of RM125,969,815

On 29 June 2010, Maybank announced that it had on 28 June 2010 acquired 8,682,815 NRPS in MFHB, a 69.05% indirect subsidiary of Maybank, from EPF for a total cash consideration of RM125,969,815 (“the Acquisition”).

The Acquisition was initiated by :-

- (i) the Subscription Agreement entered into between EPF and MFHB (“Subscription Agreement”); and
- (ii) the Call and Put Option Agreement entered into between EPF, Maybank and Fortis International N.V (“Fortis”) (“Call and Put Option Agreement”).

Both Subscription Agreement and Call and Put Option Agreement were executed simultaneously on 29 August 2007.

Notwithstanding the terms of the Put and Call Option Agreement, Maybank and EPF had exchanged three letters dated 5 May 2010, 3 June 2010 and 14 June 2010 respectively (“the Letters”) to agree on the Acquisition based on a revised PE multiple of 10.86407 times (“Revised PE Multiple”), which was a PE multiple between the Put Option and Call Option.

The Acquisition was mainly to fulfil the obligations agreed upon between EPF, Maybank and Fortis in the Call and Put Option Agreement. Pursuant to the Acquisition, EPF granted the Put Option to require Maybank to acquire its portion of 8,682,815 NRPS from EPF for a cash consideration of RM125,969,815 based on the Revised PE Multiple.

The Acquisition was completed on 28 June 2010. Barring any unforeseen circumstances, the Acquisition did not have a material financial impact on Maybank’s earnings for the current financial year ended 30 June 2010.

EPF, the vendor of the Acquisition, is one of the major shareholders in Maybank who holds 10.91% equity interest in Maybank as at 14 June 2010.

Save as disclosed above, none of the directors, major shareholders and/or persons connected with them, as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, has any interest, direct or indirect, in the Acquisition.

The Board and Maybank’s Audit Committee, after having considered all aspects of the Acquisition are of the opinion that the Acquisition is in the best interests of Maybank and is not detrimental to the interests of the minority shareholders of Maybank. The Board and Maybank’s Audit Committee are of the view that the Acquisition is fair, reasonable and on normal commercial terms.

B9. Deposits and Placements of Financial Institutions and Debt Securities

Please refer to note A12 and A13.

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

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 all of which are institutions, for an amount of approximately RM149.3 million. MTB was alleged to have acted in breach of trust and negligently in its capacity as Trustee for the bonds issued. MTB has defended the suit.

On 7 July 2008, the plaintiffs entered judgment by consent against certain defendants for the sum of RM149.3 million. The entering of the said judgment by consent is not in any way an admission of liability on the part of MTB.

On 4 August 2008, a defendant served a counterclaim on MTB for approximately RM535 million being losses allegedly incurred by it as a result of MTB unlawfully declaring an Event Of Default ("EOD") on the bonds. The defendant had however on 25 August 2009 withdrawn the counterclaim against MTB.

The High Court on 30 June 2010 awarded judgement against MTB and another defendant, being the Arranger for the bonds, for RM149.3 million. The judgement sum in favour of the plaintiffs/bondholders was apportioned at 40% against MTB and 60% against the other defendant. The High Court also dismissed MTB's other claims. MTB had on 26 July 2010 filed Notices of Appeal against the entire decision of the High 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.

The net impact to the income statement of MTB and the Group is RM4.5 million.

- (b) In 2004, Etiqa Takaful Berhad ("ETB"), commenced a civil suit against a borrower ("the 1st Defendant") and three guarantors, for the sum of approximately RM25.8 million, following the recall of the relevant facility which was preceded by the 1st Defendant's failure to pay 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 in 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 with costs.

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

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

On 28 October 2009, the Court of Appeal dismissed the Notice of Motion with costs.

However, on 4 March 2010, the Court allowed the Defendants appeal against summary judgement thereby setting aside the Court's decision on 14 May 2009 and overruling the decision of striking out the 1st Defendant's counterclaim and directed that the matter be set for an early trial. The matter is now fixed for trial on 26 and 27 October 2010.

ETB's solicitors are of the view that it has a good chance of succeeding in this action.

- (c) A corporate borrower has issued a writ of summons and statement of claim against a subsidiary, Maybank Investment Bank 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 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. Maybank IB has filed a Notice of Appeal and an application for stay of execution of the judgement sum.

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 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. On 23 November 2009, the Court of Appeal dismissed the Appeal against the stay order.

Case management is fixed on 3 June 2010 at the Court of Appeal for Maybank IB's appeal against the judgement obtained on 6 May 2009 at the High Court. On 3 June 2010, Maybank IB's solicitor's informed the Court that the notes of proceedings and the grounds of judgement have not been issued thus far. In view of the same, the Court fixed the matter for further case management on 29 July 2010 pending issuance of the notes of proceedings and the grounds of judgement. The matter is fixed for further mention on 26 August 2010.

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.

MALAYAN BANKING BERHAD
(3818-K)
(Incorporated in Malaysia)

B12. Proposed Final Dividend

The Board of Directors have proposed a final dividend in respect of the financial year ended 30 June 2010 of 44 sen less 25% taxation (30 June 2009: final dividend of 8.0 sen per share less 25% taxation) for the shareholders' approval.

The proposed gross dividend consists of an electable portion of 40 sen (30 sen net per ordinary share) which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan as disclosed in Note B8(e).

Pursuant to Section 8.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the final dividend, if approved, will be paid no later than three (3) months from the date of shareholders' approval.

The Books Closure Date will be announced by the Company after the Annual General Meeting.

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 year respectively.

	4th Quarter Ended		Cumulative 12 Months Ended	
	30 June	30 June	30 June	30 June
	2010	2010	2010	2010
Net profit for the year (RM'000)	912,474	(1,118,140)	3,818,167	691,875
Weighted average number of ordinary shares in issue ('000)	7,077,983	6,345,491	7,077,957	5,763,330
Basic earnings per share ('000)	12.89 sen	(17.62 sen)	53.94 sen	12.00 sen

MALAYAN BANKING BERHAD
(3818-K)
(Incorporated in Malaysia)

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 year 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.

	4th Quarter Ended		Cumulative 12 Months Ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
Net profit for the year (RM'000)	912,474	(1,118,140)	3,818,167	691,875
Weighted average number of ordinary shares in issue ('000)	7,077,983	6,551,930	7,077,957	5,763,330
Effects of share option ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares in issue ('000)	7,077,983	6,551,930	7,077,957	5,763,330
Diluted earnings per share ('000)	12.89 sen	(17.07 sen)	53.94 sen	12.00 sen

By Order of the Board

Mohd Nazlan Mohd Ghazali
LS0008977
Company Secretary
20 August 2010