



Maybank
Investment Bank

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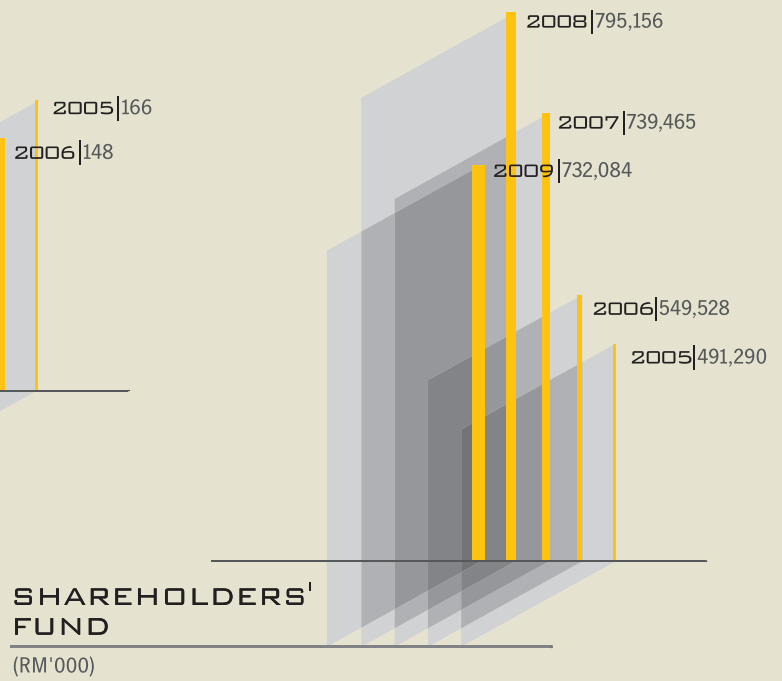
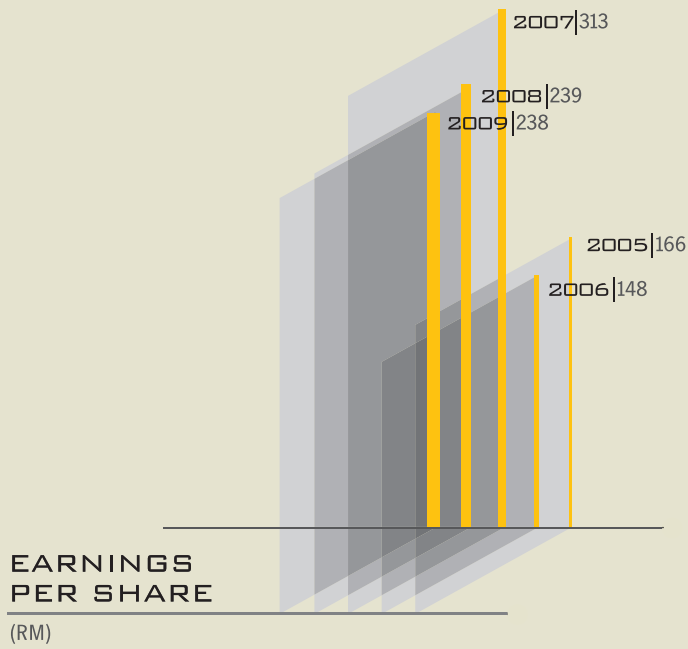
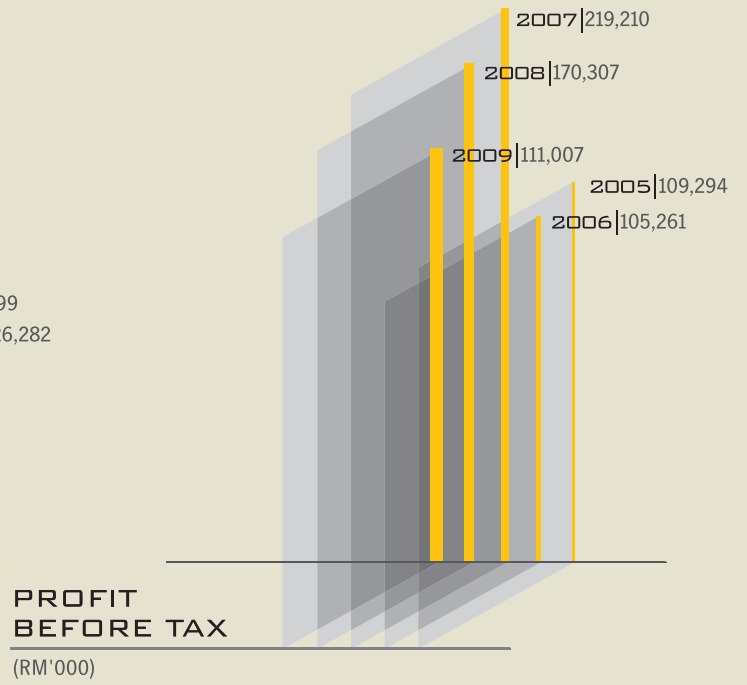
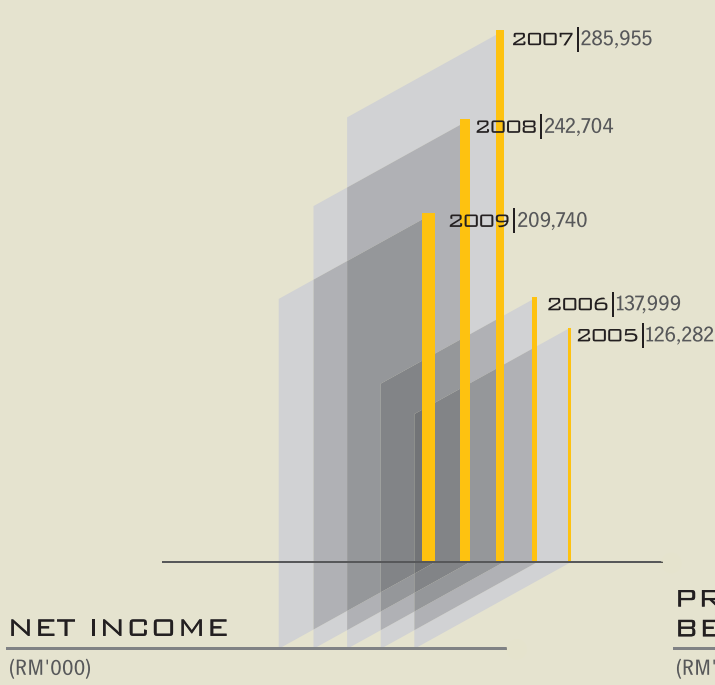
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FIVE YEARS FINANCIAL HIGHLIGHTS

ANNUAL REPORT 2009

	2009	2008	2007	2006	2005
Gross Income (RM'000)	380,259	488,211	496,676	254,764	234,602
Net Income (RM'000)	209,740	242,704	285,955	137,999	126,282
Profit Before Tax (RM'000)	111,007	170,307	219,210	105,261	109,294
Total Assets (RM'000)	5,360,136	8,456,997	9,377,315	4,593,228	4,349,175
Loans & Advances (RM'000)	251,535	88,160	142,353	173,575	211,256
Shareholders' Fund (RM'000)	732,084	795,156	739,465	549,528	491,290
Core Capital Ratio (%)	28.20	27.86	24.71	38.34	33.72
Risk Weighted Capital Ratio (%)					
Credit Risk	79.87	107.32	60.89	97.54	39.36
Credit and Market Risk	28.20	27.86	24.71	40.59	37.24
Net Tangible Assets					
(NTA) per share (RM)	14.61	15.87	14.76	10.97	9.80
Earnings per share (Sen)	238	239	313	148	166



PROFILE OF THE BOARD OF DIRECTORS

ANNUAL REPORT 2009

**TAN SRI
MOHAMED BASIR
BIN AHMAD**

*Non-Independent
Non-Executive Chairman*

DATE OF APPOINTMENT

September 28, 1993

AGE

71 years

QUALIFICATION

Advanced Management Program (Harvard Business School, USA)
Doctorate of Commercial Science (Hons) (Oklahoma City University, USA)
Bachelor of Arts (Hons) (University Malaya)
Fellow of Malaysian Institute of Bankers

CHAIRMAN

PT Bank Internasional Indonesia Tbk
PhileoAllied Securities (Philippines) Incorporated
Maybank Philippines Incorporated
MNI Holdings Berhad

EXPERIENCE

Previously attached to Bank Negara Malaysia and retired as an Adviser before appointed as a Director/Chairman of Maybank in 1993 until his retirement on September 30, 2009.

**DATO' SRI
ABDUL WAHID
BIN OMAR**

*Non-Independent Non-Executive Director
Chairman of Credit & Underwriting
Review Committee*

DATE OF APPOINTMENT

July 9, 2008

AGE

45 years

QUALIFICATION

Fellow of the Association of Chartered Certified Accountants (UK)
Member of Malaysian Institute of Accountants

OTHER DIRECTORSHIP

Malayan Banking Berhad (Maybank)
Bursa Malaysia Berhad
Perbadanan Usahawan Nasional Berhad
Mayban Fortis Holdings Bhd
PT Bank Internasional Indonesia Tbk
Malaysia Electronic Payment System (1997) Sdn Bhd
Cagamas Holdings Berhad

EXPERIENCE

Prior to joining Maybank, he was the Group Chief Executive Officer of Telekom Malaysia Berhad since July 1, 2004. He was formerly the Managing Director/Chief Executive Officer of the UEM Group Berhad and UEM World Berhad as well as the Executive Vice Chairman of PLUS Expressways Berhad. Prior to joining UEM Group, he served Telekom Malaysia Berhad as the Chief Financial Officer in 2001. He previously served as a Director of Group Corporate Services cum Divisional Director, Capital Market and Securities Amanah Capital Partners Berhad, Chairman of Amanah Short Deposits Berhad, as well as a Director of Amanah Merchant Bank Berhad and several other companies in the financial services sector.



Standing from left to right:
Haji Mohd Hashir bin Haji Abdullah
Mohammed Rashdan Mohd Yusof
Dato' Aminuddin bin Md Desa
Tan Sri Mohamed Basir bin Ahmad
Datuk R. Karunakaran
Dato' Sri Abdul Wahid bin Omar
Faudziah Ismail

**MOHAMMED
RASHDAN MOHD
YUSOF**

Chief Executive Officer & Director

DATE OF APPOINTMENT

November 1, 2008

AGE

38 years

QUALIFICATION

Associate of Corporate Treasures (UK)
Institute of Chartered Accountants England & Wales (UK)
Masters of Arts (Economics) (Cambridge University, UK)

OTHER DIRECTORSHIP

Multimedia Development Corporation
Sepang International Circuit Sdn Bhd

EXPERIENCE

Prior to joining Maybank IB, he was the co-founder of BinaFikir Sdn Bhd. and had been its Managing Director since 2004. His experience in BinaFikir encompasses strategic consulting, corporate and industry restructuring, merger and acquisitions (M&A) advisory and structured finance, especially in Islamic Finance. Prior to BinaFikir, he accumulated more than 10 years experience in audit and business advisory services in PricewaterhouseCoopers (PwC) both in London and Kuala Lumpur, specialising in financial services. He left PwC Malaysia as an Executive Director in the Assurance & Business Advisory Services (ABAS) Division and Leader of the Financial Risk Management (FRM) Group in late 2001.

With over 16 years experience covering auditing, business advisory, financial risk consulting, strategic consulting, re-structuring and re-organisation, corporate finance and M&A activities, Rashdan is a specialist in financial services, derivatives and structured finance which he acquired as both an Auditor and Consultant whilst in PwC. At BinaFikir, he further acquired specialist knowledge in the aviation sectors, mainly airlines, airports and aircraft financing as well as in public transportation, electricity, water and technology sectors.

**HAJI MOHD HASHIR
BIN HAJI ABDULLAH**

*Independent Non-Executive Director
Chairman of Audit Committee
Member of Risk Management Committee*

DATE OF APPOINTMENT

January 21, 2008

AGE

73 years

QUALIFICATION

Institute of Chartered Secretaries and Administrator (UK)
Institute of Chartered Accountants (Australia)
Institute of Certified Public Accountant (Malaysia)
Fellow of Chartered Management Institute (UK)
Fellow of Chartered Institute of Transport (UK)
Advanced Management Program (Harvard Business School, USA)

OTHER DIRECTORSHIP

Maybank Islamic Berhad

EXPERIENCE

He was the General Manager and Chief Executive Officer of Kelang Port Authority until his retirement in 1991.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

ANNUAL REPORT 2009

<p>DATO' AMINUDDIN MD DESA <i>Non-Independent Non-Executive Director</i> <i>Member of Credit & Underwriting Review Committee</i> <i>Member of Audit Committee</i> <i>Member of Risk Management Committee</i></p>	<p>DATE OF APPOINTMENT January 31, 2008</p> <p>AGE 47 years</p> <p>QUALIFICATION Associate of Chartered Insurance Institute (UK) Associate of Malaysian Insurance Institute Advance Diploma in Business Studies (Insurance) (UiTM) Diploma in Accountancy (UiTM)</p> <p>OTHER DIRECTORSHIP Mayban Fortis Holdings Berhad MNI Holdings Berhad Etiqa Offshore Insurance (L) Ltd Etiqa Takaful Berhad Etiqa Insurance Berhad Labuan Reinsurance (L) Ltd Pan-Kuwait Takaful Co. Ltd Peram Ranum Berhad</p> <p>EXPERIENCE He has over 20 years experience in the insurance industry. He was the Chief Executive Officer of Takaful Nasional Bhd (<i>now known as Etiqa Takaful Berhad</i>) from 2001 to 2005 prior to being appointed as Chief Executive Officer of Mayban Fortis Holdings Berhad in December 2005, a position held until November 30, 2007. He was re-appointed as the CEO of Etiqa Group on November 1, 2008.</p>
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<p>DATUK R. KARUNAKARAN <i>Independent Non-Executive Director</i></p>	<p>DATE OF APPOINTMENT February 18, 2009</p> <p>AGE 59 years</p> <p>QUALIFICATION Bachelor of Economics (Accounting) Hons (University of Malaya) Post Graduate Course in Industrial Project Planning (University of Bradford, UK)</p> <p>OTHER DIRECTORSHIP Lion Corporation Berhad Integrated Logistics Berhad Invest Melaka Bhd Multimedia Development Corporation</p> <p>EXPERIENCE He joined the Malaysian Industrial Development Authority (MIDA) in 1972 and retired in 2008 as the Director General. He was a member of the Cabinet Committee on Investment for high impact projects chaired by Y.A.B. Deputy Prime Minister. He was also appointed by the Y.A.B. Prime Minister as a member of 'PEMUDAH' (Pasukan Petugas Khas Pemudahcara Perniagaan), a Special Taskforce to facilitate business, to improve public services delivery systems in terms of processes, procedures, legislation and human resource.</p>
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FAUDZIAH ISMAIL
Company Secretary

DATE OF APPOINTMENT
May 2, 1987

AGE
54 years

QUALIFICATION

Fellow of the Institute of Chartered Secretaries & Administrators (UK)
Fellow of the Malaysian Institute of Chartered Secretaries & Administrators

OTHER DIRECTORSHIP

Aseam Malaysia Nominees (Tempatan) Sdn. Bhd.
Aseam Malaysia Nominees (Asing) Sdn. Bhd.

SECRETARYSHIP

Maysec Sdn. Bhd.
Maysec (KL) Sdn. Bhd.
Maysec (Ipoh) Sdn. Bhd.
Maydis Bhd.
Mayban Futures Sdn. Bhd.
Mayban Securities (Tempatan) Sdn. Bhd.
Mayban Securities (Asing) Sdn. Bhd.
Aseam Malaysia Nominees (Tempatan) Sdn Bhd.
Aseam Malaysia Nominees (Asing) Sdn. Bhd.
Budaya Tegas Sdn. Bhd.

EXPERIENCE

She has more than 20 years experience as Company Secretary. She joined Maybank IB on May 2, 1987. She is currently overseeing the Secretarial, Public Affairs, Licensing, Authorised Depository, Custodian and Nominees functions.

CHAIRMAN'S STATEMENT

ANNUAL REPORT 2009



TAN SRI
MOHAMED BASIR
BIN AHMAD

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Maybank IB (formerly known as Aseambankers Malaysia Berhad) and its Group of Companies for the financial year ended June 30, 2009.

The start of the financial year under review was marked by high inflation as a result of booming commodity, raw materials and food prices. Fuel prices surged to record highs, with crude oil peaking at US\$147.0 per barrel in the month of July 2008. Domestically, the removal of retail fuel subsidies in the month of June 2008 hugely impacted businesses and households. Headline inflation peaked at 8.5% in the month of July 2008.

Subsequently, the onset of the global financial crisis and the drastic loss of confidence led to the collapse of global equities in the month of October 2008, as well as international trade. Countries around the world adopted aggressive monetary stance and counter-cyclical fiscal measures to stimulate their economies. Malaysia's monthly exports have declined by an average of more than 20.0% year-on-year since the beginning of year 2009.

Recessionary forces continued to exert pressure on economies in the first and second quarters of year 2009. However, global equities, amid intermittent corrections had since mid-March 2009 rallied well into the month of August 2009 as investors placed their hopes on "green shoots" and tentative signs of an economic recovery. The general expectation is that the world is on the healing path, though the near term outlook is still plagued by uncertainties. The global A[H1N1] flu pandemic still presents a problem. Despite the challenging environment, Malaysia's financial institutions have withstood the test. This is a testimony of the relative strength of the Malaysian banking system since the 1997/1998 Asian Financial Crisis.

Amid the tough economic climate, gross loans continued to show resilience, posting 10.55% year-on-year growth for the 12-month period to June 30, 2009. Over the same period, household and business loans grew 8.8% and 9.2% respectively. Liquidity increased, system deposits expanded by 7.2% to RM997.7 billion as at June 30, 2009.

The banking system remained well capitalized with asset quality staying strong. As at June 30, 2009, core and risk weighted capital ratios (RWCR) stood at 12.3% and 14.0%, versus 10.1% and 13.0%, respectively a year earlier.

The minimum Risk Weighted Capital Ratio (RWCR) requirement is at 8.0%. Maybank IB has estimated that the banking system can absorb a loss of RM54.0 billion before RWCR falls to the minimum 8.0%. The system's asset quality not only held up but also improved. As at June 30, 2009 gross non-performing loans (NPL) declined 9.5% to RM33.2 billion from the beginning of the financial year under review.

As at June 30, 2009, the gross NPL ratio stood a 4.47%. Net NPL ratio fell to a historic low of 2.16% as at June 30, 2009 from 2.7% as at June 30, 2008 (June 30, 2007: 4.1%). Loan loss coverage rose to 89.5% as at end-June 2009 from 84.5% at the start of the financial year under review. The impact of the global financial crisis on the Malaysia banking system has been relatively contained, with profitability moderating in the second half of year 2008.

BUSINESS FOCUS

The financial year under review marked the transformation of Maybank's investment banking arm, Aseambankers Malaysia Berhad then, which concluded the acquisition of a boutique advisory house, BinaFikir Sdn Bhd on November 11, 2008. New talents were brought in to complement the existing team, in keeping with retaining and harnessing all round core competencies.

Housekeeping was given priority via the inculcation of continuous self-learning coupled with in-house training, particularly among the second-liners and below. This has resulted in the strengthening of talent capabilities and the foundation of the organisation.

A new identity was also assumed on January 12, 2009 following the name change to Maybank Investment Bank Berhad (Maybank IB) from Aseambankers Malaysia Berhad. This significant milestone leverages on the Maybank Group strong brand name and is hoped to bring greater opportunities for the bank in Malaysia as well as within the regional network. This transformation has sparked a new vigour among the Maybank IB Team to continue to be the preferred investment bank, and to face the increasingly challenging and competitive investment banking landscape.

Maybank Group's regional expansion has offered Maybank IB plenty of business opportunities locally and abroad and we aim to leverage on that. Innovation and unique offering, be it in the debt or equity markets as well as in mergers & acquisitions (M&A), will continue to be the driving force of Maybank IB's strategy moving forward in our quest to provide total solutions to our clients in the capital market.

EQUITIES

While Malaysia's banking system remains sound, the country's stock market has not been spared the widespread loss of confidence among the global investing community. From its peak of 1,516 on January 11, 2008, the benchmark index, FTSE Bursa Malaysia KLCI (FBM KLCI), formerly Kuala Lumpur Composite Index (KLCI), plunged to a four-year intra-day low of 801.27 in late October 2008, in line with the global markets.

FBM KLCI staged a strong recovery from the month of March 2009 and breached the 1,000 point-mark the following month. It closed at 1,075.2 at the end of the financial year under review. Maybank IB's Equities Division was affected by the declining trading volume in the first half of the financial year under review. Given the extent of the impact, the Equities Division posted a net profit of RM51,267.0 for the month of November 2008 and went into the red with a net loss of RM2.3 million the following month.

CHAIRMAN'S STATEMENT (CONT'D)

ANNUAL REPORT 2009

DEBT MARKET

Investment banking activities declined for most parts of the financial year under review as funds raised through the private debt securities (PDS) and equity markets fell. Bond issuances declined in number as well as in terms of value as investors sought higher risk premiums, exerting pressure on the cost of raising funds.

The establishment of the national financial guarantee institution, Danajamin Nasional Berhad will provide the bond market with a much-needed boost. Malaysian Rating Corporation Bhd had earlier projected corporate bond issuances to be between RM25.0 billion and RM30.0 billion for year 2009 versus RM48.6 billion in year 2008, due to the reduced supply of high investment-grade papers and reduced demand for issues rated A and below.

However, signs of optimism have emerged in the bond market. The recent narrowing of spreads between benchmark issuances and triple A rated papers indicates that risk aversion has eased.

In the primary market, new corporate bond issuance rose about 40.0% to RM28.4 billion in the second quarter of year 2009, while in the secondary market, the recent average daily trading volume has increased by more than 50.0%.

Bond yields were mostly volatile given the uncertain investment climate and uncertainty over inflationary pressure, but stabilised towards the end of the financial year. BNM is expected to keep the Overnight Policy Rate (OPR) at 2.0% until the end of year 2009 and beyond.

As of July, the 3/5 Malaysian Government Securities (MGS) spread had fallen to about 80.0 basis points (bps) since it peaked at 128.0 bps on March 12, 2009 - still high versus a 5-year simple average of 30.0 bps.

IB MARKETS

IB Markets, i.e, Investment Bank Treasury was formed in July 2008 from a re-organisation of two units, namely Sales & Distribution Trading and Maybank IB Treasury. This was to realign all the investment banking treasury activities into one department in order to have more synergy, while decisions can be made more cohesively.

IB Markets oversees all the funding requirements and balance sheet management of Maybank IB. It is mainly divided into two (2) activities in the following manner:

Funding

The Funding Desk is focused on taking deposits from institutional clients such as corporate and government-linked companies (GLCs). In addition to that, lending/borrowing is done through Maybank and BNM. The Desk is also active in investing in money market instruments such as Negotiable Certificate of Deposits (NIDs) and Bankers Acceptance (BAs) for investment and also to comply with regulatory requirement for liquidity such as the New Liquidity Framework (NLF).

Trading/Investment

The Trading Unit trades on bonds and interest rate swaps. The Desk also has an investment portfolio that invests in bonds for medium term view of capital appreciation and fund income.

IB Markets is one of the most active and key players in the Malaysian fixed income markets. The financial year under review was a challenging one with volatility due to recessionary pressures from the global economic crisis. The first half of the year saw interest rates spiking up on talks of inflationary pressures before the subprime crisis exploded. The second half of the year under review saw yields trending downwards when the global central banks, including BNM, decided to cut rates to contain the credit implosion.

The Department took the opportunity to capitalize on the movement of the yields and managed to generate capital gain from its investment and trading positions. It has established itself as one of the active pricing providers for its own issuances as well as others to promote liquidity in the secondary market.

ISLAMIC MARKETS

During the financial year under review, Islamic Capital Markets Division embarked on a major change in its focus and mandate, in line with the new business strategy. The Islamic Capital Markets Division was renamed the Islamic Markets Division (IMD). IMD is not only limited to the Islamic debt capital market and Sukuk but includes Islamic Private Equity, Islamic Wealth Management, Islamic Structured Products, Islamic Treasury Solutions, and Islamic REITs.

With this new setup, Maybank IB, through IMD, aims to be recognized as the leader in all Islamic financial products and services, not only in Malaysia, but also in the region. Moving forward, IMD will drive and lead the group's Islamic banking initiatives and continue to provide world-class Islamic finance solutions to clients.

PERFORMANCE HIGHLIGHTS

Maybank IB's total income for the financial year ended June 30, 2009 fell 13.6% to RM209.7 million from RM242.70 million in the previous financial year, while net profit before tax declined 34.8% to RM110.0 million from RM170.31 million.

DIVIDEND

The Board of Directors has declared and paid interim dividend of RM225,522,000 on March 19, 2009; and is not recommending final dividend for the financial year ended June 30, 2009.

OUTLOOK & STRATEGIC DIRECTION

The financial year under review was a challenging one as the world economy succumbed to the impact of the collapse of the investment banking system in the United States. Although the calamity that befell the Western outfits presented openings and opportunities for the investment banks in the Asian Pacific region, issuers and investors took a cautious stance.

Regionalisation has been a key strategic prong for Malaysian IBs, which are cognisant of the rapid rise of major Asian economies such as Indonesia, Vietnam and Thailand.

Indonesia, by all accounts is poised to be the next major market in South-East Asia and has already seen trading volume far exceeding Bursa Malaysia's. The M&A by Maybank Group in Indonesia, Pakistan and Vietnam present opportunities and leverage to Maybank IB in its reorganization plans.

Maybank IB plans to reposition itself as a global player with advisory services at its core. Maybank's acquisitions of PT Bank Internasional Indonesia (BII) and MCB Bank in Pakistan last year were part of the group's internationalisation efforts.

Maybank IB is developing along the same line. In order to establish itself in the global arena, Maybank IB has started its own transformation, with changes made to the bank's structure and business strategy. A number of new appointments to senior management have been made to facilitate the transformation.

Also in the pipeline for Maybank IB is the setting up of a private equity arm, a move that is in line with its internationalisation strategy. Ultimately, the goal is to build a relevant private equity fund to look at off-value acquisitions across borders.

PEOPLE, LEARNING & DEVELOPMENT

In line with Maybank Group's aspirations to become the Employer of Choice and in line with Maybank IB's own transformation strategy, there is a continuous need to develop its workforce. Several key human capital development initiatives that have been put into place include:

- Investment Banking Apprenticeship Programme;
- Sponsorship for Professional Qualification;
- In-house Training; and
- Latest Industry and Other Relevant Developments

CHAIRMAN'S STATEMENT (CONT'D)

ANNUAL REPORT 2009

These learning programmes have garnered positive response from our staff as the trainings were not only geared at real life situations and business models, but they were also conducted by Maybank IB's Senior Management and the various business units.

These gave the employees an opportunity to learn first-hand from the seasoned practitioners who shared many valuable insights into the IB world.

CHANGES IN BOARD OF DIRECTORS

On November 1, 2008, Maybank IB appointed Encik Mohammed Rashdan bin Mohd Yusof, the founding partner of the boutique advisory house, BinaFikir Sdn Bhd, as the new Chief Executive Officer & Director to drive and transform Maybank IB to be a global player with strategic financial advisory as the core emphasis. On behalf of the Board of Directors, I would like to welcome Encik Mohamed Rashdan on the Board of Maybank IB. With his testimony and experience, I am confident that he would be able to deliver and achieve the strategic objectives for Maybank IB in line with the Maybank Group objectives.

I would like to acknowledge the contribution of the former CEO & Director, Encik Surachet Chaipatanont and

two (2) other Directors, Tuan Haji Mohammad bin Abdullah and Puan Hooi Lai Hoong who resigned during the year. We thank you all for your invaluable stewardship, experience and knowledge shared during your tenure as Directors that were essential to the success of Maybank IB.

The directorship vacancies have since been partly filled up by a distinguished individual. I would like to welcome the newly appointed Director, YBhg Datuk Karownanakaran @ Karunakaran as part of the Team.

ACKNOWLEDGMENT

On behalf of the Board of Directors, I wish to express our sincere appreciation to the Management and staff of Maybank IB who had a challenging year and even tougher task ahead as we embark on our journey to become the best investment bank in the region.

Continued dedication, perseverance, the ability to change and continuous innovation will be key to our continued success.

Last but by no means least, my most sincere appreciation and gratitude to the various Regulatory Authorities and Government Ministries and Departments for their invaluable guidance and advice rendered.

**MOHAMED BASIR BIN AHMAD***Chairman**September 15, 2009*

MANAGEMENT TEAM



**MOHAMMED RASHDAN
MOHD YUSOF**
Chief Executive Officer & Director



**AMIRUL FEISAL
WAN ZAHIR**
*Managing Director/
Head, Investment Banking*

QUALIFICATION

Bachelor of Economics (Accounting & Finance) (London School of Economics)

Chartered Accountant
(Institute of Chartered Accountants in England & Wales)

EXPERIENCE

Feisal Zahir has over 17 years experience in financial advisory services in multiple disciplines including corporate strategy, corporate finance, mergers & acquisitions, and global capital markets. Prior to joining Maybank IB in November 2008, Feisal was an Executive Director in BinaFikir since 2004, and previously a Vice President in Citigroup Global Market's Investment Banking Division based in Hong Kong and Singapore. Feisal spent 7 years in Citigroup after his 4 years with KPMG in London.

MANAGEMENT TEAM (CONT'D)

ANNUAL REPORT 2009



**JOHN CHONG
ENG CHUAN**

*Managing Director/
Head, Debt Markets*

QUALIFICATION

Bachelor of Economics (Hons)
(University of Queensland, Australia)

EXPERIENCE

John Chong has more than 14 years experience in the origination and structuring of Private Debt Securities, Project Finance and Asset Backed Securitisation transactions.



CHEW LIONG KIM

*Managing Director/
Head, Strategic Advisory*

QUALIFICATION

Bachelor of Commerce,
(Auckland University, New Zealand)
Chartered Accountant of the Malaysian
Institute of Accountants
Associate Member of the Institute of
Chartered Secretaries and Administrators
Cost and Management Accountant of the
New Zealand Society of Accountants

EXPERIENCE

Chew was the Executive Director/CEO of Dataprep between April 2004 to June 2008, 22 years of Big 5 professional management and financial consulting experience in Asia Pacific, covering public sector privatisation and policy studies, Government-linked companies and private enterprise transformation, technology implementation and change management for large clients. He has held the positions of Asia Pacific Managing Director of Andersen Business Consulting covering 12 countries and Managing Director of Andersen Business Consulting Malaysia. He was active in the Malaysian franchise industry as a Consultant and was appointed a member of the Franchise Advisory Board (1998 to 2001) by the Ministry of Entrepreneur & Cooperative Development.



HAMIDAH MORIS

*Managing Director/
Head, Equities*

QUALIFICATION

Degree in Mathematics and Politics
(University of Essex, United Kingdom)
Master of Arts in History and Philosophy
of Social and Political Science
(University of Essex, United Kingdom)
Post-graduate Program
(School of Oriental and African
Studies, University of London)

EXPERIENCE

Hamidah has amassed 17 years of experience in Equity Sales servicing the full spectrum of local, interbroking and foreign end clients. She started her career in stockbroking with CapitalCorp Securities Sdn Bhd in 1992 as Vice President, Institutional Sales before moving to be the Head, Independent Institutional Dealing Team with Ke-Zan Securities Sdn Bhd / Kim Eng Securities, Singapore. Prior to joining Maybank IB in May 2009, Hamidah was with Kenanga IB which she had joined in 2001 as Head, Independent Institutional Dealing Team. In 2005, she was appointed Head, Institutional Dealing, where she established and led the rationalization of Kenanga's Institutional business.



ALI ABBAS ZAIDI

*Managing Director/
Head, Islamic Markets*

QUALIFICATION

Associate of the Institute of Chartered
Accountants in England and Wales
Diploma in Fixed Income & Derivatives
(Securities Institute, UK)

EXPERIENCE

Ali has over 17 years of investment banking experience in London and Dubai with various global institutions including KPMG, BNP, HSBC and Deutsche Bank, focused on structured products, derivatives and Islamic origination and sales.

CORPORATE HIGHLIGHTS

ANNUAL REPORT 2009

AUGUST 2008

**IOI Properties Berhad**

- Renounceable Rights Issue of up to 162,537,250 new ordinary shares of RM0.50 each in IOI Properties Berhad to raise RM788.31 million

**Cagamas Berhad**

- Issuance of RM2.015 billion Sukuk Commodity Murabahah Medium Term Notes Programme
- Issuance of RM540.0 million Conventional Medium Term Notes Programme

**Malayan Banking Berhad**

- Issuance of SGD600.0 million Innovative Tier 1 Capital Securities



AnnJoo Integrated Steel Sdn Bhd

Ann Joo Integrated Steel Sdn Bhd

- Issuance of RM300.0 million Syndicated Term Loan Facility

SEPTEMBER 2008

**UBG Berhad**

- Acquisition of 100.0% equity interest in CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd for a total consideration of RM135.0 million;
- Acquisition of 49.0% and 37.56% equity interest in Putrajaya Perdana Berhad (PPB) and Loh & Loh Corporation Berhad (LLCB) respectively for a total consideration of RM456.60 million; and
- Issuance of 182,640,800 new ordinary shares in UBG Berhad to Majestic Masterpiece Sdn Bhd and mandatory offer to acquire all the remaining equity interest in PPB and LLCB for a total consideration of RM549.90 million.



Boromir Capital Sdn Bhd

Boromir Capital Sdn Bhd (a wholly-owned subsidiary of Quill Capital Trust)

- Issuance of RM134.0 million Commercial Papers / Medium Term Notes Programme

SEPTEMBER 2008



Maybank

- Issuance of RM1.10 billion Innovative Tier 1 Capital Securities

OCTOBER 2008



DRB-HICOM Berhad

- Acquisition of 100.0% equity interest in Rangkai Positif Sdn Bhd for a total consideration of RM720.0 million; and
- Acquisition of 70.0% equity interest in Bank Muamalat Malaysia Berhad for a total consideration of RM1.07 billion

NOVEMBER 2008



Tradewinds Corporation Berhad

- Acquisition of 100.0% equity interest in Tradewinds Hotels & Resorts Sdn Bhd for a total consideration of RM400.0 million



Chemical Company Of Malaysia

- Issuance of RM500.0 million Musyarakah Islamic Commercial Papers / Islamic Medium Term Notes Programme

DECEMBER 2008



Maybank

- Acquisition of 97.5% equity interest in PT Bank Internasional Indonesia Tbk for RM7.47 billion

FEBRUARY 2009



EON Bank Berhad

- Placement of RM2.0 billion Subordinated Medium Term Notes Programme

MARCH 2009



Pinnacle Tower Sdn Bhd (a wholly-owned subsidiary of Sacofa Sdn Bhd)

- Issuance of RM450.0 million Islamic Commercial Papers / Islamic Medium Term Notes Programme

CORPORATE HIGHLIGHTS (CONT'D)

ANNUAL REPORT 2009

MARCH 2009



Cagamas Berhad

Cagamas Berhad

- Issuance of RM2.07 billion Islamic Medium Term Notes Programme and Conventional Medium Term Notes Programme

APRIL 2009



Putrajaya Holdings Sdn Bhd

Putrajaya Holdings Sdn Bhd

- Issuance of RM1.50 billion Sukuk Musyarakah Islamic Medium Term Notes Programme

**Republic of Indonesia****Perusahaan Penerbit SBSN Indonesia I**

- USD650.0 million Trust Certificates due 2014 (Sukuk)

**Maybank**

- Renounceable Rights Issue of 2,196,516,217 new ordinary shares of RM1.00 each to raise RM6.0 billion

APRIL 2009

**MMC Corporation Berhad**

- Acquisition of 100.0% equity interest in Senai Airport Terminal Services Sdn Bhd for a total consideration of RM1.70 billion; and
- Voluntary offer to acquire all the remaining ordinary shares and outstanding Redeemable Convertible Unsecured Loan Stocks in Aliran Ihsan Resources Berhad for a total consideration of RM148.73 million

**Advance Synergy Berhad**

- Voluntary take-over offer to acquire all the remaining ordinary shares of RM1.00 each in Advance Synergy Capital Berhad for a total consideration of RM31.0 million

MAY 2009



TH Plantations Berhad

TH Plantations Berhad

- Issuance of RM200.0 million Bai' Murabahah Medium Term Notes Programme

DEPARTMENTAL REVIEW

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INVESTMENT BANKING DIVISION & CORPORATE FINANCE

Financial year 2009 was a transformation year for Investment Banking Division (IBD) and Corporate Finance (CF). As of mid-September 2008, what was formerly known as the Corporate and Investment Banking Division has been restructured into a 'pure-play' Investment Banking Division, focusing on delivering value-add advisory and structuring services in product areas such as restructuring and re-organisations, mergers and acquisitions (M&A), equity and equity-linked fund raising and issuances, and structured solutions in debt and Islamic, loan and capital markets.

As part of the transformation, our emphasis in IBD is to deliver optimal solutions for our clients' strategic and financial requirements where we provide holistic and tailored solutions derived from exhaustive research-based analysis. Optimality of solutions are defined as a holistic, bespoke and more often than not, new and innovative solutions for the client, as opposed to a 'cookie-cutter' product driven structure commonly seen in today's market. Our investment banking solutions are borne from an in-depth understanding of the clients' needs and environment, whilst applying the very best of structuring and product knowledge with financial modelling expertise, to ensure that the solution is indeed optimal for the client and can be demonstrated as such.

IBD, which is at the centre of the investment bank's relationships with its key clients, works closely with other divisions such as Corporate Finance, Equities, Debt, Islamic and Global Markets as well as the Corporate and Business Banking Divisions of Maybank. Through close coordination and collaborative efficiency, IBD is able to bring to bear the complete banking platform of the largest financial institution in Malaysia to serve our clients' requirements. IBD and CF will also leverage on Maybank's presence in key growth markets such as Indonesia, Singapore and the Philippines to expand its clientele base and to become a trusted investment banking partner for our clients who wish to venture in those markets.

CF has been a core business of Maybank IB since its inception. Over the years, we have built an impressive track record in the Malaysian capital market by originating value-added advisory and corporate finance solutions to our clients.

- **Takeovers / Mergers & Acquisitions**

Advise on acquisitions, joint ventures, mergers, management buy-outs, take-overs reverse take-overs and demergers.

- **Initial Public Offerings**

Advise on public issues of new securities and/or offers for sale of securities in companies and real estate investment trusts seeking listing and quotation on the Main Market or ACE Market of Bursa Malaysia Securities Berhad.

- **Secondary Offerings**

Advise on rights issues, restricted issues and private placements of both equity and equity-linked instruments such as ordinary shares, preference shares, irredeemable convertible loan stocks, exchangeable bonds and warrants.

- **General Corporate Advisory**

Advise on corporate restructurings, waivers from general offers, independent advice, capital repayments, employee share option schemes, listing transfers, valuation of companies or business and bonus issue.

During the year under review, IBD and CF have advised and raised funds on several notable deals totalling RM24.4 billion. Our M&A advisory transactions alone involved combined valuations of RM16.1 billion.

Notable Transactions

- Acquisition of 97.5% equity interest in PT Bank Internasional Indonesia Tbk. via acquisition of Sorak Financial Holdings Pte Ltd which included the tender offer by Maybank for a cash consideration of RM7.47 billion;

DEPARTMENTAL REVIEW (CONT'D)

ANNUAL REPORT 2009

- Acquisition of 100.0% equity interest in Senai Airport Terminal Services Sdn Bhd and voluntary offer to acquire all the equity interest and all the outstanding Redeemable Convertible Unsecured Loan Stocks (RCULS) in Aliran Ihsan Resources Berhad by MMC Corporation Berhad. The total transaction value was RM1.85 billion;
- Acquisition of 20.0% equity interest in MCB Bank Limited, Pakistan by Maybank for a cash consideration of approximately RM2.17 billion;
- Acquisition of 15.0% equity interest in An Binh Commercial Joint Stock Bank, Vietnam by Maybank for a cash consideration of approximately RM327.0 million;
- Voluntary offer by MMC Corporation Berhad to acquire all the equity interest and all the outstanding RCULS in Aliran Ihsan Resources Berhad for a consideration of RM148.73 million;
- Acquisition of 100.0% equity interest in Rangkai Positif Sdn Bhd by DRB-HICOM Berhad for a purchase consideration of RM720.0 million;
- Acquisition of 70.0% equity interest in Bank Muamalat Malaysia Berhad by DRB-HICOM Berhad for a purchase consideration of RM1.07 billion; and
- Regularisation Plan via the acquisition of 100.0% equity interest in CMS Road Sdn Bhd, acquisition of 100.0% equity interest in CMS Pavement Tech Sdn Bhd, acquisition of 49.0% equity interest in Putrajaya Perdana Berhad (PPB), and acquisition of 37.56% equity interest in Loh & Loh Corporation Berhad (LLCB) by UBG Berhad (UBG) which included a restricted issue and mandatory offer by UBG for the remaining shares in PPB and LLCB for a total consideration of RM1.14 billion.

Notable transactions successfully completed in the secondary market during the financial year include the following:-

- Renounceable Rights Issue of 2,196,516,217 new ordinary shares of RM1.00 each in Maybank at an issue price of RM2.74 per Maybank share which raised RM6.0 billion. The Maybank Rights Issue was the largest Rights Issue in Malaysian corporate history;
- Rights Issue with an acceptance rate of over 99.0% in Axiata Group Berhad. The transaction value was RM5.15 billion and is the second largest equity offering in Malaysia corporate history after Maybank's Rights Issue; and
- Renounceable Rights Issue of 162,537,250 new ordinary shares of RM0.50 each in IOI Properties Berhad (IOIProp) at an issue price of RM4.85 per IOIProp share which raised RM788.31 million.

The two (2) largest equity offerings in Malaysian corporate history to date, being Maybank (RM6.0 billion) and Axiata Group Berhad (RM5.15 billion), were successfully raised despite being executed in one of the most challenging times in world history in decades. Maybank IB was ranked number two (2) for completed equity & rights transactions in Malaysia during the period under review.

In addition, Maybank IB was ranked number one (1) in Bloomberg's Mergers & Acquisitions league table for Malaysian deals in the first half of year 2009.

DEBT MARKETS (DM)

Maybank IB's DM experience encompasses a broad spectrum of capital market instruments and financing structures available in the bond and loan market space. We provide our clients unparalleled capability and experience in advising, arranging, and distributing debt market transactions.

Being the investment banking arm of Maybank Group, Maybank IB also possesses the distinct advantage of being able to leverage across groupwide capabilities to structure and deliver compelling financing solutions that achieve our client's objectives.

Private Debt Securities (PDS) – Islamic & Conventional

DM has consistently been a leader in the market for PDS issuances. We have successfully structured Islamic and conventional financing instruments for our local and foreign clients. The Islamic PDS issuances are structured to ensure compliance with international Shariah standards and requirements to ensure liquidity and demand for the issuance, as well as to increase the breadth and depth of the local Islamic capital markets and develop the international Islamic markets.

Debt and Project Advisory

The DMs' Debt and Project Advisory Team originates, advises on and executes unique financing structures that are based on risk assessment and mitigation in projects to achieve competitive gearing levels, whilst maintaining strong and sustainable credit ratings. Our clients, comprising corporations in various industries like infrastructure, energy and utility sectors, benefit from the ability of the resulting structures that add value by increasing a project's equity return while at the same time ensuring the bankability and marketability of the project.

Structured Solutions

The DMs' In-house Structured Solutions Team develops special purpose vehicle driven structures which includes

asset-backed and mortgage-backed securitisation structures, synthetic securitisation and other structured solutions. The Team focuses in providing comprehensive solutions which range from balance sheet management to alternative fund raising strategies in the local and regional markets.

Syndicate Fixed Income (Syndicate)

The Syndicate Team will provide market intelligence, pricing and issuance strategies for Private Debt Securities arranged by DM. The Syndicate Team also maintains and develops existing and new relationship with institutional investors.

Rating Advisory

The DM's in-house Ratings Advisory Team conducts preliminary rating assessment of potential clients as well as financing structures to secure rating enhancement. The Team works closely with the rating agencies in ensuring that the target rating for potential clients can be achieved.

Loan Syndication

Our Loan Syndication Team draws its strength from the ability to leverage on the expertise and funding strength of the Maybank Group. The experienced Team seamlessly arranges and coordinates the overall syndication process and manages the funding transaction on behalf of the client. Our Team creates and customizes financing solutions to meet the client's business needs, both domestic and regional through various structures and products including project finance, trade finance, as well as refinancing and restructuring. Our structuring capability is supported by our ability to syndicate the financing through our established relationships with the various financial institutions.

Maybank IB continued to build on its position as a leading debt house. Maybank IB's DM arranged a total of eleven (11) domestic transactions during the financial year with a nominal value of RM10.8 billion and two (2) off-shore transactions with a nominal value of approximately RM3.7 billion.

DEPARTMENTAL REVIEW (CONT'D)

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NOTABLE TRANSACTIONS

Maybank IB was appointed as the International Co Manager for the First Sovereign Issue of Global Sukuk for Government of Indonesia. The maiden Sukuk transaction amounting to US\$650.0 million (approximately RM2.275 billion) was issued via Perusahaan Penerbit SBSN Indonesia in the month of April 2009.

A notable highlight for DM this year was the establishment of the RM4.0 billion (*or its equivalent in other currencies*) Innovative Tier 1 Capital Securities Programme (IT1CS Programme) for Maybank in the month of August 2008. The IT1CS Programme is the first Innovative Tier 1 issuance in Malaysia that is structured in the form of a multi-currency programme.

From this multi-currency IT1CS Programme, Maybank IB distributed SGD600.0 million IT1CS in Singapore's capital market and issued another RM1.10 billion IT1CS in Malaysia. Both issuances received overwhelming demand and were oversubscribed by investors.

Following on from its success in bank capital raising, Maybank IB was mandated as the Joint Placement Agent for EON Bank Berhad's RM2.0 billion Subordinated Medium Term Notes Programme, which was successfully emplaced in the market.

Another achievement for Maybank IB was the conclusion of Sacofa Sdn Berhad's RM450.0 million Islamic Commercial Papers / Medium Term Notes via its wholly-owned subsidiary and issue vehicle, Pinnacle Tower Sdn Bhd, the sole provider of telecommunications towers in the state of Sarawak. The programme was structured to refinance the Issuer's existing debt securities programmes via a comprehensive buy-back and refinancing exercise.

In the month of August 2008, Maybank IB jointly lead

managed the issuance by Cagamas Berhad - the world's first Sukuk Commodity Murabahah issued by a national mortgage with a nominal value of RM2.015 billion which formed part of Cagamas' existing RM60.0 billion Islamic and Conventional Commercial Papers and Medium Term Notes Programmes first issued in June 2007. Subsequently, in the month of March 2009, Cagamas Berhad issued another RM2.070 billion Islamic Medium Term Notes and Conventional Medium Term Notes Programme.

Other notable transactions were the issuance of Putrajaya Holdings Sdn Berhad's RM1.5 billion Sukuk Musyarakah Islamic Medium Term Notes and Chemical Company of Malaysia Berhad's RM500.0 million Musyarakah Islamic Commercial Papers / Islamic Medium Term Notes Programme.

Maybank IB continued its strong presence in the syndicated loan market where it lead arranged the RM300.0 million Syndicated Term Loan for Ann Joo Integrated Steel Sdn Bhd.

LEAGUE TABLE & AWARDS

As testament of performance and track record, Maybank IB has consistently been recognized by RAM Rating Services Berhad for lead managing the most number of conventional and Islamic private debt securities. For 2008, RAM Rating Services Berhad ranked Maybank IB number one (1) in their Lead Manager Awards by issue value.

Maybank IB was ranked second by the Malaysian Rating Corporation Berhad for the number of conventional and Islamic bonds issued. Maybank IB also remained amongst the top two (2) underwriters of Malaysian Ringgit Bonds in the Bloomberg Capital Markets League Table for debt issues with a market share of 21.3% for 2008.

ISLAMIC MARKETS DIVISION

During the financial year, Islamic Capital Markets Division embarked on a major change in its focus and mandate. In line with the new business strategy, the Islamic Capital Markets Division was renamed the Islamic Markets Division (IMD). IMD is not only limited to the Islamic debt capital market and sukuk but includes Islamic Private Equity, Islamic Wealth Management, Islamic Structured Products, Islamic Treasury Solutions and Islamic REITs. With this new setup, IMD through Maybank IB aims to be recognised as the leader in all Islamic financial products and services, not only in Malaysia, but also in the region.

Moving forward, IMD will drive and lead the Group's Islamic banking initiatives and continue to provide world class Islamic finance solutions for clients.

Cagamas Berhad's RM2,015.0 million Sukuk Commodity Murabahah, which was part of the RM60.0 billion Islamic and Conventional Commercial Papers and Medium Term Notes Programmes and WCT Engineering Berhad's RM300.0 million Islamic Serial Redeemable Sukuk with Warrants were recently named as the Most Innovative Islamic Finance Deals by The Asset inaugural Islamic Finance Awards in 2009.

RESEARCH

Recognised as a leading investment research house, Maybank IB's Research covers a broad spectrum of products, from sectorial and companies' research to thematic conferences and workshops and regional economic reports. Our research is aimed at providing timely, independent research material to empower investors with economic and market knowledge, and is organised in four (4) broad categories:

Equity Research – Fundamental

Targeted at institutional clients, with bottom-up fundamental research coverage of around eighty (80) listed companies listed on Bursa Malaysia, sector and

industry-level research, as well as market outlook and investment strategy.

In the financial year ended June 30, 2009, the Team was awarded the Best Equity Research House by The Edge's Brokers Poll. It was ranked third in Asiamoney Brokers Poll for Overall Strategy.

Equity Research – Technical / Retail

Extensively tracking technical indicators and chart analysis of equity securities, world indices, currency and commodity trends - providing timely, responsive daily, weekly and monthly trading ideas for retail as well as institutional clients.

Economics

Providing value-added insights and in-depth analysis of developments, outlook, policies and issues principally in Malaysia, key regional countries (Singapore and Indonesia) and major economies (US).

In the financial year ended June 30, 2009, Maybank IB's Economics Research was awarded the Best Economist by The Edge's Brokers Poll and third best Malaysian Macroeconomics Research by the Asiamoney Brokers Poll.

Fixed Income

Aims to provide insightful and comprehensive research reports to our clients on a timely basis, in order for our clients to make informed decisions in managing their bond portfolios. Coverage includes the Malaysian Government Bond market, and the Private Debt Securities market.

In the financial year ended June 30, 2009, Maybank IB's Fixed Income Research Team was awarded the second Best Fixed Income Research House by The Edge's poll on the quality of debt market research in Malaysia. The Team was also awarded the most improved Fixed Income Research house by the same media about a year after the team was set up.

DEPARTMENTAL REVIEW (CONT'D)

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STRATEGIC ADVISORY

Unique to Maybank IB is the new Strategic Advisory Division, arising from its recent acquisition of BinaFikir Sdn Bhd. Strategic Advisory complements and enhances Maybank IB's advisory capabilities through its focus on upstream advisory such as Public-Private Partnership (PPP) Advisory and Corporate Strategy definition and development, forming an eventual mandate funnel to the more traditional Investment Banking mandates (e.g. funding, M&A, corporate finance advisory) in the ensuing execution phase.

Policy & PPP Advisory

Maybank IB through the Strategic Advisory Division works closely with both the Government and private sector to form a cohesive and effective PPP model and structure in various industries such as utilities and transportation. Advisory services are provided on Government policy formulation, including comprehensive stakeholder engagements to ensure feedback and buy-in on the planning, formulation and optimisation of policies that would ultimately affect the nation's development.

Strategic Consulting

Companies need to regularly review their business and operations, and intentionally strategise growth in order to remain relevant, maintain a competitive edge and sustain profitability in today's world. Maybank IB believes that strategy formulation and execution is the key to success; the Strategic Advisory Division is ready to walk with our clients in formulating the correct strategy and change required for them to attain this success, to propel our clients to a higher level of business, market and revenue growth. This would include corporate and business strategy repositioning, corporate and organisational restructuring, business turnaround and transformation, operational performance improvement and optimisation, and strategic change management.

Financial Advisory

All strategies, plans and actions should ultimately translate into dollars and cents reflected in financial results. The Strategic Advisory Division works with clients to assess their performance from a financial standpoint and scrutinise their business and future outlook to identify pro-active priority areas for improvement and immediate action. The aim is to strengthen clients' financial position and prepare the enterprise for the next phase of development and growth, to achieve sustainable financial performance through strategic mapping of financial needs, financial re-engineering and restructuring, and capital structure advisory.

In the financial year, the Strategic Advisory Division, which also operates as BinaFikir Sdn Bhd, completed several notable assignments which comprise existing mandates from BinaFikir prior to acquisition and new mandates:

- The corporate restructuring of Malaysia Airports Holdings Berhad (MAHB) which involved the resolution of RM1.0 billion owing by MAHB to the Government and the bridging of conflicting profit maximisation objectives and social development policies. The solution included a new PPP model that involved the concept of separation of asset ownership and operations, with MAHB focused on being pure airport operator, with the burden of airport development undertaken by the Government. Another radical concept introduced was Marginal Cost Support (MARCS) where the Government will provide support to MAHB in situations where MAHB suffers a marginal loss due to undertaking activities for socio-economic and security considerations instead of purely commercial considerations. The restructuring was successfully announced in the month of February 2009.

- The completion of a study for the Government on the formation of a national land public transportation single regulator in Malaysia, looking at global best practices and regulatory frameworks, and the proposed optimal regulatory framework including necessary changes in existing powers. This study, which is a continuation of BinaFikir's engagement in public transportation policy advisory, was completed in the month of April 2009 and included a comprehensive implementation plan for execution which defined the coordination, cooperation and interfaces between the various parties, both public and private, in the industry. This study was approved by Cabinet in the month of September 2009.
- The strategy and financial advisory on a new PPP model for a multi-industry infrastructure to replace an expiring concession agreement. This assignment involved a thorough review and study of the current arrangement, internal business model, industry landscape and future growth sectors to develop strategy options in executing a strategic repositioning that is both holistic and sustainable to earn the reward of a new PPP. The client received Cabinet's approval on the new PPP model in the month of May 2009.
- The strategy and financial advisory on the formation of a Biotechnology Park in Iskandar Malaysia,

which was completed in the month of June 2009. This involved extensive stakeholder engagements and the identification of best practices around the world to validate the business model, strategy and roadmap for the park. The advisory also covered the project structure (*which included a joint-venture partner*) and the financing plan for the park.

- Strategy and financial advisory for Ranhill Utilities Berhad (RUB) resulting in the first water industry restructuring in Malaysia involving a private concessionaire which complied with the new industry framework set forth in the Water Services Industry Act of 2007. This groundbreaking assignment has transformed the water services industry in the State of Johor. For this assignment, the Team advised RUB in their negotiations with the Federal and State Government on the overall structure and details of the operating framework, valuation and disposal of water infrastructure assets, resolution of debts and commitments, long term lease payment structure and appropriate tariff levels for the viability of the project.

Strategic Advisory Division looks forward to a profitable growth and at the same time aims to augment Maybank IB's core products and services with a unique brand of advisory services that is new in the local investment banking scene.

CORPORATE GOVERNANCE STATEMENT

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Good corporate governance is a fundamental part of the culture and business practices of Maybank IB. The Board and Management of Maybank IB uphold the value of good corporate governance by continuously advocating transparency, accountability, responsibility and adhering to the highest ethical standards in striving to enhance long-term shareholders' values and safeguarding the stakeholders' interest.

Maybank IB's corporate governance statement is structured on the Guidelines on Corporate Governance for Licensed Institutions (Revised BNM/GP1) and best practices of the Securities Commission's (SC) Malaysian Code on Corporate Governance (Revised 2007) as follows:

PRINCIPLE 1:

Every Licensed Institution Should Be Headed By An Effective Board, Which Assumes Specific Responsibilities. The Vision, Strategy And Corporate Values Of The Licensed Institution Should Be Clearly Specified And Understood.

A) VISION

As steward of the Bank, the Board of Directors sets out in its mid-term vision to have undisputed leadership in Malaysia across all attractive products or segments, to strengthen our regional presence, to become a talent and execution – focused company and expand into regional markets with the long-term vision of being a regional powerhouse.

B) CORPORATE VALUES

To achieve these visions and in line with the re-energised Maybank Group Core Values, the Board sets the following to direct the activities of the Bank:

Teamwork

We work together as a team based on mutual respect, trust and integrity:

- To provide the optimal total customer solution;
- Create a highly engaged team;
- Encourage others to express opinions and ideas;
- Work towards common goals and objectives
- Communicate effectively to achieve Group synergy and Group spirit; and
- Readily share experience and resources to achieve shared goals.

Integrity

We are honest, professional and ethical in all our dealings:

- Trustworthy and genuine in dealing with customers;
- Place high value on customer privacy and financial security;
- Uphold high standards of personal integrity and professionalism;
- Accountable for own actions;
- Honest and ethical;
- Contribute to strong governance; and
- Comply with law and statutory requirements.

Growth

We are passionate about constant improvement and innovation:

- Provide superior returns to customers and grow their business;
- Focus on professional and personal growth by continuous learning;
- Encourage innovation and creativity by thinking out of the box;
- Look for opportunities to improve; and
- Make decisions that drive long term growth.

Excellence & Efficiency

We are committed to delivering outstanding performance and superior service:

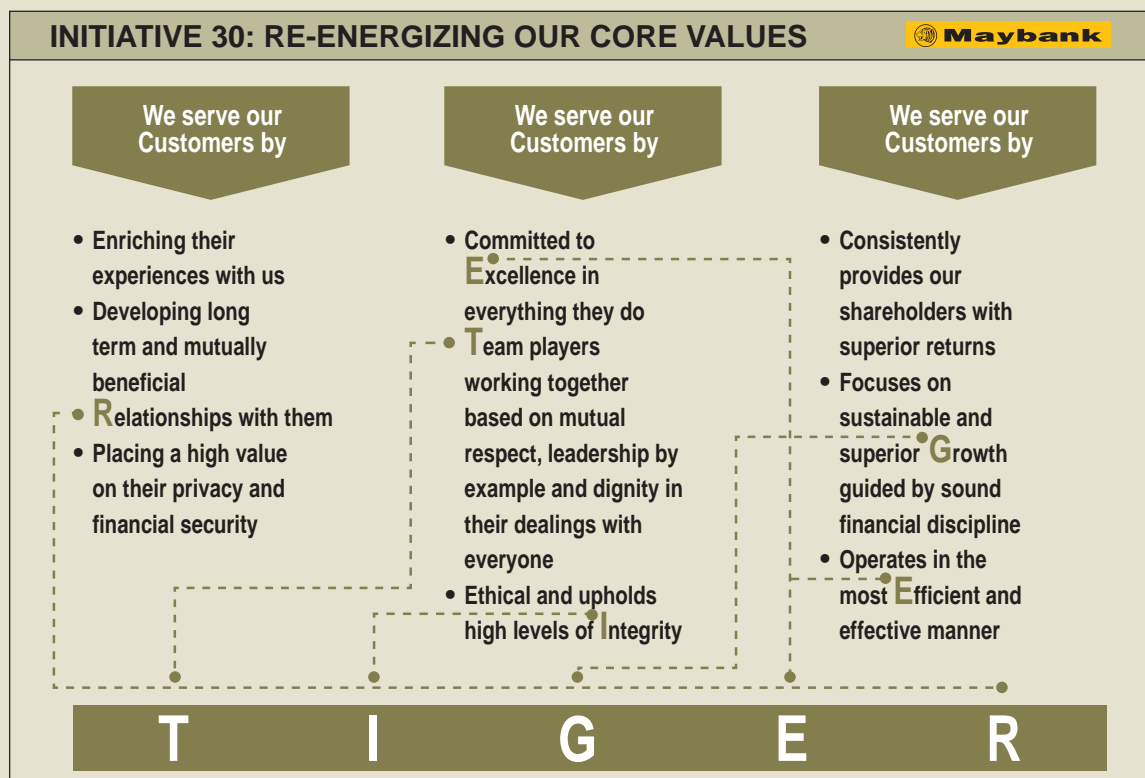
- Deliver to customers as promised and beyond what is expected;
- Responsive and offer quick turnaround;
- Have a sense of urgency;
- Cost efficient and risk aware in everything that we do;
- Achieve service and operational efficiency; and
- Deliver sustainable outstanding performance.

Relationship building

We continuously build long-term and mutually beneficial partnerships:

- Show appreciation, respect and customer centricity
- Develop long-term and mutually beneficial relationships;
- Build customer loyalty and understand their expectations;
- Develop strong and friendly working relationship with colleagues to achieve business goals;
- Embrace and support the diversity of workforce (*e.g. gender, race, experiences, views*); and
- Build mutually beneficial relationship with all stakeholders.

INITIATIVE 30: RE-ENERGIZING OUR CORE VALUES



C. THE BOARD'S RESPONSIBILITY

The Board at all times ensures compliance to the provisions of the Companies Act 1965, Banking And Financial Institutions Act, 1989, Capital Markets and Services Act, 2007, Rules of Bursa Malaysia Securities Berhad, the Memorandum & Articles of Association of the Company including the guidelines as may be issued by the relevant authorities from time to time. In providing counsel and oversight, the roles and responsibilities of the Board includes:

1. Setting corporate values and clear lines of responsibilities and accountability that are communicated throughout the organization within which Senior Management are to operate;
2. Reviewing and approving strategies and business

plans which include the annual budget, significant financial expenditures, new investments, divestments, mergers and acquisitions, establishment of subsidiaries, joint ventures or strategic alliances both locally as well as outside the country;

3. Identifying and approving comprehensive policies, processes and infrastructure with respect to the management of all risk categories including but not limited to credit, market, liquidity, operational, legal and reputation risks;
4. Reviewing the adequacy and integrity of the Bank's internal control system and management information system, including systems for compliance with applicable laws, regulations, rules and guidelines; and

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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5. Approving policies and procedures on the prevention of money laundering and terrorist financing.

The Directors are committed to the collective decision-making processes of the Board while debating issues openly and constructively, and challenging the opinion of others.

PRINCIPLE 2:

There Should Be An Effective Board Composition, With A Strong Independent Element Where No Individual Or Small Groups Of Individuals Should Be Allowed To Dominate The Board's Decision Making.

The Board of Directors of Maybank IB is led by six (6) Directors comprising two (2) Independent Non-Executive Directors, three (3) Non-Independent Non-Executive Directors and one (1) Executive Director. The Board is allowed, in accordance with the Articles of Association, to expand its membership up to fourteen (14) members, but not less than five (5) members at any one time.

The Board composition generates an ideal safeguard to curtail any possible domination by any individual or small group of individuals over decision-making, which may impeach a Board's credibility and reasoning. Each Director ensures that no decision or action taken has the effect of placing his interest before that of the Bank. The wide spectrum of skills and experience embedded within each Director's persona provide an aid to achieving the Bank's objectives and ultimately cultivates comfort over the firm control of an accountable and competent Board.

The presence of Independent Non-Executive Directors of high caliber carries significant weight in the Board's deliberations and has also enhanced valuable insight to the independent view, advice and judgment as well as protection over the interest of other parties. Independent Directors also debate issues openly and constructively and are free to question and challenge the opinion of others. They bring clear judgment because they have no relationship with the Bank or others that could create or be perceived to create conflicting interest.

The Board recognizes that to continue to be effective

and relevant in a regulated and competitive industry, members must fully satisfy the fit and proper test, including having the attributes and criteria relating to matters such as relevant qualification, professional standing and background as well as experiences in the financial, business, legal and technical fields.

In this respect, the Policy on Fit and Proper Criteria for Appointment as Chairman, Directors and Chief Executive Officer (CEO) of Licensed Institutions in Maybank Group (Fit and Proper Policy) acts as a guide for the Board not only to determine the overall suitability of a candidate as a Director but to identify the gaps in skills of the current Board.

The bio-data and credentials of each individual Board members are disclosed from pages 4 to 7 of this Annual Report.

PRINCIPLE 3:

There Should Be A Clear Division Of Responsibilities At The Helm Of A Licensed Institution, Which Will Ensure A Balanced And Clear Lines Of Role, Responsibility, Authority And Accountability Throughout The Licensed Institution.

As a measure to realize more effective management system functions of the Board, the roles of both the Chairman and the CEO are assigned to two (2) separate individuals. The distinction on the different but complementary jobs of both the Chairman and CEO are clearly defined, thereby reducing the possibility of the overlapping roles it may cause.

The role of the Chairman continues to be presided by a Non-Executive Chairman to maintain the balance of power and authority. The responsibility of the Chairman is to oversee and ensure that the plans and policies formulated by the Board are properly implemented. He establishes a closer relationship of trust with the CEO, providing support and advice while respecting executive responsibility.

The CEO on the other hand, supports and works with the Chairman to the attainment of the objectives of such plans and policies.

PRINCIPLE 4:**There Should Be A Formal And Transparent Process For The Appointment Of Directors To The Board And The Appointment Of Chief Executive Officer.****A) APPOINTMENT AND RE-ELECTION TO THE BOARD**

The Articles of Association governs the terms of appointment and re-election of the Directors to the Board. As stated in the Articles of Association,

one third (1/3) of the Directors shall retire from their office at each Annual General Meeting (AGM) and they shall be eligible to be re-elected by the shareholders.

Retiring Directors are also subject to a formal assessment of their performance by the Nomination Committee at the Group level which makes its recommendation to the Board for the Directors for re-election at the AGM.

Directors in office at the date of this Annual Report are as follows:

Name of Director	Appointed	Independent	Last Elected	Reappointment Retiring and Seeking Election in 2009
Tan Sri Mohamed Basir Ahmad	28.09.1993	No	September 2006	Yes (Under Sec 129)
Haji Mohd Hashir bin Haji Abdullah	21.01.2008	Yes	-	Yes (Under Sec 129)
Dato' Aminuddin Md Desa	31.01.2008	No	-	-
Dato' Sri Abdul Wahid Omar	09.07.2008	No	-	Yes (Under Articles 75)
Datuk Karownikaran @ Karunikaran	18.02.2009	Yes	-	Yes (Under Articles 81(a))
Mohammed Rashdan Mohd Yusof	01.11.2008	No	-	-

The Board recognizes the urgent need to refresh its composition, and its determination to ensure the Board continues to lead and manage the Bank effectively.

B) SERVICE CONTRACT AND FORMAL EVALUATION OF THE CHIEF EXECUTIVE OFFICER

Encik Mohammed Rashdan bin Mohd Yusof was appointed as the CEO and Director of Maybank IB with effect from November 1, 2008. As approved by BNM, his appointment is valid for a period of three (3) years.

The responsibility of the CEO involves overseeing the day-to-day operations and business management towards achieving the Bank's business objectives. The CEO manages key corporate resources of the Bank and regulates the flow of important information

to Directors. This is in line with the prime intention to preserve the collective best interest of the shareholders.

The Nomination Committee at the Group level formally evaluate and recommend the appointment of the CEO to the Board of Maybank IB, who in turn will undertake their independent evaluation. The Remuneration and Establishment Committee at the Group level on the other hand, will use this evaluation as a point of reference in the course of its deliberations when considering the remuneration package of the CEO.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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PRINCIPLE 5:**Directors Must Be Persons Of Caliber, Credibility And Integrity With The Necessary Skills And Experience And Be Able To Devote Time And Commitment.****A) DIRECTORS ARE PERSONS OF CALIBER, CREDIBILITY AND INTEGRITY**

The appointment of the Board members are guided by the revised Guidelines on Directorship in Banking Institutions (Revised BNM/GP1) and other guidelines as may be issued by BNM, SC and Bursa Malaysia Securities Berhad's Rules from time to time. The Bank's policy endorses and acknowledges a formal and transparent procedure for the election and appointment of members to the Board. The Board ensures that it selects persons with a broad range of skills and experience appropriate to the needs of Maybank IB. They should also be of good standing in the community and be prepared to uphold the ethical values of the Company.

The Nomination Committee at the Group level conducts evaluation or screening process on the candidate and subsequently makes recommendations to the Board for approval. The appointment further obtains written consent from BNM as required under Section 55(1) and Section 57(2) of Banking and Financial Act (BAFIA).

All Board members attended more than 75.0% of the Board meetings held in the financial year except for Dato' Aminuddin Md Desa who secured only 58.3% attendance. The Directors' attendance record at the Board meetings for the last financial year for the Directors who are still in office is as follows:

Name of Director	Number of Board Meeting Attended
Tan Sri Mohamed Basir Ahmad	12/12
Haji Mohd Hashir Haji Abdullah (<i>appointed wef January 21, 2008</i>)	12/12
Dato' Sri Abdul Wahid Omar (<i>appointed wef July 9, 2008</i>)	11/12
Dato' Aminuddin Md Desa (<i>appointed wef January 31, 2008</i>)	7/12
Datuk Karownikaran @ Karunikaran (<i>appointed wef February 18, 2009</i>)	5/5
Mohammed Rashdan Mohd Yusof (<i>appointed wef November 1, 2008</i>)	8/8

B) DIRECTORS ORIENTATION AND CONTINUING EDUCATION

Maybank IB provides for an orientation program for each new Directors appointed to the Board. This is to ensure that the newly appointed Director is fully conversant and well informed about the Company and the external environment in which it operates with a strong command of issues relevant to the business.

This is in accordance with Revised BNM/GP1 Guidelines, which requires all new Directors to participate in an in-house orientation and education program within three (3) months of their appointment to the office.

Additionally, the Directors must participate in continuous education program and seminars to keep abreast with the relevant changes in laws and regulations and ever-changing business environment as well as to develop and refresh their knowledge and skills to ensure optimum contribution to the Board.

PRINCIPLE 6:**Board Should Meet Regularly And Be Duly Furnished With Complete And Timely Information.**

The Board meets at least once a month to discuss the key issues relating to the operations of the Bank. The Board also meets at other times when matters requiring its approval are raised and the timing is such that it is not prudent or possible to wait for a regularly scheduled meeting.

The Board has a schedule of matters for the Board's information/deliberation at upcoming Board meetings as distributed by the Company Secretary to all members in advance of meetings to enable thorough consideration of the issues facing the Board. This also helps to facilitate the efficient use of the meeting time. However, this does not preclude any Director from including any other matters in the agenda.

The Management endeavors to provide the Board with materials which are concise yet able to provide sufficient information to assist in making informed decisions. The Board acknowledges that certain items to be discussed at Board meetings are of an extremely sensitive nature and that materials on these matters are distributed only at the Board meetings.

The Board in exercising its functions is assisted with the services of the Company Secretary, who ensures that the Board is furnished with all the required updates and information at all material times. The Board also has unrestricted access to all records and management staff of the Bank. If deemed necessary, the Board may obtain independent expert advice at the Bank's expense.

PRINCIPLE 7:

There Should Be A Formal And On Going Assessment Of The Effectiveness Of The Board As A Whole, The Directors And The Chief Executive Officer.

The Nomination Committee at the Group level is responsible for the annual assessment of the effectiveness of the Board as a whole and its various Board Committees based on a combination of evaluation parameters which among others include, the overall performance of the Group vis-a-vis the corporate scorecard targets, peer institutions practices and the need to retain required expertise.

The evaluation process is used constructively as a mechanism to improve Board effectiveness, maximize strengths and tackle weaknesses, if any and the results of the Board's evaluation is shared with the Board as a whole.

PRINCIPLE 8:

There Should Be A Formal And Transparent Procedure For Fixing The Remuneration Packages Of Board Members, Chief Executive Officer And Senior Management, And The Remuneration Policies And Practices Should Be In Line With The Licensed Institution's Ethical Values, Objectives And Culture.

The Remuneration and Establishment Committee at the Group level is responsible for revising and recommending the annual fees and meeting allowances for Non-Executive Directors.

As for the Senior Management, the Remuneration and Establishment Committee at the Group level is guided by the need to "attract and retain" the best talents while seeking to ensure the rewards are linked to the Group and individual performances as embodied in the applicable Balance Scorecards. The Executive Director has no role in determining his own remuneration.

Senior Management's basic remuneration is determined by their respective Job Bands and generally ranks at a premium to market rates. Share option entitlements (which have to be paid for) and bonus payments are dependent upon the attainment of the pre-determined performance hurdles cited in the individual Balance Scorecards.

PRINCIPLE 9:

Persons Empowered With Decision Making Authority (Including Directors) Should Exercise Care To Avoid Situations That May Give Rise To A Conflict Of Interest Situation.

A) COMPLIANCE CHARTER

The Board is committed to the Group's core values and has in place a Compliance Charter since May 1, 2003, which identifies the appropriate professional conduct for its dealings with shareholders, management, employees and clients according to the applicable laws and the Company's policies. In addition, each Department has an Operational Manual or conduct that is monitored and enforced by their systems and procedures. The Board reviews the Compliance Charter and its contents on an ongoing basis.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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Included in the Charter are Maybank IB's' Code of Ethics and Conduct, Anti-Money Laundering Activities Policy, Chinese Wall Policy, Reporting Procedures for Fraud and Defalcation, Related Party Transactions Policy and the Whistle Blowing Policy.

B) CONFLICTS OF INTEREST MANAGEMENT

Maybank IB, being an investment bank that offers multiple equity, capital and debt market services, is subject to the regulatory governance from BNM, SC and Bursa Securities Malaysia Berhad. Pursuant to the amendments made to the Rule of Bursa Securities that took effect from November 8, 2006 in relation to the issuance of Guidelines on Investment Banks by BNM and the SC, Maybank IB must abide by the relevant governing laws and regulatory requirements in the management of Conflict of Interest. Maybank IB has developed an overall framework for the management of conflict of interest as follows:

- i) Harvesting of Current or Potential Conflict Relationship;
- ii) Centralization of the Conflict Management Database; and
- iii) Chinese Wall Policy.

The general principles of this policy are:

- Governance on Safeguarding The Flow of Material Non-Public Price Sensitive Information;
- Governance on Managing Conflict of Interest; and
- Governance on The Watch List and Restricted List; and Governance on Employee / Director Trading

C) ANTI-MONEY LAUNDERING INITIATIVES

As a continuous commitment to enhance its internal policies and procedures, Maybank IB has since revised its AML/CFT policies to effect the revisions made to the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 and also performed risk profiling in identifying the red flags for any suspicious transaction in the stockbroking and its clients, post Legal Day 1.

As part of our efforts to further enhance our Anti Money Laundering / Counter Financing of Terrorism (AML/CFT) Policy and Systematic Approach To Identify Suspicious Transaction (SAFE) Procedure, Maybank IB has developed an in-house risk based Customer Due Diligence (CDD) procedure applied to our stockbroking activities since second quarter of year 2008.

The risk-based CDD procedure entails and embeds the principle of 'the greatest risks receive the highest attention' whereas the second variable being 'where risks are low, simplified or reduced controls may be applied'. Such customisation are able to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate to the risks identified.

In addition, continuous effort has been taken during the year to ensure staff receives necessary AML training so as to aide in identification of suspicious transaction connected to the existing and prospective clients of the Bank

D) HUMAN CAPITAL DEVELOPMENT

In addition to setting the appropriate governance structure in place in light of the enlarged activities of the investment bank, the Board views human capital development seriously with the aim of enhancing continuously the understanding of staff's obligations and responsibilities so that they discharge their fiduciary duties with the right standards and levels of care that is expected of them.

PRINCIPLE 10:

There Should Be A Clear Separation Between Shareholders And Management So As Not To Impede Sound Corporate Governance.

The day-to-day operations of Maybank IB are clearly stipulated in the CEO's responsibilities, together with the Senior Management and thus clearly delineates shareholder's involvement in the matter, saving the alignment to Maybank Group's overall oversight as the bank holding company.

The Board at all times ensures compliance to the provisions of the Companies Act 1965, the Banking and Financial Institutions Act 1989, Capital Markets and Services Act 2007, Rules of Bursa Malaysia Securities Berhad, the Articles of Association of the Bank including the guidelines as may be issued by relevant authorities from time to time to provide the required business direction. The Board performs the task of management assigned to it in adherence to the pillars of business judgment, to establish fulfillment of care and diligence, good faith, proper purpose and for the best interest of the Bank.

The Board specifically reserves the approval for all matters involving business direction and operations of the Bank, and other formal determinations that are required by the Group's constitutional documents, by statute or by other external regulations. All other remaining authorities are delegated to the oversight of the CEO/Management. This delegation is supported by appropriate controls, which are documented in various policies and resolutions by the Board. The CEO remains accountable to the Board authority that is delegated to him.

PRINCIPLE 11:

There Should Be Robust Auditing Requirements And The Auditor, Board And Management Need To Maintain Professional And Objective Relationships.

Maybank IB establishes a sound system of internal control to safeguard its shareholders' investment and the Bank's assets. The Directors acknowledge their overall responsibility to ensure that the Group maintains an appropriate system of internal controls and their responsibility to continuously review its level of effectiveness.

Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Bank's specific needs and the risks to which it is exposed.

The Internal Auditors perform independent objective

assurance and consulting activity which enables the Board to make decisions related to the Bank's policy, endorsement of Manager's proposals and to ensure that it is always probable to continue to carry on with its business. The information is also relevant as it assists the Directors to exercise its duty to supervise and prevent conflict of interest or fraud against the Bank.

The Audit Committee of the Board (ACB) receives Reports from the Internal Auditor on a regular basis for consideration and ensures that timely and appropriate corrective actions are taken. In addition, significant business units through a program of self-assessment also provide assurance on the maintenance of financial controls and compliance with policies.

The Board establishes formal and transparent relationship with the External Auditors through the ACB. The ACB meets and discusses with the External Auditors at least twice (2) a year without the presence of the Management Team. In compliance with BNM Guidelines, the Audit Engagement Partner will rotate upon serving five (5) years from the date of its appointment.

The Board, through the ACB maintains a transparent and professional relationship with the Bank's Auditors, both external and internal. The accounts of Maybank IB are audited by Messrs. Ernst & Young. The Auditors are appointed by the shareholder on an annual basis, through recommendation of the ACB.

A full report of the ACB outlining its role in relation to Internal and External Auditors is set out on page 36 of this Annual Report.

PRINCIPLE 12:

Licensed Institution Should Engage In Regular, Effective And Fair Communication With Shareholders / Stakeholders.

Maybank IB strives to maintain a good relationship with its investors, shareholders and clients by having regular meetings throughout the year to discuss business opportunities.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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The Bank's website www.maybank-ib.com also provides a broad range of information to stakeholders. This website continues to foster the Bank's corporate image and is a helpful source of information to third parties on Maybank IB's updated and current activities.

PRINCIPLE 13:**Conducting Corporate Governance In A Transparent Manner Can Reinforce Sound Corporate Governance.**

The Board delegates some of its functions to various committees of the Board with a view to assist in the fulfillment of its responsibilities. Each Committee established at Maybank IB's level comprises at least three (3) members and is governed by a written charter approved by the Board.

The Board Committees established at Maybank IB are as follows:

1. AUDIT COMMITTEE OF THE BOARD (ACB)

The establishment of the ACB, which is in accordance with the BNM/GP1, functions to review the financial condition, internal controls, performance and findings of the Internal Auditors and recommend appropriate remedial actions. The ACB is chaired by Tuan Haji Mohd Hashir Haji Abdullah, an Independent Non-Executive Director and comprises of two (2) other members, one of whom is also an Independent Non-Executive Director and one (1) Non-Independent Non-Executive Director.

In addition, the ACB also oversees compliance with the relevant laws, regulations and internal codes of conduct.

2. RISK MANAGEMENT COMMITTEE (RMC)

The RMC oversees Senior Management's activities in managing credit, market, liquidity, operational, legal and other risk inherent in the business, and

ensures that proper risk management process is adopted.

The RMC is chaired by Datuk Karownikaran @ Karunakaran, an Independent Non-Executive Director and comprises one (1) Non-Independent Non-Executive Director and one (1) Independent Non-Executive Director.

The Terms of Reference of the ACB and RMC are stated on pages 36 to 39 of this Annual Report.

3. CREDIT AND UNDERWRITING REVIEW COMMITTEE (CURC)

The CURC assists the Board in reviewing or modifying the Credit and Underwriting proposals, which has been approved by the Credit and Underwriting Committee, where the CURC view that such proposals would possibly expose Maybank IB to undue excessive risks.

The CURC is chaired by Dato' Sri Abdul Wahid bin Omar, a Non-Independent Non-Executive Director and comprises of one (1) Non-Independent Non-Executive Director and one (1) Independent Non-Executive Director.

4. NOMINATION COMMITTEE AND REMUNERATION AND ESTABLISHMENT COMMITTEE AT GROUP LEVEL

In year 2004, BNM has granted an exemption to Maybank IB as a subsidiary to Maybank from complying with the requirement to establish the Nomination Committee and Remuneration and Establishment Committee; and approved that the above Committees operate at Group level. Decisions made by these Group Committees were subsequently tabled and approved at Maybank IB's Board level.

The Nomination Committee at the Group level recommends appointments to the Board, whether for new Directors or re-appointment of existing Directors, and the Remuneration and Establishment Committee at the Group level ensures that remuneration packages are designed in such a way that Directors and Executives have incentives to enhance shareholders' value.

The Terms of Reference of the Group Nomination Committee and the Group Remuneration and Establishment Committee are stated on pages 40 to 41 of this Annual Report.

PRINCIPLE 14:

Board is collectively responsible and accountable for the veracity of disclosures and management of risk.

This Corporate Governance Statement is entrenched as part and parcel of the Bank's internal policies and practices in accordance to the BNM/GP1 and best practices of the SC's Malaysian Code Corporate Governance.

The Board also recognizes that good governance practices and procedures can always be improved and they would continuously review the standards at Maybank IB throughout the year ahead.

This statement is made in accordance with the Board's resolution dated August 21, 2009.

AUDIT COMMITTEE OF THE BOARD

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CHAIRMAN

Tuan Haji Mohd Hashir Haji Abdullah
(Independent Non-Executive Director)

MEMBERS

Dato' Aminuddin Md Desa
(Non-Independent Non-Executive Director)

Datuk R. Karunakaran
(Independent Non-Executive Director)

SECRETARY

Faudziah Ismail

QUORUM

Two (2) members

SIZE AND COMPOSITION

The Committee shall consist of at least three (3) members, appointed by the Board from amongst its Non-Executive Directors of the Bank, majority of which must be independent.

The Chairman must be an Independent Non-Executive Director and should be reviewed and if necessary rotated once in every three (3) years.

FREQUENCY OF MEETINGS

Meetings shall be held at a frequency to be decided by the Committee but not less than once every quarter.

AUTHORITY

The Committee may invite any person to be in attendance to assist in its deliberations. At least once a year, the Committee shall meet with the External Auditors without the presence of the Management and Executive Directors.

OBJECTIVE

To provide independent oversight of MAYBANK-IB's financial reporting and internal control system and ensuring check and balance within MAYBANK-IB.

ROLES AND RESPONSIBILITIES

The Committee is authorized by the Board to do the following:

- (i) Investigate any activities or matters within its Terms of Reference;
- (ii) Have the resources, which are required to perform its duties;
- (iii) Have full and unrestricted access to any information and documents relevant to its activities;
- (iv) Have direct communication channels with External Auditors, person(s) carrying out the internal audit function or activity and to Senior Management of the Bank and its subsidiaries;
- (v) Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if it considers necessary; and
- (vi) Convene meetings with External Auditor, without the attendance of the Executive, to consider any matters that the Auditors believe should be brought to the attention of the Directors and Shareholders.

SPECIFIC DUTIES

The Audit Committee shall be responsible to review, appraise, recommend (where applicable) and report to the Board of Directors on the following:

- (a) With the External Auditors, the scope of the audit and audit plan of both the Internal and External Auditors;
- (b) With the External Auditors, the adequacy of the established policies, procedures and guidelines on internal control systems;
- (c) With the External Auditors, the effectiveness of internal controls systems, risk management processes and the Internal and/or External Auditors' evaluation of these systems and in particular the External Auditors' management letter and management's response;

- (d) With the External Auditors, their audit report;
- (e) The scope of the internal audit programme, internal audit findings and recommend actions to be taken by Management;
- (f) Evaluate performance and review relevant Human Resource related issues of the Chief Internal Auditor and Head of Audit, Investment Banking;
- (g) The internal audit programme, processes, as well as summary of the findings from investigation undertaken and whether or not appropriate remedial action is taken or the recommendations of the internal audit function;
- (h) The quarterly results and year-end financial statements focusing particularly on the changes in accounting policy, significant and unusual events as well as compliance with accounting standard and other legal requirements, including prompt publication of the financial accounts;
- (i) Any related party transactions and conflict of interest situation that may arise within the Bank or Group, including any transactions, procedures or course of conduct that raises questions of management integrity;
- (j) The nomination or re-appointment of the External Auditors and their fees as well as matters pertaining to resignation, termination or change of the External Auditors;
- (k) Prepare an Audit Committee Report at the end of each financial year, if deem necessary and this report will be set out clearly in the Annual Report; and

- (l) Approve the provision of non-audit services to be provided by the External Auditors and ensure that there are proper check and balance in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the Auditors.

RESPONSIBILITIES IN RELATION TO AMLA*

The Audit Committee shall be responsible to review the internal control issues identified by the Auditors and regulatory authorities and to evaluate the adequacy and effectiveness of the internal controls for its Anti Money Laundering and Counter Financing of Terrorism (AML/CFT) measures. The Committee's duty shall at least include the following:

- (a) Ensuring independent audits are conducted to check and test the effectiveness of the policies, procedures and controls for AML/CFT measures;
- (b) Ensuring effectiveness of internal audit function in assessing and evaluating the AML/CFT controls;
- (c) Ensuring the AML/CFT measures are in compliance with the AMLA, its regulations and the relevant guidelines; and
- (d) Assessing whether current AML/CFT measures which have been put in place are in line with the latest developments and changes of the relevant AML/CFT requirements.

* *Anti Money Laundering Act 2001, the AMLA Regulations and the relevant guidelines on AML/CFT issued by Bank Negara Malaysia as well as the relevant laws and regulations of other relevant supervisory authority, if any.*

RISK MANAGEMENT COMMITTEE OF THE BOARD

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CHAIRMAN

Datuk R. Karunakaran

*(Independent Non-Executive Director)***MEMBERS**

Dato' Aminuddin Md Desa

(Non-Independent Non-Executive Director)

Tuan Haji Mohd Hashir bin Haji Abdullah

*(Independent Non-Executive Director)***SECRETARY**

Faudziah Ismail

SIZE AND COMPOSITION

A minimum of three (3) members.

FREQUENCY OF MEETINGS

At least once every quarter.

QUORUM

Two (2) members.

The Committee may invite any person to be in attendance to assist in its deliberations.

OBJECTIVE

To oversee Senior Management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning.

ROLE AND RESPONSIBILITIES

The Committee shall be responsible for the following:

- (i) To review and assess adequacy of risk management strategies, policies and risk tolerance for Board's approval;
- (ii) To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which they operate effectively;
- (iii) To ensure infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Investment Banking (IB) risk taking activities;

(iv) To review Management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and

(v) To formulate and recommend to the Board policies to identify, measure, monitor, manage and control the following risk components, among others:

(a) CREDIT /MARKET RISK

The risk of loss due to borrower or counterparty defaults. The risk of loss relating to the change in value of financial instrument or portfolio due to change in the value of market variables, such as interest rates, foreign exchange rates, credit spread, equity prices and commodity prices.

(b) LIQUIDITY RISK

The risk of loss arising from being unable to fund the portfolio of assets at appropriate maturities and rates and unable to liquidate position in a timely manner at a reasonable price.

(c) OPERATIONAL RISK

The risk of loss resulting from inadequate or failed internal process or systems, human factors or external events. Internal process includes aspect relating to accounting / book-keeping, reporting, business procedures / process, tax, legal compliance and personnel management.

(d) LEGAL RISK

The risk of loss arising from the uncertainty of legal proceedings, such as bankruptcy and potential legal proceedings.

(e) REPUTATIONAL RISK

The risk of loss of reputation in the eyes of the public at large, customers or authorities, due to inefficiency in handling assignments, inability to complete assignments or non adherence to the authorities' rules and guidelines which may lead to customer's complaint and caution / warning / reprimand by the authorities.

SPECIFIC DUTIES

The Committee shall be responsible for the following:

1. To oversee the formal development of policies within the Bank, encompassing all products and businesses, and ensuring the development of policy, manual and procedures;
2. To set the framework and parameters relating to lending and collateral policy;
3. To monitor, assess and advise on the risk portfolio composition of the Bank;
4. To periodic review of the IB's capital structure, the impact of risk and stress scenarios and the adequacy of capital vis-a-vis its risk profile;
5. To assess the risk-return trade-off;
6. To review reports of the credit review process, asset quality and ensure that corrective action is taken;
7. To review and evaluate the various products engaged by the banking institution to ensure that it is conducted within the standards and policies set by the Board;
8. To review and assess the appropriate levels of capital for the IB as well as monitor adherence of the targeted capital ratios;
9. To approve the operating guidelines and trading limits for the money market and trading operations including derivatives;
10. To review and assess the adequacy of risk mitigation processes (including insurance coverage);
11. To review and recommend strategic actions to be taken by the IB arising from Basel II implementation for the Board's approval;
12. To review and approve new products and ensure compliance with the prevailing guidelines issued by Bank Negara Malaysia or other relevant regulatory bodies;
13. To consider and approve the appointment of professional external advisors / consultants in areas falling within the jurisdiction of the Committee subject to a cap (to be determined by the Board) per appointment (regardless of whether budgeted or unbudgeted) and to notify the Board of the same;
14. To promote risk awareness and give advice to the Board on the information, instruction and training requirements of staff; and
15. To undertake such other responsibilities as may be delegated by the Board from time to time.

GROUP NOMINATION COMMITTEE

ANNUAL REPORT 2009

CHAIRMAN

Datuk Seri Ismail Shahudin

MEMBERS

Tan Sri Datuk Dr. Hadenan A.Jalil

Dato' Seri Ismail Shahudin

Encik Zainal Abidin Jamal

SECRETARY

Mohd Nazlan Mohd Ghazali

SIZE AND COMPOSITION

The Committee shall consist of Non-Executive Directors, the majority of whom are Independent.

QUORUM

Three (3) members with at least two (2) Independent Directors.

FREQUENCY OF MEETINGS

As and when required for the Nomination Committee to deliberate on related matters.

SPECIFIC RESPONSIBILITIES OF THE COMMITTEE INCLUDE, AMONGST OTHERS, THE FOLLOWING:

1. To recommend to the Board suitable persons for appointment as Board members of Maybank and its relevant subsidiary companies and to oversee the general composition of the Board (taking into account the size, skill and balance between Executive Directors and Non-Executive Directors);
2. To recommend to the Boards of relevant subsidiaries the appointment, confirmation, promotion and termination of Chief Executive Officers (CEO) of subsidiaries which are regulated by Bank Negara Malaysia (BNM) which require their appointments to be approved by BNM;
3. To recommend to the Board the appointment of the CEO of the Bank and of the major subsidiaries and key Senior Management of the Group;
4. To assess the performance and effectiveness of individual and collective members of the Boards of the Group, its subsidiaries and the respective Board Committees, as well as to recommend to the Board measures to upgrade the effectiveness of the Boards and Board Committees;

5. To review the performance of the Board members of Maybank and its subsidiary companies and consider the procedure for the assessment thereof, and to recommend measures to upgrade the effectiveness of the Boards;
6. To review the individual contribution of each Director to the effectiveness of the Board and to consider the procedures for the assessment thereof, as well as the performance of the CEO and the key management personnel; and
7. To ensure that all the Directors receive appropriate and continuous training to keep abreast with the latest development in the industry.

ACTIVITIES UNDERTAKEN DURING THE YEAR

The Committee had deliberated key matters during the financial year, which included, amongst others, the following:

- Deliberation and recommendation to the Board on the appointment of new Directors and the key management personnel of the Group, amongst others, CEO and CFO of P.T. Bank Internasional Indonesia Tbk (BII Bank);
- Deliberation on succession planning programme for key positions;
- Deliberation of the results of the Annual Directors, Board and Peer Assessment exercise throughout the Maybank Group and recommendations on the actionable improvement programmes of the Board;
- Review of the composition of the Board, Board Committees and Boards of subsidiaries within the Group;
- Review and deliberate on the re-election and retirement of Directors at the AGM and on the re-appointment of Directors submitted to BNM;
- Deliberation and recommendation to the Board on the Balanced Score Card and Long-Term Initiatives for the financial year 2009/2010 for the CEO and key management personnel of the Group;
- Deliberation on the performance assessment of the CEO and key management personnel of the Group; and
- Review of the Terms of Reference of the Nomination Committee.

GROUP REMUNERATION & ESTABLISHMENT COMMITTEE

ANNUAL REPORT 2009

CHAIRMAN

Datuk Seri Ismail Shahudin

MEMBERS

Tan Sri Datuk Dr. Hadenan A.Jalil

Dato' Seri Ismail Shahudin

Encik Zainal Abidin Jamal

SECRETARY

Mohd Nazlan Mohd Ghazali

SIZE AND COMPOSITION

The Committee shall consist of an Independent Director as the Chairman and shall comprise of Non-Executive Directors of whom the majority are independent.

Where the Chairman is unable to attend a meeting, the members shall elect a person among themselves who is an Independent Director as Chairman.

The Committee may invite any person to be in attendance to assist in its deliberation.

QUORUM

Three (3) members.

FREQUENCY OF MEETINGS

At least once every quarter with additional meetings convened to attend to urgent matters that require its deliberation.

BROAD RESPONSIBILITY

The Committee is responsible for the formulation of an effective human resource strategy, including initiatives to the development and management of human capital with the objective of attracting, developing and retaining the best talent for the Maybank Group.

SPECIFIC RESPONSIBILITY OF THE COMMITTEE INCLUDE AMONGST OTHERS, THE FOLLOWING:

1. To recommend to the Board, a Performance Management Framework / Model, including the setting of appropriate performance target parameters

and benchmark for the Group Balanced Scorecard at the start of each financial year;

2. To recommend to the Board, a learning strategy for the Group, including learning programmes for Executive Directors of Maybank and a Leadership Development Framework for the Group;
3. To recommend to the Board, the organisational structure and commensurate job grades and ranges for employees in the Group; and
4. To recommend to the Board, the remuneration package, the compensation and benefits policies and the Terms and Conditions, including the job grade for Senior Management Officers.

ACTIVITIES UNDERTAKEN DURING THE YEAR

The Committee had deliberated key matters during the financial year which include amongst others, the following:

1. Deliberation and recommendation on compensation package for appointments of key management positions across the Maybank Group;
2. Deliberation on the quantum of compensation based on the performance assessment of members of Senior Management of the Group for the financial year ended June 30, 2008;
3. Review of the Compensation Framework and Long Term Incentive Plan Design and the cost-benefit analysis for Maybank Group;
4. Deliberation and recommendation on the Maybank Group Variable Bonus Plan;
5. Review of the Flexi-Benefit Plan and the cost benefit analysis for the employees of Maybank Group; and
6. Review of the Terms of Reference of the Remuneration and Establishment Committee.

RISK MANAGEMENT

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Risk management is functionally and organisationally independent of the business sectors and other risk-taking units within Maybank IB. Risk management provides risk oversight for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks. The Board, through the Risk Management Committee (RMC), maintains the overall responsibility for risk oversight within Maybank IB.

Currently, the RMC comprises of:

Chairman:	(1) Datuk R. Karunakaran
Members:	(2) Tuan Haji Mohd Hashir bin Abdullah (3) Dato' Aminuddin bin Md Desa

The RMC is responsible for formulating and recommending to the Board policies to identify, measure, monitor, manage and control the risk components. For the financial year ended June 30, 2009, the RMC has convened five (5) meetings.

Maybank IB's risk management approach remained premised on the following concept of three (3) lines of defense:

FIRST LINE OF DEFENSE – RISK TAKING UNITS

Responsible for the day-to-day management of risk in their business activities.



SECOND LINE OF DEFENSE – RISK CONTROL UNIT (GROUP RISK MANAGEMENT)

Responsible for setting and implementing the risk management framework and developing tools and methodologies for the identification, measurement, monitoring and pricing of risk.



THIRD LINE OF DEFENSE – INTERNAL AUDIT

Provides independent assurance of the effectiveness of the risk management approach.

Maybank IB's integrated risk management framework encompasses credit, market (including liquidity risk) and operational risk.

CREDIT RISK MANAGEMENT

CREDIT RISK is the risk of non-payment due to the inability or unwillingness of a customer or counter party to meet its financial obligations to the bank. Exposure to credit risk arises primarily from lending, underwriting, treasury activities and share trading. The Credit Risk Management (CRM) is entrusted with the overall responsibility in setting the credit risk management framework, managing credit risks and credit portfolio of Maybank IB which includes the following:

Credit Risk Identification and Measurement

- Credit Risk Awareness Programme and Basel II Workshop are conducted at Maybank Group Level to create a risk aware culture among all credit staff;
- Credit approving processes which include credit origination by business originators as the risk taking units, pre-approval evaluation by CRM (*independent from the business units*), credit approval by Credit and Underwriting Committee and post-approval evaluation by Maybank, Credit Review Department;
- New Product Sign-Off process to identify inherent credit risks and proposed mitigation of the new products and ensure that proper risk management and operational procedures are in place prior to product launch; and
- Employ various risk management tools such as Credit Risk Rating System (CRRS) and Stress Testing.

Credit Risk Policy

- In addition to Bank Negara Malaysia (BNM), Securities Commission (SC) and Bursa Malaysia's (BM) Rules / Guidelines / Requirements, the Bank's credit exposures are also guided by a set of Maybank Group Core Credit Policies and Maybank IB's internal policies and procedures to ensure an acceptable standard of quality credit exposures are met.

Credit Risk Monitoring, Mitigating and Reporting

- The Bank adopts a set of policies / limits which are in line with the Maybank Group to avoid undue concentration of credit risks on countries, business segments, economic sectors, single customer groups, banks, counter parties, single counter exposure limit and margin position etc, which are monitored on a regular basis;
- Employ Online Risk Management System (ORMS) and Group Exposure Management System (GEMS) to monitor the Bank's overall exposures and limits; and
- Various credit risk reports (*e.g. credit risk, off-balance sheet items, regulatory and internal stress testing and portfolio distribution of rated portfolio*) are escalated to the RMC, Board and other relevant committees.

RISK MANAGEMENT (CONT'D)

ANNUAL REPORT 2009

MARKET RISK MANAGEMENT

MARKET RISK is the risk of fluctuations in the value of the positions / portfolios resulting from changes in market rates and market prices, such as interest rates, foreign exchange rates and share prices.

The Market Risk Framework outlines the process of identifying, measuring, monitoring, controlling and reporting market risk exposures. This framework facilitates Maybank IB to manage its market risk exposures in a systematic and consistent manner.

Market Risk Identification and Measurement

- Employ various risk management tools to quantify market risk such as Value-at-Risk, Earnings-at-Risk, Stop Loss, Stress Testing, etc.; and
- New Product Sign-Off process to identify inherent market risks and proposed mitigation of the new products and ensure that proper risk management and operational procedures are in place prior to product launch.

Market Risk Policy

- In addition to BNM, SC and BM's Rules / Guidelines / Requirements, the Bank's market exposures are also guided by a set of Maybank Group Market Policies and Maybank IB's internal policies and procedures.

Market Risk Monitoring, Mitigating and Reporting

- The Bank adopts a set of policies, various market risk limits and triggers which are in line with the Maybank Group to cap / manage market risk exposures within acceptable risk levels and daily / periodic monitoring to ensure adherence to approved risk limits and policies.
- Employ tools such as ORMS to monitor the Bank's overall equities exposures and limits; and
- Various market risk reports (e.g. treasury and loans report, regulatory and internal stress testing and portfolio distribution of rated portfolio) are escalated to the RMC, Board and other relevant committees.

Liquidity Risk and Funding Risk, which are component of market risk are monitored with New Liquidity Framework (NLF) simulation and is further mitigated with the ultimate source of funding from Maybank.

OPERATIONAL RISK MANAGEMENT

OPERATIONAL RISK is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events. This definition includes legal risk but excludes strategic and reputational risks.

As mooted in the three (3) lines of defense concept, the business and support units are primarily responsible for the management of day-to-day operational risks inherent to their respective functional areas. The Operational Risk Unit however is entrusted with the overall responsibility in setting the ORM Framework, managing operational risks and facilitates the implementation of the ORM Framework in the Bank.

Operational Risk Identification and Measurement

- Operational Risk Awareness Programme and Basel II Workshop are conducted at Maybank Group Level to create a risk aware culture in Maybank IB. In addition, ad-hoc briefings are also conducted as and when required;
- New Product Sign-Off process to identify inherent operational risks and proposed mitigation of the new products and ensure that proper risk management and operational procedures are in place prior to product launch; and
- Employ various risk management tools such as Risk and Control Self Assessment (RCSA) to identify the operational risks inherent to the respective departments in the Bank and Incident Management and Data (IMDC) to log in operational risk incidents occurred in the Bank.

Operational Risk Policy

- In addition to BNM's Rules / Guidelines / Requirements, the Bank's ORM is also guided by Maybank Group's and Maybank IB's internal frameworks and policies and procedures to ensure sound operational risk management practices.

Operational Risk Monitoring, Mitigating and Reporting

- Employs risk management tools such as Key Risk Indicators (KRI) to monitor and track the key operational risks as well as function as early warning signals of changes in the risk environment and provide opportunity to intervene early and avert problems before they become a source of financial loss or damage;
- Implements Business Continuity Management (BCM) consistent with the Maybank Group, which focuses on strengthening the Bank's business resilience and building human capital capability and confidence in responding to a crisis arising from major operational disruptions. BCM compliments efforts of the disaster recovery team which oversees the technological aspect by focusing on people centric aspects such as people safeguarding measures and building human capital capability through training, simulation exercises and heightened awareness. BCM initiates streamlining crisis communication to all our stakeholders; and
- Various operational risk reports (*e.g. key risk indicators report and business continuity management update*) are escalated to the RMC, Board and other relevant committees.

BASEL II INITIATIVES

Maybank IB in line with the Maybank Group intends to migrate directly to the Foundation Internal Ratings-Based (FIRB) Approach for Credit Risk and Standardised Approach for Operational Risk by 2010.

The tools and initiatives implemented in the Bank were designed to meet Basel II requirements and best practices of risk management.

RISK MANAGEMENT (CONT'D)

ANNUAL REPORT 2009

As at financial year ended June 30, 2009, the following tools have been implemented in the Bank.

- **Credit Risk Rating System (CRRS)**

The CRRS is a statistical-based rating system employed to rate Corporate and Commercial exposures with the following capabilities:

- Determination of credit risk rating and the computation of Expected Loss (EL); and
- Basel II compliant on FIRB Approach.

The Maybank Group (inclusive of Maybank IB) have successfully implemented the new CRRS Masterscale Project in the month of June 2009 with the following objectives:-

- Usage of the most recent five (5) years data to derive Probability of Default (PD) parameters as per FIRB requirements; and
- Increase granularities under the Masterscale design, which will potentially lead to lower Risk Weighted Assets (RWA) due to better differentiation and reporting of credit risk.

- **Risk Data Management Systems (RDMS)**

The RDMS is equipped with a Basel II capital calculator and risk-reporting tool, which will provide a foundation for the implementation of the Risk-Adjusted Performance Management.

- **Group Collateral Management System (GCMS)**

The GCMS is equipped with the following capabilities:

- Basel II compliant for the purpose of credit risk mitigation;
- Facilitate the consolidation of all collateral information to provide a holistic portfolio view of collaterals; and
- Facilitate timely monitoring and reporting of collateral positions.

- **Group Exposure Management System (GEMS)**

The GEMS is a system for the management of:-

- An automated aggregation of exposures to correlated borrowers; and
- As a foundation for global portfolio management.

- **RCSA**

An on-going and continual self-assessment process of identification risks and control gaps and development of action plans to minimize or close the control gaps of the Business / Support Units in the Bank. It aims to provide a qualitative approach for the Business/Support Units in the Bank to identify inherent and potential risks and to identify control gaps.

- **KRI**

A monitoring tool to provide early warning signals of the increasing risks or control failures by flagging up given frequencies of events as a mechanism of continuous risks assessments / monitoring.

- **IMDC**

A structured process and system to identify, manage and report individual operational risk incidents which have occurred within the Bank, from the point of discovery until resolution. It includes collection and analysis of potential losses, actual losses and near misses incidents.

- **Online Risk Management System (ORMS)**

ORMS allows the Bank to manage risk using international established risk management processes, namely risk identification, risk analysis, risk management and risk review. It is a real time risk management system to identify, manage and monitor clients' daily share trading position and the Bank's share trading exposure. Risk identified by event are monitored and directed to the respective personnel to ensure operational compliance.

In addition to the above tools, MAYBANK IB is currently embarking on the following initiatives:-

- **Project Finance Rating Template (Specialized Lending under FIRB)**

The Project Finance Rating Template Project has been completed in May 2009 with the following objectives:-

- Project finance rating template which is based and mapped to Basel II Framework / BNM Supervisory Slotting Approach to achieve an IRB compliance;
- Enhance credit risk management processes for consistency in credit risk assessment and business management for project finance portfolios and improvement in the turnaround time; and
- Facilitate better pricing of borrowers based on risk class (in future).

- **Regulatory Reporting of BNM Report**

Integration of credit, market and operational risk weighted capital adequacy ratio reports under BNM FIRB / Standardised Approach (Credit Risk) and Standardised Approach (Operational Risk) for submission to BNM.

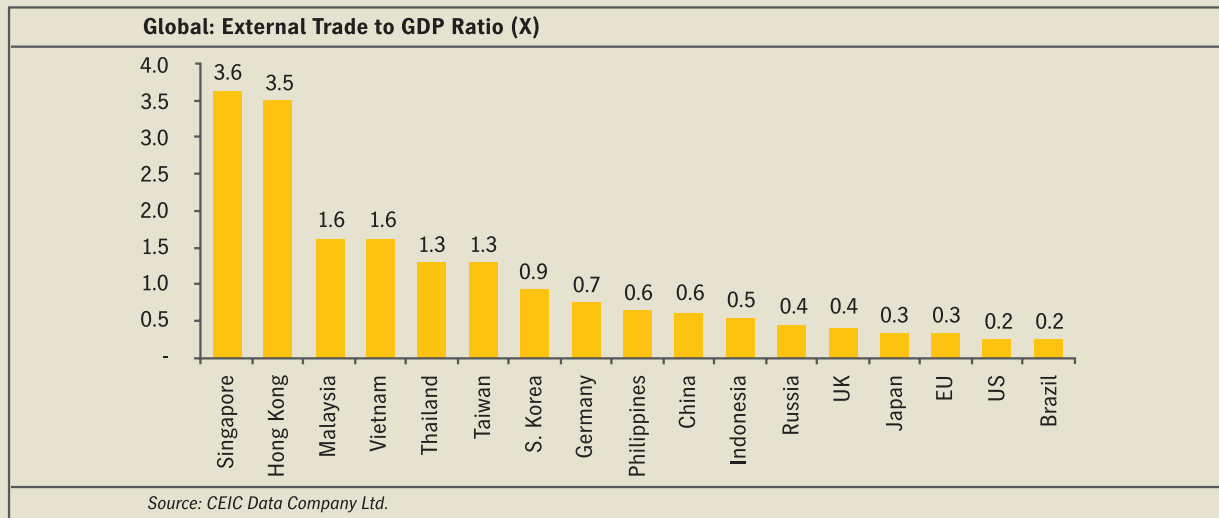
- **Internal Capital Adequacy Assessment Process (ICAAP)**

The ICAAP Project encompasses the identification of material risks based on Maybank IB's business lines / activities, establishment of ICAAP Framework and ICAAP Reports to BNM as part of Pillar II (of Basel II) requirements. This is a process for assessing Maybank-IB's overall capital adequacy in relation to its risk profile and a strategy for capital planning.

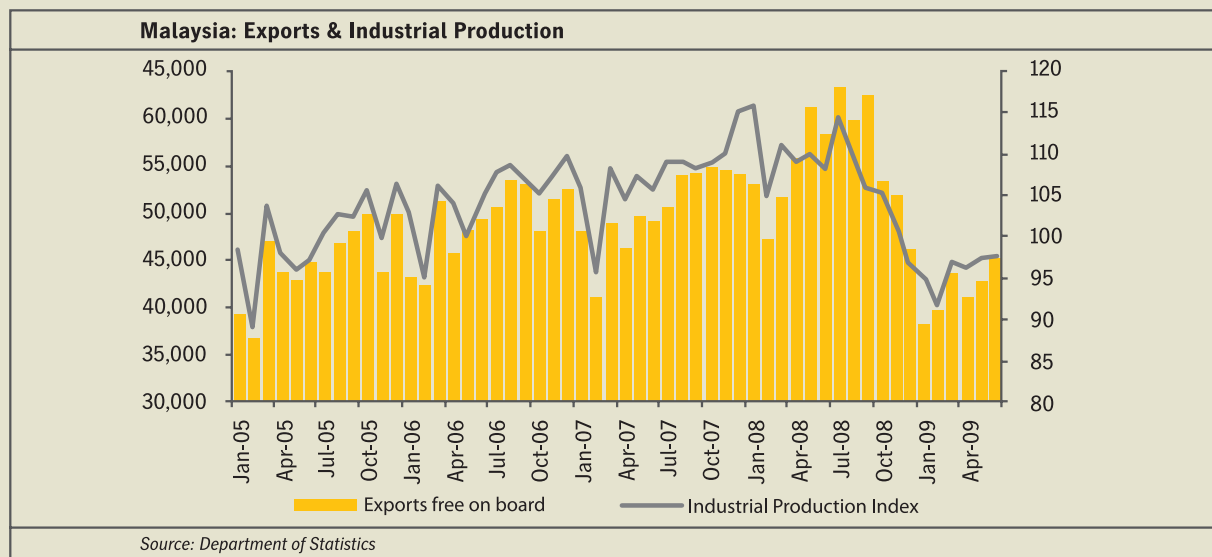
MALAYSIAN ECONOMIC REVIEW & OUTLOOK

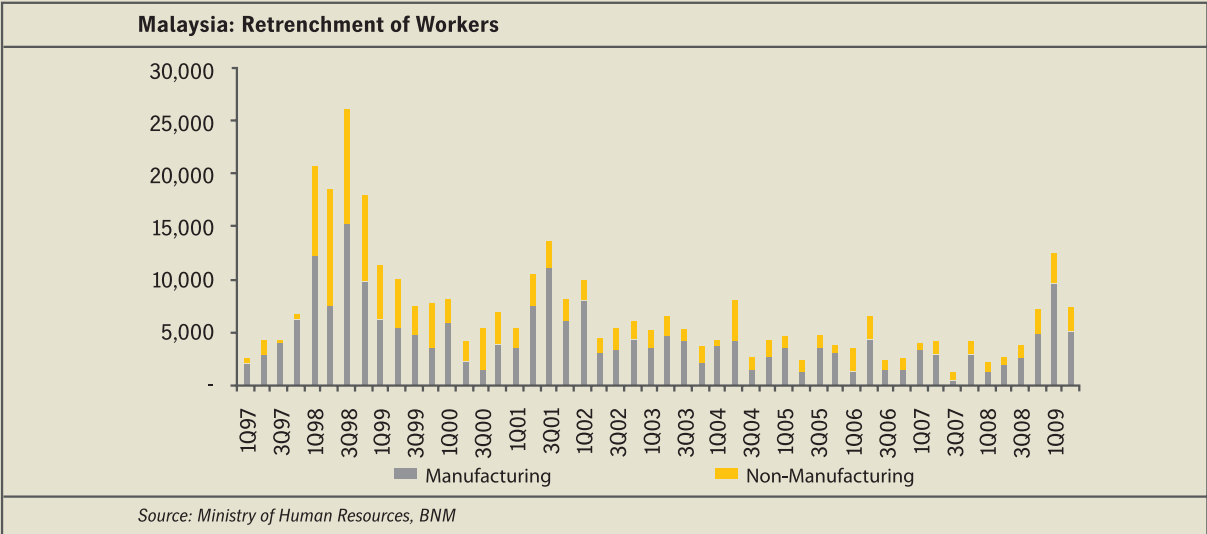
ANNUAL REPORT 2009

Being an open and trade-oriented economy means Malaysia was not spared from the effects of the global financial crisis that was sparked by the collapses of major United States (US) financial institutions during the financial year ended June 30, 2009.

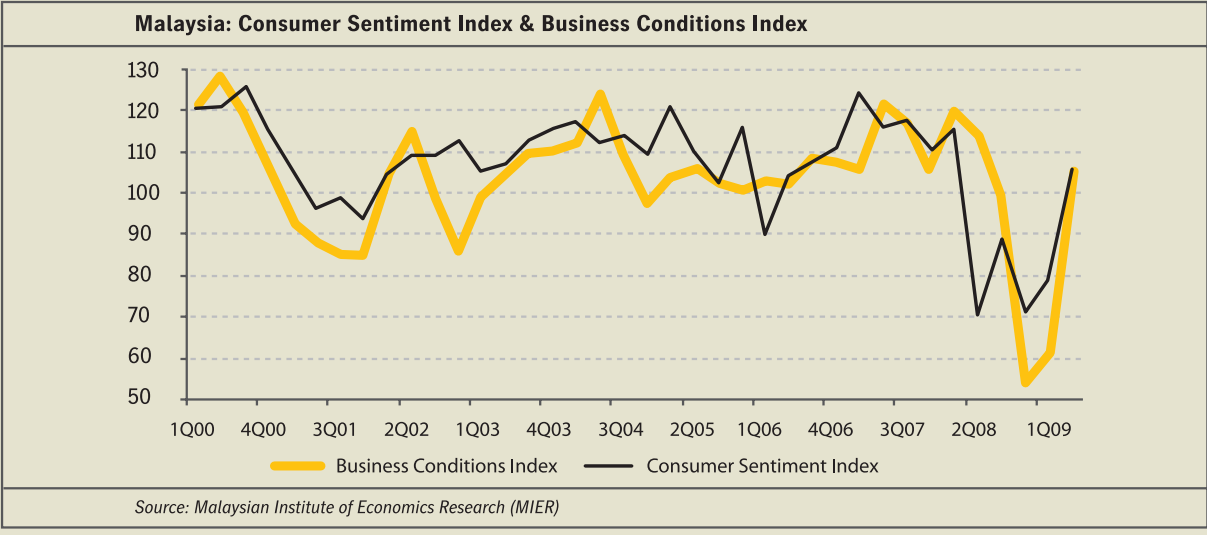


The impact on the Malaysian economy was primarily through the external demand channel given the plunges in exports and industrial output which are dominated by the trade-oriented manufacturing sector, as well as the surge in retrenchments of factory workers.





As the global financial meltdown worsened and the world economy headed for its first recession since the Second World War, the resultant financial markets volatility and economic uncertainty hit consumer sentiment and business confidence, in turn dragging domestic demand down as well.



Consequently, Malaysia's real Gross Domestic Product (GDP) growth decelerated sharply from 4.8% year-on-year in the third quarter of year 2008 to just 0.1% year-on-year in the fourth quarter of last year before the economy shrank by 6.2% year-on-year in the first quarter of year 2009. The economy contracted by 0.4% during the first nine (9) months of the financial year ended June 30, 2009 versus the 6.9% expansion in financial year ended June 30, 2008.

MALAYSIAN ECONOMIC REVIEW & OUTLOOK (CONT'D)

ANNUAL REPORT 2009

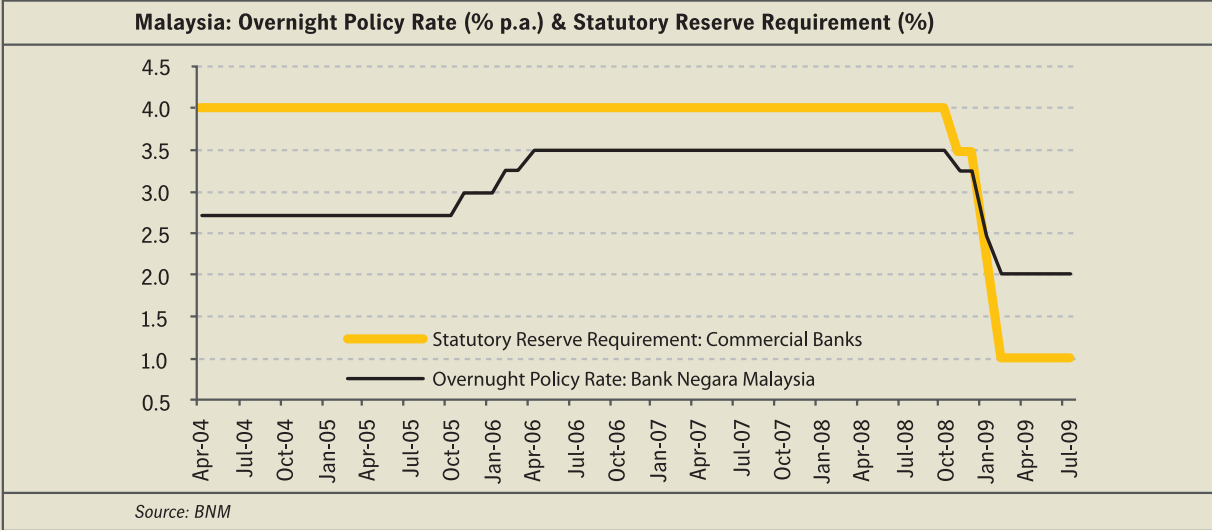
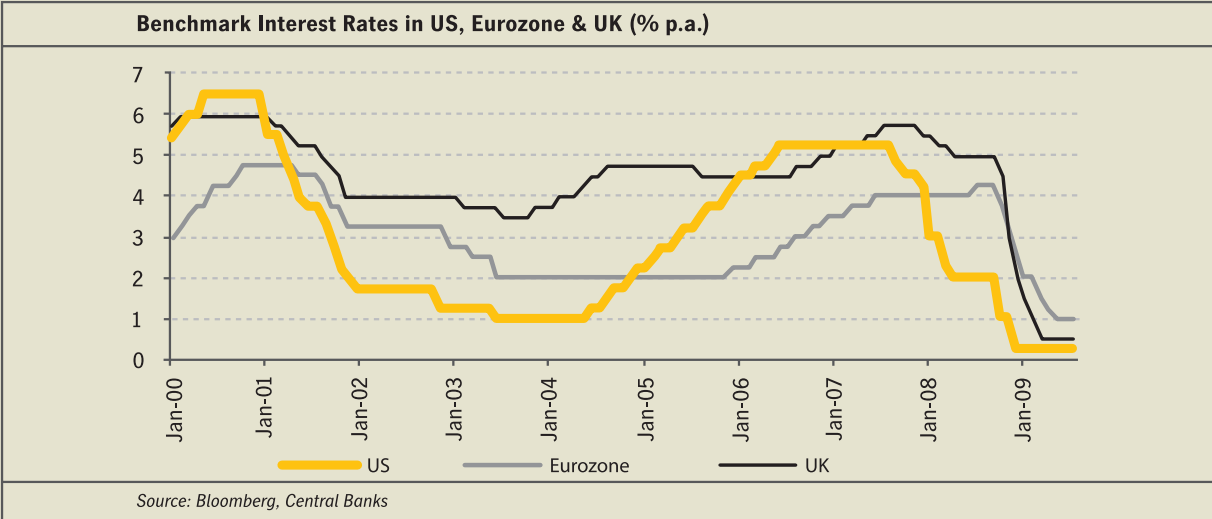


Malaysia: Quarterly Real GDP					
% Year-on-Year	1Q08	2Q08	3Q08	4Q08	1Q09
Real GDP	7.4	6.6	4.8	0.1	(6.2)
Manufacturing	7.0	5.6	1.8	(8.8)	(17.6)
Services	8.4	7.9	7.1	5.7	(0.1)
Agriculture	6.5	6.3	3.3	0.5	(4.3)
Mining	3.6	(0.5)	(0.3)	(5.7)	(5.2)
Construction	5.3	3.9	1.2	(1.6)	0.6
Domestic Demand	9.8	8.4	6.6	2.8	(2.9)
Private Consumption	11.3	9.4	8.2	5.3	(0.7)
Public Consumption	14.1	10.3	6.4	12.7	2.1
Gross Fixed Capital Formation	4.6	5.6	3.1	(10.2)	(10.8)
Net External Demand	28.1	19.9	(15.9)	(39.5)	39.1
Exports of Goods & Services	5.9	9.5	4.5	(13.3)	(15.2)
Imports of Goods & Services	3.2	8.1	7.7	(10.2)	(23.5)

Source: Department of Statistics, BNM's Quarterly Economic Bulletin

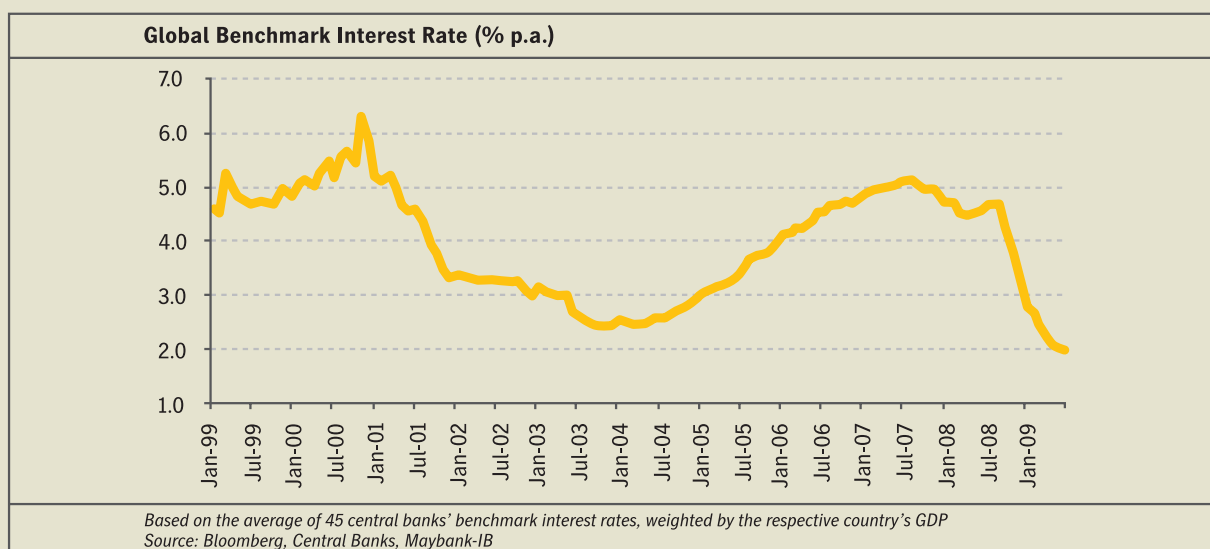
In response to the crisis, Government and Central Banks in economies at the epicentre of the crisis – namely US, United Kingdom (UK) and to some extent Eurozone – implemented measures that among others included pumping of liquidity in the economies and the financial markets, recapitalization – even nationalization – of private financial institutions, and improving access to credit. Central Banks also slashed their benchmark interest rates to lower funding costs to stimulate consumer and business spending. Bank Negara Malaysia (BNM) joined the global monetary policy easing “bandwagon” as it lowered the Overnight Policy Rate (OPR) by a total of 150.0 basis points (bps) on three (3) occasions between November 2008 and February 2009 to a record low of 2.0% presently.

At the same time, Governments around the world moved in to support their economies via public spending, mainly in the form of economic or fiscal stimulus packages, totaling USD2.8 trillion (equivalent to 4.5% of global GDP), led by US (USD787.0 billion) and China (USD586.0 billion). Malaysia also announced two (2) economic stimulus packages totaling RM67.0 billion (RM7.0 billion in the month of November 2008 and RM60.0 billion in the month of March 2009) that included RM22.0 billion additional Government spending.



MALAYSIAN ECONOMIC REVIEW & OUTLOOK (CONT'D)

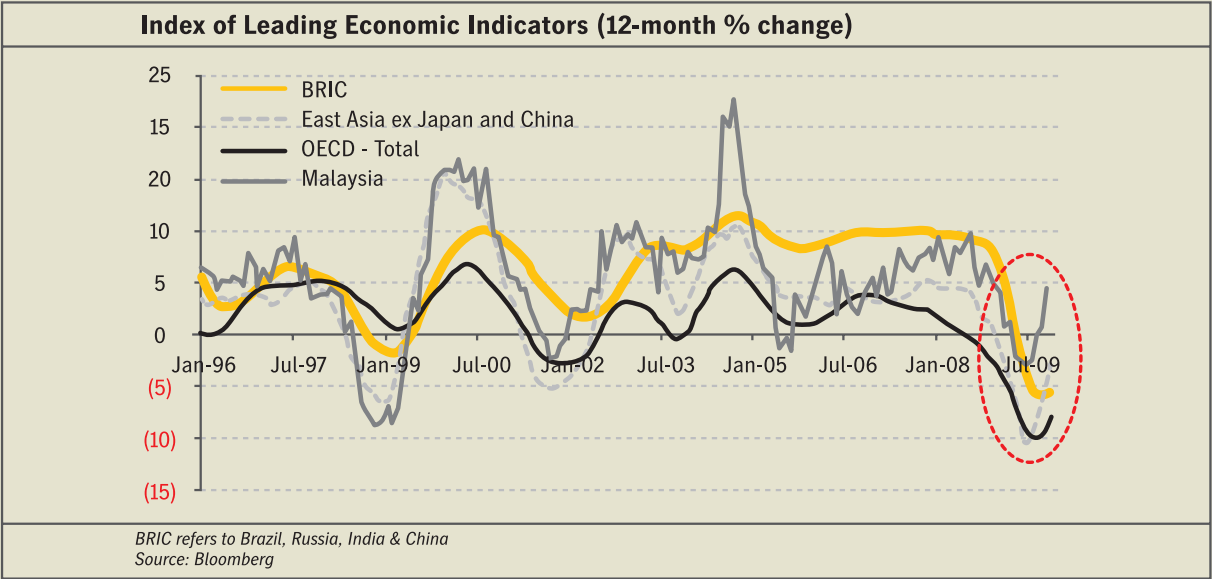
ANNUAL REPORT 2009

**Global: Economic Stimulus Packages, 2008 to 2010**

Countries	USD billion	% of GDP	Countries	USD billion	% of GDP
Argentina	13.2	3.9	Netherland	7.5	1.0
Australia	7.4	0.9	New Zealand	5.0	3.7
Australia (2nd)	26.5	3.6	Norway	7.0	1.8
Belgium	2.5	0.6	Philippines	6.1	4.0
Brazil	65.7	4.8	Poland	31.7	3.4
Canada	24.6	1.9	Portugal	2.8	1.1
Chile	4.0	2.2	Russia	115.3	6.2
China	586.0	6.9	Saudi Arabia	17.3	3.3
Czech	1.9	1.0	Singapore	13.7	8.0
France 33.0	1.3	South Africa	20.6	7.9	
Germany	103.3	1.6	South Korea	11.3	1.1
Hungary	6.5	4.0	South Korea (2nd)	13.0	1.3
India	26.4	2.4	Spain	113.4	8.1
Indonesia	6.6	1.5	Sweden	7.5	3.0
Italy	12.0	0.6	Switzerland	1.3	0.3
Japan	118.3	2.5	Taiwan	9.8	2.6
Japan (2nd)	91.0	1.9	Thailand	11.4	3.0
Japan (3rd)	154.0	3.0	UK	50.0	2.5
Khazakhstan	11.3	8.3	US (1st)	168.0	1.2
Malaysia	2.0	0.9	US (2nd)	787.0	5.5
Malaysia (2nd)	16.0	9.0	Vietnam	1.0	1.1
Mexico	54.0	4.7	TOTAL WORLD	2,766.9	4.5

Sources: Institute of International Finance, UBS, Media Reports, Maybank-IB

These aggressive and swift policy responses have stabilized the economies in the final quarter of the financial year ended June 30, 2009, especially given the rebound in the index of leading economic indicators that signals the economic downturn is bottoming in the third quarter of year 2009 and will pick up in fourth quarter of year 2009. Regionally, key economies such as US, Eurozone, UK, China, South Korea, Singapore and Vietnam have released “better” second quarter of year 2009 real GDP numbers. In addition, Malaysia’s export values, industrial production volume as well as consumer confidence and business sentiment picked up in the second quarter of year 2009.



Global: Real GDP Growth, % Year-on-Year						
	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
US	2.5	2.1	0.7	(0.8)	(2.5)	(3.9)
Eurozone	2.1	1.5	0.5	(1.7)	(4.9)	(4.6)
Japan	1.5	0.6	(0.3)	(4.3)	(8.8)	-
UK	2.6	1.8	0.5	(1.8)	(4.9)	(5.6)
China	10.6	10.1	9.0	6.8	6.1	7.9
India	8.8	7.8	7.7	5.8	5.8	-
Russia	8.5	7.5	6.0	1.2	(9.8)	(10.9)
Brazil	6.1	6.2	6.8	1.3	(1.8)	-
Hong Kong	7.3	4.3	1.7	(2.6)	(7.8)	-
Singapore	6.7	2.5	0.0	(4.2)	(9.6)	(3.5)
S. Korea	5.5	4.3	3.1	(3.4)	(4.2)	(2.5)
Taiwan 6.3	4.6	(1.1)	(8.6)	(10.2)	-	-
Indonesia	6.2	6.4	6.4	5.2	4.4	4.0
Malaysia	7.4	6.6	4.8	0.1	(6.2)	-
Thailand	6.0	5.3	3.9	(4.2)	(7.1)	-
Philippines	4.7	4.2	4.6	2.9	0.4	-
Vietnam	7.5	6.5	6.5	6.2	3.1	4.4

Source: Bloomberg

MALAYSIAN ECONOMIC REVIEW & OUTLOOK (CONT'D)

ANNUAL REPORT 2009

Major Economies: Real GDP Growth, % Quarter-on-Quarter						
	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
US (0.7)	1.5	(2.7)	(5.4)	(6.4)	(1.0)	
Eurozone	0.7	(0.3)	(0.4)	(1.8)	(2.5)	(0.1)
UK 0.8	(0.1)	(0.7)	(1.8)	(2.4)	(0.8)	
<i>Source: Bloomberg</i>						

Despite these emerging positive developments in the final months of financial year ended June 30, 2009, the outlook for financial year ending June 30, 2010 remains challenging. The immediate key issue is the lingering doubts over the sustainability of the recent upturn in economic activities, which are largely attributed to short-term catalysts, namely re-stocking by businesses and implementation of fiscal stimulus by Governments.

There are fundamental risks and constraints facing the “green shoots of recovery”. Governments cannot indefinitely pump prime their economies since the resulting increases in fiscal deficits and public debts are clearly undesirable. The prospect of recovery in consumer spending that makes up 60.0% of the world’s GDP is unclear in view of the rising global unemployment and US personal savings. Furthermore, recovery in the advanced economies’ housing markets and full resolution of their banking sector problems are also critical.

Consequently, the International Monetary Fund (IMF) expects the global economy to shrink by 1.4% this year, essentially due to the synchronized recessions in the major economies – US, Eurozone, Japan, UK – that account for 58.0% of the world’s GDP, to be followed by a 2.5% rebound in 2010, which is below the long-term average of 3.6% as activities in the advanced economies are still expected to be muted despite the anticipated acceleration in developing economies, especially the East Asian countries.

Meanwhile, Maybank IB’s assessment is that the Malaysian economy is projected to post a moderate recovery of 4.2% in year 2010 after the forecast of a 3.8% contraction in year 2009. Given the recession in year 2009 and below-trend real GDP growth in year 2010, inflation rate is expected to remain low at 1.5% next year after the expected sharp slowdown to 1.0% this year (2008: +5.4%). Therefore, we see BNM keeping the OPR steady at 2.0% until the end of year 2010 to sustain monetary policy stimulus and support the expansionary fiscal policy.

Global Economy: Real GDP Growth				
(% Change)	2007	2008	2009 (Estimates)	2010 (Estimates)
WORLD	5.1	3.1	(1.4)	2.5
Advanced Economies	2.7	0.8	(3.8)	0.6
US	2.0	1.1	(2.6)	0.8
Eurozone	2.7	0.8	(4.8)	(0.3)
Japan	2.4	(0.7)	(6.0)	1.7
UK	2.6	0.7	(4.2)	0.2
Developing Economies	8.3	6.0	1.5	4.7
China	13.0	9.0	7.5	8.5
India	9.4	7.3	5.4	6.5
Brazil	5.7	5.1	(1.3)	2.5
Russia	8.1	5.6	(6.5)	1.5
Asian NIEs	5.7	1.5	(5.2)	1.4
South Korea	5.1	2.2	(4.0)	1.5
Taiwan	5.7	0.1	(7.5)	0.0
Hong Kong	6.4	2.5	(4.5)	0.5
Singapore	7.8	1.1	(10.0)	(0.1)
ASEAN	6.3	4.8	(0.3)	3.7
Malaysia	6.3	4.6	(3.5)	1.3
Thailand	4.9	2.6	(3.0)	1.0
Indonesia	6.3	6.1	2.5	3.5
Philippines	7.2	4.6	0.0	1.0
Vietnam	8.5	6.2	3.3	4.0
<i>Source: IMF (World Economic Outlook Update, July 2009 and World Economic Outlook April 2009)</i>				

MALAYSIAN ECONOMIC REVIEW & OUTLOOK (CONT'D)

ANNUAL REPORT 2009

Malaysia: Real GDP Growth				
(% Change)	2008	2009 (Estimates)	2009 (Estimates)	2010 (Estimates)
	Actual	Official	Maybank IB	Maybank IB
Real GDP	4.6	(4.0) - (5.0)	(3.8)	4.2
Manufacturing	1.3	--	(12.5)	4.8
Services	7.2	--	1.3	5.0
Agriculture	4.0	--	(3.5)	3.0
Mining (0.8)	--	(4.0)	2.0	
Construction	2.1	--	1.1	3.0
Domestic Demand	6.8	--	(0.5)	6.3
Private Consumption	8.5	--	1.0	3.0
Public Consumption	10.9	--	7.7	10.0
Gross Fixed Capital Formation	0.8	--	(8.6)	7.9
Exports of Goods & Services	1.3	--	(15.0)	9.0
Imports of Goods & Services	1.9	--	(19.8)	7.8
<i>Source: IMF (World Economic Outlook Update, July 2009 and World Economic Outlook April 2009)</i>				

Business Environment

The operating environment during financial year ending June 30, 2010 started off weak, but improved from April 2009 on optimism that the global economy may have seen its worst. Measures to liberalise the services sector, financial services inclusive, in the month of April 2009 were viewed positively, which are essential to lift Malaysia to its next growth path.

The pace of loan growth in the banking sector slowed from early-2009. As at June 2009, sector loan growth was 2.2% year-to-date versus 6.5% for the months of January to June 2008. Growth driver was the household segment, mainly for mortgage financing as businesses remained cautious. Asset quality of the banking system however, held on well with net non-performing loans (NPL) ratio declining to a record low of 2.16% as at June 30, 2009. System capitalisation stayed strong with Tier 1 and risk weighted capital ratios at 12.3% and 14.0% respectively as at June 30, 2009.

Second quarter of year 2009 saw the recovery in the capital markets (bond and equity) which boosted investment banking activities. The FBM KLCI 30 which replaced the KLCI 100 on July 6, 2009 surged to 1,188.0 points at the time of writing, from a year low of 838.0 points in the month of March 2009. The potential relisting of Maxis Communications and other major corporate deals in the making, are expected to keep the capital market buoyant in second half of year 2009. Nonetheless, major risk of the banking system is still on credit quality, which is expected to weaken towards end-2009, due to its lag effect.

Fixed Income

Aims to provide insightful and comprehensive research reports to our clients on a timely basis, in order that our clients can make informed decisions in managing their bond portfolios. Coverage includes the Malaysian Government bond market, and the Private Debt Securities market.

During the financial year ended June 30, 2009, Maybank-IB's Fixed Income Research Team was awarded the second best Fixed Income Research House by The Edge's poll on the quality of debt market research in Malaysia. The Team was also awarded the most improved Fixed Income Research House by the same newspaper about a year after the Team was set up.

MAYBANK IB

STATUTORY STATEMENT OF ACCOUNTS

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DIRECTORS' REPORT

ANNUAL REPORT 2009

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended June 30, 2009.

PRINCIPAL ACTIVITIES

Bank is principally engaged in the investment banking business including Islamic Banking Scheme operations, provision of stockbroking services and related financial services.

The principal activities of the subsidiaries are described in Note 10 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

CHANGE OF NAME

On January 12, 2009, the Bank changed its name from Aseambankers Malaysia Berhad to Maybank Investment Bank Berhad.

RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	107,352	111,007
Taxation and Zakat	6,117	8,048
Net profit for the year	113,469	119,055
Attributable to:		
Equity holders of the Bank	113,469	119,055

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

An interim dividend of 600% less 25% taxation, on 50,116,000 ordinary shares amounting to RM225,522,000 was declared on January 21, 2009 and paid on March 19, 2009.

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

SHARE CAPITAL

There was no change in the issued and paid-up capital of the Bank during the financial year.

DIRECTORS

The names of the Directors of the Bank in office since the date of the last report and at the date of this report are as follows:

Tan Sri Mohamed Basir bin Ahmad (*Chairman*)
Haji Mohd Hashir bin Haji Abdullah
Dato' Aminuddin Md Desa
Dato' Sri Abdul Wahid bin Omar (*appointed on July 9, 2008*)
Mohammed Rashdan bin Mohd Yusof (*appointed on November 1, 2008*)
Datuk Karownikaran @ Karunikaran (*appointed on February 18, 2009*)
Hooi Lai Hoong (*resigned on September 1, 2008*)
Surachet Chaipatanont (*resigned on October 1, 2008*)
Haji Mohammad bin Abdullah (*resigned on January 30, 2009*)

DIRECTORS' BENEFIT

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank or its subsidiaries was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than as may arise from the share options granted pursuant to the Malayan Banking Berhad Group Employee Share Option Scheme.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (*other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors, or the fixed salary of a full time employee of the Bank or its related corporations as shown in Note 27 to the financial statements and in the financial statements of its related corporations*) by reason of a contract made by the Bank or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and options over shares in the holding company, Malayan Banking Berhad, during the financial year are as follows:

	Number of Ordinary Shares of RM1.00 Each				June 30 2009
	July 1 2008	Bought	Bonus issues	Sold	
Holding company					
Tan Sri Mohamed Basir bin Ahmad	128,750	-	57,937	-	186,687
Haji Mohd Hashir bin Haji Abdullah					
- Direct	176,250	-	79,950	-	256,200
- Indirect	-	109,625	-	49,875	159,500

DIRECTORS' REPORT (CONT'D)

ANNUAL REPORT 2009

	Number of Share Options Ordinary Shares of RM1.00 Each				
	Option price RM	July 1 2008	Granted issues	Exercised	June 30 2009
Holding company					
Tan Sri Mohamed Basir bin Ahmad	10.19	30,000	11,900	-	41,900
Haji Mohd Hashir bin Haji Abdullah	10.19	35,000	13,900	-	48,900

The options over ordinary shares were granted pursuant to the Malayan Banking Berhad Group Employee Share Option Scheme which are subject to the By-Laws governing their issue and it expires on August 25, 2009.

Other than as stated above, the Directors do not have any interest in shares in the Bank or its related corporations during the financial year.

RATING BY EXTERNAL RATING AGENCY

The Bank's long-term rating of A1 and short-term rating of P1 was reaffirmed by the Rating Agency Malaysia Berhad on April 2, 2009.

BUSINESS OUTLOOK

Maybank Investment Bank Berhad (*formerly known as Aseambankers Malaysia Berhad*) envisage to remain resilient and aim to be a global player with strategic financial advisory as the core emphasis despite the difficult operating environment. We shall continue to leverage on the natural synergy developed with our parent company by providing "total package solutions". The unveiling of the new corporate name and logo during the financial year has allowed us to leverage further on the strength of the Maybank brand, as well as the wealth of resources and capabilities within the Group to enable us to assist corporations and entrepreneurs, in corporate restructuring, capital raising, mergers and acquisitions including regional expansion. The awards and accolades received through the years are evident of our strength in the capital markets (*both conventional and Islamic*).

SIGNIFICANT EVENTS

The significant events during the financial year are as disclosed in Note 30 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Bank were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

- (b) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group or of the Bank.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated August 25, 2009.



MOHAMED BASIR BIN AHMAD



MOHAMMED RASHDAN BIN MOHD YUSOF

STATEMENT BY DIRECTORS

ANNUAL REPORT 2009

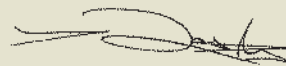
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Mohamed Basir bin Ahmad and Mohammed Rashdan bin Mohd Yusof, being two of the Directors of Maybank Investment Bank Berhad (formerly known as Aseambankers Malaysia Berhad), do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 68 to 142 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia, as modified by Bank Negara Malaysia's Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at June 30, 2009 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated August 25, 2009.



MOHAMED BASIR BIN AHMAD



MOHAMMED RASHDAN BIN MOHD YUSOF

STATUTORY DECLARATION

ANNUAL REPORT 2009

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Mohammed Rashdan bin Mohd Yusof, being the Director primarily responsible for the financial management of Maybank Investment Bank Berhad (formerly known as Aseambankers Malaysia Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 68 to 142 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Mohammed Rashdan
bin Mohd Yusof at Kuala Lumpur in
the Federal Territory on August 25, 2009.



MOHAMMED RASHDAN BIN MOHD YUSOF

Before me,



No. 50, Jalan Hang Lekiu
50100 Kuala Lumpur

REPORT TO THE AUDITORS

ANNUAL REPORT 2009

Independent auditors' report to the members of
Maybank Investment Bank Berhad (*formerly known as Aseambankers Malaysia Berhad*)
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Maybank Investment Bank Berhad (*formerly known as Aseambankers Malaysia Berhad*), which comprise the balance sheets as at June 30, 2009 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 68 to 142 .

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia's (BNM) Guidelines, and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia's (BNM) Guidelines, and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at June 30, 2009 and of their financial performance and cash flows of the Group and of the Bank for the year then ended.

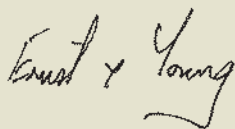
Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 10 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

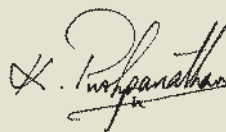
OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
August 25, 2009



Pushpanathan a/l S. A. Kanagarayar
No. 1056/03/11(J/PH)
Chartered Accountant

BALANCE SHEETS

as at June 30, 2009

ANNUAL REPORT 2009

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
ASSETS					
Cash and short-term funds	4	735,400	2,855,479	712,266	2,810,212
Deposits and placements with banks and other financial institutions	5	14,741	513,549	9,334	508,894
Securities portfolio	6	3,841,090	4,541,356	3,792,755	4,498,375
Loans and advances	7	251,535	88,160	251,535	88,160
Other assets	8	317,763	242,074	314,719	241,581
Statutory deposits with Bank Negara Malaysia	9	10,218	5,000	10,218	5,000
Investment in subsidiaries	10	-	-	230,924	227,287
Investment in associates	11	9,012	40,703	4,200	26,775
Property, plant and equipment	12	8,432	10,019	8,084	9,835
Intangible assets	13	1,684	954	1,684	954
Deferred tax assets (net)	14	24,417	39,924	24,417	39,924
TOTAL ASSETS		5,214,292	8,337,218	5,360,136	8,456,997
LIABILITIES AND EQUITY					
Deposits from customers	15	3,862,851	5,890,270	3,862,851	5,890,270
Deposits and placements of banks and other financial institutions	16	232,470	1,216,760	232,470	1,216,760
Other liabilities	17	364,405	413,292	532,731	554,811
Deferred tax liabilities	14	146	577	-	-
TOTAL LIABILITIES		4,459,872	7,520,899	4,628,052	7,661,841
Share capital	18	50,116	50,116	50,116	50,116
Reserves		704,304	766,203	681,968	745,040
TOTAL EQUITY		754,420	816,319	732,084	795,156
TOTAL LIABILITIES AND EQUITY		5,214,292	8,337,218	5,360,136	8,456,997
COMMITMENTS AND CONTINGENCIES	31	345,967	1,822,022	345,967	1,822,022

The accompanying notes form an integral part of the financial statements.

MAYBANK IB
INCOME STATEMENTS
for the year ended June 30, 2009

ANNUAL REPORT 2009

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest income	21	247,547	307,471	247,028	306,834
Interest expense	22	(170,519)	(245,507)	(170,519)	(245,507)
Net interest income		77,028	61,964	76,509	61,327
Net income from Islamic Banking Scheme operations	39	5,627	4,543	5,627	4,543
Non-interest income	23	134,012	173,293	127,604	176,834
Net income		216,667	239,800	209,740	242,704
Overhead expenses	24	(103,361)	(112,110)	(101,895)	(111,761)
Operating profit		113,306	127,690	107,845	130,943
Write back of losses on loans and advances, net	25	3,162	39,364	3,162	39,364
Share of results in associates		116,468 (9,116)	167,054 4,818	111,007 -	170,307 -
Profit before taxation		107,352	171,872	111,007	170,307
Taxation and zakat	26	6,117	(65,791)	8,048	(50,318)
Net profit for the financial year, attributable to equity holders of the Bank		113,469	106,081	119,055	119,989
Basic earnings per share (sen)	28	226	212	238	239

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2009

ANNUAL REPORT 2009

GROUP	Non-distributable				Distributable			Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserves* RM'000	Unrealised Holding Reserves RM'000	Equity Contribution from Parent (Note 20) RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits (Note 19) RM'000	
At July 1, 2008	50,116	172,669	50,116	(50,228)	2,535	(3,259)	594,370	816,319
Foreign currency translation	-	-	-	-	-	3,436	-	3,436
Net increase in fair value of securities	-	-	-	46,709	-	-	-	46,709
Share options granted under ESOS	-	-	-	-	9	-	-	9
Dividends	-	-	-	-	-	-	(225,522)	(225,522)
Net profit for the year	-	-	-	-	-	-	113,469	113,469
At June 30, 2009	50,116	172,669	50,116	(3,519)	2,544	177	482,317	754,420
At July 1, 2007	50,116	172,669	50,116	14,437	2,529	(1,740)	488,133	776,260
Foreign currency translation	-	-	-	-	-	(1,519)	-	(1,519)
Net decrease in fair value of securities	-	-	-	(64,665)	-	-	-	(64,665)
Share options granted under ESOS	-	-	-	-	162	-	-	162
Disposal of associate	-	-	-	-	(156)	-	156	-
Net profit for the year	-	-	-	-	-	-	106,081	106,081
At June 30, 2008	50,116	172,669	50,116	(50,228)	2,535	(3,259)	594,370	816,319

The accompanying notes form an integral part of the financial statements.

← Non-distributable → Distributable

BANK

	Share Capital RM'000	Share Premium RM'000	Statutory Reserves* RM'000	Unrealised Holding Reserves RM'000	Equity Contribution from Parent (Note 20) RM'000	Retained Profits (Note 19) RM'000	Total RM'000
At July 1, 2008	50,116	172,669	50,116	(60,727)	2,502	580,480	795,156
Net increase in fair value of securities	-	-	-	43,386	-	-	43,386
Share options granted under ESOS	-	-	-	-	9	-	9
Dividends	-	-	-	-	-	(225,522)	(225,522)
Net profit for the year	-	-	-	-	-	119,055	119,055
At June 30, 2009	50,116	172,669	50,116	(17,341)	2,511	474,013	732,084
At July 1, 2007	50,116	172,669	50,116	3,718	2,355	460,491	739,465
Net decrease in fair value of securities	-	-	-	(64,445)	-	-	(64,445)
Share options granted under ESOS	-	-	-	-	147	-	147
Net profit for the year	-	-	-	-	-	119,989	119,989
At June 30, 2008	50,116	172,669	50,116	(60,727)	2,502	580,480	795,156

* The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

for the year ended June 30, 2009

ANNUAL REPORT 2009

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	107,352	171,872	111,007	170,307
Adjustments for:				
Share of results in associates	9,116	(4,818)	-	-
Depreciation	2,759	2,511	2,667	2,497
Amortisation of computer software	441	1,286	441	1,286
Net gain on disposal of property, plant and equipment	(51)	(99)	(51)	(99)
Loss on disposal of foreclosed properties	1	63	1	63
Amortisation of premiums and accretion of discounts, net	34,570	15,871	34,570	15,871
Provision for impairment losses in securities available-for-sale, net	5,000	21,000	5,000	21,000
Write back of losses on loans and advances, net	(3,162)	(39,364)	(3,162)	(39,364)
Provision of doubtful debts for other debtors, net	-	177	-	177
Gross dividends	(3,713)	(4,916)	(3,273)	(6,622)
Loss from sale of securities held-for-trading, net	7,344	9,759	7,344	9,759
Gain from sale of securities available-for-sale, net	(15,315)	(61,880)	(15,315)	(61,880)
Early redemption gain from securities held-to-maturity, net	(138)	(216)	(138)	(216)
Unrealised (gain)/loss on revaluation of securities held-for-trading and derivatives	(12,890)	14,742	(12,890)	14,742
Gain on disposal of an associate	-	(4,761)	-	(6,858)
Net gain on waiver of debt by an associate	(8,454)	-	(8,454)	-
Goodwill written off	2,518	-	-	-
ESOS compensation expenses	9	147	9	147
Transfer to profit equalisation reserve	561	42	561	42
Operating profit before working capital changes	125,948	121,416	118,317	120,852
Decrease in deposits and placements with banks and other financial institutions	498,808	712,220	499,558	713,247
Decrease/(increase) in securities portfolio	721,295	(889,747)	736,217	(891,482)
(Increase)/decrease in loans and advances	(160,213)	61,752	(160,213)	61,752
Decrease/(increase) in other assets	21,899	228,746	(18,199)	216,282
(Increase)/decrease in statutory deposits with Bank Negara Malaysia	(5,218)	17,676	(5,218)	17,676
Decrease in deposits and monies held in trust with financial institutions	19,148	5,927	19,148	5,927
Decrease in deposits from customers	(2,027,419)	(1,341,277)	(2,027,419)	(1,341,277)

The accompanying notes form an integral part of the financial statements.

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)				
(Decrease)/increase in deposits and placements of banks and other financial institutions	(984,290)	546,010	(984,290)	546,010
Decrease in obligations on securities sold under repurchase agreements	-	(1,352)	-	(1,352)
(Decrease)/increase in other liabilities	(49,246)	(175,027)	8,386	(179,432)
Cash used in operations	(1,839,288)	(713,656)	(1,813,713)	(731,797)
Taxes paid	(36,667)	(42,100)	(36,667)	(42,100)
Net cash used in operating activities	(1,875,955)	(755,756)	(1,850,380)	(773,897)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(916)	(3,997)	(916)	(3,997)
Purchase of computer software	(1,171)	(244)	(1,171)	(244)
Proceeds from disposal of property, plant and equipment	51	107	51	107
Net dividends received	3,496	6,829	2,775	4,976
Proceeds from disposal of an associate	-	8,849	-	8,849
Acquisition of subsidiary (Note 10(a))	(915)	-	(3,637)	-
Net cash generated from/(used in) investing activities	545	11,544	(2,898)	9,691
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(225,522)	-	(225,522)	-
Net decrease in cash and cash equivalents	(2,100,932)	(744,212)	(2,078,800)	(764,206)
Cash and cash equivalents at beginning of year	2,727,836	3,472,048	2,682,569	3,446,775
Cash and cash equivalents at end of year	626,904	2,727,836	603,769	2,682,569
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 4)	735,400	2,855,479	712,266	2,810,212
Less: Monies held in trust (Note 4)	(108,496)	(127,643)	(108,496)	(127,643)
	626,904	2,727,836	603,770	2,682,569

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

ANNUAL REPORT 2009

1. CORPORATE INFORMATION

The Bank is principally engaged in investment banking business including Islamic Banking Scheme (IBS) operations, provision of stockbroking services and related financial services. The principal activities of the subsidiaries are the provision of stockbroking services and nominee services.

On January 12, 2009, the Bank changed its name from Aseambankers Malaysia Berhad to Maybank Investment Bank Berhad.

There were no significant changes in these activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 33rd Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur, Malaysia.

The holding company of the Bank is Malayan Banking Berhad (Maybank), a licensed commercial bank incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on August 25, 2009.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Bank have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies below, and in accordance with the provisions of the Companies Act 1965 and applicable Financial Reporting Standards (FRS) in Malaysia, as modified by Bank Negara Malaysia's (BNM) Guidelines.

The financial statements incorporate those activities relating to the Islamic Banking Scheme (IBS) which have been undertaken by the Group and the Bank. IBS refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise stated. In the preparation of the financial statements in conformity with FRS, management has been required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- (i) Fair value estimation for securities held-for-trading (Note 6(i)) and securities available-for-sale (Note 6(ii)) - the fair value of securities 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 the discounted cash flow method.

2. BASIS OF PREPARATION (CONT'D)

- (ii) Deferred tax assets (Note 14) - deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous financial year.

The following FRSs and interpretations of the Issues Committee (IC) issued by the Malaysian Accounting Standards Board (MASB) are not yet effective.

FRS		Effective date
FRS 4	: Insurance Contracts	January 1, 2010
FRS 7	: Financial Instruments: Disclosures	January1, 2010
FRS 8	: Operating Segments	July 1, 2009
FRS 123	: Borrowing Costs	January 1,2010
FRS 139	: Financial Instruments: Recognition and Measurement	January 1, 2010
Amendments to FRS 1	: First-time Adoption of Financing Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cos of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	January 1, 2010
Amendments to FRS 2	: Share-based Payment - Vesting Conditions and Cancellations	January 1, 2010
IC Interpretation 9	: Reassessment of Embedded Derivatives	January 1, 2010
IC Interpretation 10	: Interim Financial Reporting and Impairment	January 1, 2010
IC Interpretation 11	: FRS 2 Group and Treasury Share Transactions	January 1, 2010
IC Interpretation 13	: Customer Loyalty Programmes	January 1, 2010
IC Interpretation 14	: FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2010

FRS 4 is not applicable to the Group and the Bank. The impact of applying FRS 7 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* is not required to be disclosed by virtue of exemptions provided under paragraph 44AB of FRS 7.

The impact of applying FRS 139 on its financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not required to be disclosed by the virtue of exemptions provided under paragraph 103AB of FRS 139.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

June 30, 2009

ANNUAL REPORT 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The other FRS and Interpretations above are expected to have no significant impact on financial statements of the Group and of the Bank.

On October 20, 2008, BNM had issued a circular setting out the limited circumstances in which banking institutions are allowed to reclassify financial instruments currently held in the security held-for-trading portfolio into the securities available-for-sale and securities held-to-maturity portfolios. The concession is only effective for the period from July 1, 2008 to December 31, 2009. As at June 30, 2009, the Group and the Bank have transferred RM78.1 million of its securities held-for-trading portfolio to security held-for-maturity portfolio. The transfer was made at its market value. This reclassification is disclosed in Note 6.

(a) Subsidiaries and basis of consolidation**(i) Subsidiaries**

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ii) Basis of consolidation (cont'd)

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Bank's separate financial statements, investments in associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(u).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated using the same basis unless costs cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(c) Intangible assets****(i) Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(u).

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Intangible assets are amortised over their finite useful lives at the following annual rate:

Computer software	25%
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(d) Securities portfolio

The holdings of securities portfolio of the Group and of the Bank are recognised based on the following categories and valuation methods:

(i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. Securities held-for-trading are stated at fair value and any gain or loss arising from a change in their fair values and derecognition of securities held-for-trading are recognised in the income statement.

(ii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group and the Bank have the positive intent and ability to hold to maturity.

Securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Securities portfolio (cont'd)

(iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value, or at cost (less impairment losses) if the fair value cannot be reliably measured. The return and cost of the securities available-for-sale are credited and charged to the income statement using the accreted/amortised cost based on the effective yield method. Any gain or loss arising from a change in fair value after applying the accreted/amortised cost method are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

(e) Allowance for bad and doubtful debts

Loans and advances are stated at cost less any allowance for bad and doubtful debts.

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 over five years.

Plant and machinery that are pledged to the Bank, are assigned values based on their estimated realisable value as supported by professional valuations for the purpose of making specific allowance.

In addition, a general allowance based on a certain percentage of total risk-weighted assets for credit and market risks, which takes into account all balance sheet items and their perceived credit and market risks levels, are maintained.

The allowance for doubtful debts and financing of the Bank are computed based on the requirements of BNM/GP3, which is in consistent with the adoption made in the previous audited financial statements.

(f) Amount due from brokers and clients

Amount due from brokers and clients are carried at anticipated realisable values. Bad debts are written off when identified. Specific allowance for doubtful debts are made for amounts due from brokers and clients which have been classified as non-performing, net of interest-in-suspense and after taking into consideration collaterals held by the Bank. General allowance is made based on a percentage of amount due from brokers and clients (excluding outstanding purchase contracts) net of interest-in-suspense and specific allowance already made.

Interest is suspended and credited to the interest-in-suspense when an account is classified as non-performing.

Clients' accounts are classified as non-performing (doubtful or bad) under the following circumstances:

Types of accounts	Criteria for classification as non-performing	
	Doubtful	Bad
Contra losses	When the account remains outstanding for 16 to 30 calendar days from the date of contra transaction.	When the account remains outstanding for more than 30 calendar days from the date of contra transaction.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(f) Amount due from brokers and clients (cont'd)**

Types of accounts	Criteria for classification as non-performing	
	Doubtful	Bad
Overdue purchase contract	When the account remains outstanding for T to 15 market days to 30 calendar days.	When the account remains outstanding for more than 30 calendar days.
Margin accounts	-	When the value of the collateral has fallen below 130% of the outstanding balance.

Upon the classification of an account as performing and non-performing, the allowance for doubtful debts and suspension of interest are made in accordance with the Rules of Bursa Malaysia Securities Berhad.

(g) Other assets

Other assets are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(h) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(u).

Depreciation is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

Freehold and leasehold land and buildings	2%
Office equipment, furniture and fittings	20%
Data processing equipment	25%
Office renovation	20%
Motor vehicles	25%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Property, plant and equipment and depreciation (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

(i) Repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank had sold from these portfolio, with a commitment to repurchase at future dates. Such financing transactions and corresponding obligations to purchase the securities are reflected as a liability on the balance sheet.

(j) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(k) Liabilities

Deposits from customers, deposits and placements of banks and other financial institutions are stated at placement values. Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

(l) Profit equalisation reserve (PER) on IBS operations

PER is the amount provided in order to maintain a certain level of return for deposits in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return". The PER is deducted at a maximum amount of 15% of the total gross income and is maintained up to the maximum of 30% of the total Islamic banking capital fund.

(m) Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit or taxable profit.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(m) Income tax (cont'd)**

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(n) Income recognition

- (i) Interest income is recognised on an accrual basis. Interest income includes the amortisation of premium or accretion of discount. Interest income on securities are recognised on an effective yield basis.
- (ii) Interest income on bank overdrafts, term loans and housing loans is accounted for on a straight-line basis by reference to the rest periods as stipulated in the loan agreements.
- (iii) Where an account has turned non-performing, interest accrued previously but which has not been received is reversed out of income, and set-off against the accrued interest receivable in the balance sheet with retroactive adjustment made to the date of first default. Thereafter, interest on these accounts are recognised on a cash basis until such time as the accounts are no longer classified as non-performing. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three months.
- (iv) Income from the IBS operations is recognised on an accrual basis in compliance with Bank Negara Malaysia's guidelines and the principles of Shariah.

(o) Fee and other income recognition

- (i) Agency, loan arrangement, management and participation fees as well as factoring underwriting commissions are recognised as income based on contractual arrangements.
- (ii) Guarantee fee is recognised as income over the period of the guarantee. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.
- (iii) Dividend income from securities held-for-trading, available-for-sale and held-to-maturity are recognised when received.
- (iv) Dividend income from subsidiaries and associates are recognised when the shareholders' right to receive payment is established.
- (v) Brokerage income is recognised upon execution of trade contracts.
- (vi) Fees received from capital market activities are recognised when the Bank's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Interest, financing and related expense recognition

Interest expense and attributable profit (*on activities relating to IBS operations*) on deposits and borrowings of the Group and the Bank are expensed as incurred.

(q) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, the Bank and its Malaysian subsidiaries make contributions to the Employees Provident Fund (EPF). Such contributions are recognised as an expense in the income statement when incurred.

(r) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the year except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Bank's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in profit or loss in the Bank's financial statements or the individual financial statements of the foreign operation, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(r) Foreign currencies (cont'd)****(ii) Foreign currency transactions (cont'd)**

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after January 1, 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before January 1, 2006 are deemed to be assets and liabilities of the Bank and are recorded in RM at the rates prevailing at the date of acquisition.

(s) Derivative financial instruments and hedge accounting

Interest rate swaps are deemed derivatives.

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statement unless they are part of a hedging relationship which qualifies for hedge accounting.

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in a separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are released to the income statement in the periods when the hedged items affect the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash and bank balances and short-term funds with remaining maturity of less than one month.

(u) Impairment of assets

The carrying amounts of assets, except for deferred tax assets and financial assets (*other than securities held-to-maturity and securities available-for-sale*) are reviewed at each balance sheet date to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated to determine the amount of impairment loss. The policies on impairment of assets are summarised as follows:

(i) Securities held-to-maturity

For securities carried at amortised cost in which there are objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statement and such impairment losses are not reversed subsequent to its recognition.

(ii) Securities available-for-sale

For securities available-for-sale in which there are objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (*net of any principal repayment and amortisation*) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses on investments in equity instruments classified as available-for-sale recognised are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Impairment of assets (cont'd)

(iii) Other assets

Other assets such as property, plant and equipment, computer software and investments in subsidiaries and associates are reviewed for objective indications of impairment at each balance sheet date or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment loss is determined as the excess of the asset's carrying value over its recoverable amount (*greater of value in use or fair value less costs to sell*) and is recognised in the income statement. The carrying amount is increased to its revised recoverable amount, provided that the amount does not exceed the carrying amount that would have been determined (*net of amortisation or depreciation*) had no impairment loss been recognised for the asset in prior years.

(v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(w) Financial instruments

Financial instruments are recognised in the balance sheet when the Group and the Bank have become a party to the contractual provisions of the instruments. The accounting policies on recognition and measurement of these items are disclosed in their respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group and the Bank have a legally enforceable right to offset and intend to settle either on a net basis or to realise the asset and settle the liability simultaneously.

4. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and bank balances with licensed commercial banks and other licensed financial institutions	34,336	34,582	24,383	30,120
Deposit placements maturing within one month	701,064	2,820,897	687,883	2,780,092
	735,400	2,855,479	712,266	2,810,212

Included in cash and short-term funds of the Group and of the Bank are monies held in trust of RM108,496,000 (2008: RM127,643,000).

5. DEPOSITS AND PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Licensed banks	14,741	13,549	9,334	8,894
Bank Negara Malaysia	-	500,000	-	500,000
	14,741	513,549	9,334	508,894

Included in deposits and placements of the Group and of the Bank are monies held in trust of RM9,334,000 (2008: RM8,894,000).

6. SECURITIES PORTFOLIO

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Securities held-for-trading	6 (i)	396,440	476,774	396,440	476,774
Securities available-for-sale	6 (ii)	2,710,934	3,773,135	2,662,599	3,730,154
Securities held-to-maturity	6 (iii)	733,716	291,447	733,716	291,447
Total securities portfolio		3,841,090	4,541,356	3,792,755	4,498,375

Included in cash and short-term funds of the Group and of the Bank are monies held in trust of RM108,496,000 (2008: RM127,643,000).

(i) Securities held-for-trading

	Group and Bank	
	2009 RM'000	2008 RM'000
At Fair Value		
Unquoted Securities:		
Private and Islamic Debt Securities	396,440	476,774
Total securities held-for-trading	396,440	476,774

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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6. SECURITIES PORTFOLIO (cont'd)

(ii) Securities available-for-sale

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At Fair Value				
Money Market Instruments:				
Malaysian Government Securities	420,261	401,357	420,261	401,357
Cagamas Bonds	106,876	185,014	106,876	185,014
Malaysian Government Investment Certificates	222,973	256,205	222,973	256,205
Negotiable Instruments of Deposits	-	687,516	-	687,516
Bankers' Acceptances and Islamic Accepted Deposits	36,040	-	36,040	-
Khazanah Bonds	84,244	199,339	84,244	199,339
	870,394	1,729,431	870,394	1,729,431
Quoted Securities:				
Shares, Warrants, Unit Trusts and Loan Stocks in Malaysia	31,641	51,601	31,611	51,601
Shares, Warrants, Unit Trusts and Loan Stocks outside Malaysia	46,105	40,751	-	-
	77,746	92,352	31,611	51,601
Unquoted Securities:				
Shares, Unit Trusts and Loan Stocks in Malaysia	44,810	44,840	42,610	42,610
Shares, Unit Trusts and Loan Stocks outside Malaysia	15,694	13,298	15,694	13,298
Private and Islamic Debt Securities in Malaysia	1,702,290	1,893,214	1,702,290	1,893,214
	1,762,794	1,951,352	1,760,594	1,949,122
Total securities available-for-sale	2,710,934	3,773,135	2,662,599	3,730,154

6. SECURITIES PORTFOLIO (cont'd)

(iii) Securities held-to-maturity

	Group and Bank	
	2009 RM'000	2008 RM'000
At amortised cost		
Money Market Instruments:		
Malaysian Government Securities	230,435	450
Cagamas Bonds	11,720	11,739
Malaysian Government Investment Issues	101,970	80
	344,125	12,269
Unquoted Securities:		
Private and Islamic Debt Securities in Malaysia	389,591	279,178
Total securities held-to-maturity	733,716	291,447
Indicative value of unquoted securities held-to-maturity		
In Malaysia:		
Private and Islamic Debt Securities in Malaysia	392,841	271,325

(iv) Other disclosures

- (i) The maturity structure of money market instruments available-for-sale and held-to-maturity are as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
Maturing within one year	125,416	1,001,465
One year to three years	80,940	275,348
Three years to five years	502,501	335,917
After five years	505,662	128,970
	1,214,519	1,741,700

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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6. SECURITIES PORTFOLIO (cont'd)

(iv) Reclassification of securities

Disclosures of the reclassification from securities held-for-trading to securities held-to-maturity category in the financial statements of the Bank is as follows:

- (a) Amount reclassified from securities held-for-trading to securities held-to-maturity category with effect from January 23, 2009:

	Group and Bank 2009 RM'000
Fair value of securities held-for-trading reclassified to securities held-to-maturity	78,092

- (b) Carrying amount and fair value of securities held-for-trading reclassified to securities held-to-maturity as at June 30, 2009

Securities held-for-trading reclassified to securities held-to-maturity category:

	Group and Bank 2009 RM'000
Carrying amount	73,093
Fair value	77,199

- (c) The fair value losses recognised in respect of the securities held-for-trading reclassified to securities held-to-maturity for the financial year ended June 30, 2009

	Group and Bank 2009 RM'000
Losses recognised in income statement	(63)

- (d) The effective interest rate of the securities held-for-trading reclassified to securities held-to-maturity as at January 23, 2009 is at 5.97% per annum.

As at June 30, 2009, there is no significant change in the estimated amount of cashflows that the bank expects to recover from the securities held-for-trading reclassified to securities held-to-maturity category.

7. LOANS AND ADVANCES

	Group and Bank	
	2009 RM'000	2008 RM'000
Term loans		
- Syndicated term loan	6,209	6,209
- Other term loan	121,054	747
Amount due from brokers and clients		
- Margin accounts (note a)	197,310	151,642
Staff loans	17,443	19,950
Gross loans and advances	342,016	178,548
Less: Allowance for bad and doubtful debts		
- General	(39,514)	(41,114)
- Specific	(50,967)	(49,274)
Net loans and advances	251,535	88,160

(a) Amount due from brokers and clients relates to outstanding purchase contracts entered into on behalf of clients, contra gains and losses, clients' trust monies, other fees and charges.

The trade credit terms for margin brokers and clients are assessed and approved on a case-by-case basis.

(b) Included in amount due from brokers and clients are gross balances of non-performing accounts as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
Classified as bad	81,214	69,241

(i) Loans and advances analysed by type of customer are as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
Domestic business enterprises	214,843	32,260
Individuals	18,380	20,697
Other domestic entities	108,789	125,591
Foreign entities	4	-
	342,016	178,548

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7. LOANS AND ADVANCES (cont'd)

(ii) Loans and advances analysed by interest/profit rate sensitivity are as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
Fixed rate		
- Housing loans	13,949	15,372
- Hire purchase receivables	3,444	4,539
- Other fixed rate loans	50	39
Variable rate		
- BLR-plus	127,263	6,956
- Cost-plus	197,310	151,642
	342,016	178,548

(iii) Loans and advances analysed by economic purpose are as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
Purchase of securities	221,427	151,642
Purchase of transport vehicles	3,600	4,715
Purchase of residential landed property	50,729	15,942
Personal use	35	23
Consumer durables	16	17
Working capital	66,209	6,209
	342,016	178,548

(iv) The maturity structure of loans and advances are as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
Maturing within one year	323,712	158,655
One year to three years	830	508
Three years to five years	2,832	4,371
After five years	14,642	15,014
	342,016	178,548

7. LOANS AND ADVANCES (cont'd)

(v) Movement in the non-performing loans and advances are as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
Gross balance at July 1, 2008/2007	54,613	84,534
Non-performing during the year	8,201	9,037
Recovered/regularised during the year	(5,601)	(38,165)
Amount written off	(12)	(236)
Exchange differences	-	(557)
Gross balance at June 30	57,201	54,613
Less:		
Specific allowance	(50,967)	(49,274)
Net balance at June 30	6,234	5,339
Net non-performing loans as % of gross loans and advances less specific allowance	2.14%	4.13%

(vi) Non-performing loans and advances analysed by economic purpose are as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
Purchase of securities	50,014	47,885
Purchase of residential landed property	580	516
Others	6,607	6,212
	57,201	54,613

(vii) Movements in the allowance for bad and doubtful debts are as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
Specific allowance:		
Balance at July 1, 2008/2007	49,274	71,789
Allowance made during the year	4,331	12,710
Amount written back in respect of recoveries	(2,629)	(34,989)
Amount written off	(9)	(236)
Balance at June 30	50,967	49,274

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7. LOANS AND ADVANCES (cont'd)

(vii) Movements in the allowance for bad and doubtful debts are as follows (cont'd):

	Group and Bank	
	2009 RM'000	2008 RM'000
General allowance:		
Balance at 1 July 2008/2007	41,114	44,258
Allowance made during the year	15,276	1,129
Amount written back	(16,876)	(4,273)
Balance at 30 June	39,514	41,114
As a % of gross loans and advances less specific allowance	13.58%	31.80%
	2009 %	2008 %
As a % of total risk-weighted assets, excluding deferred tax assets		
- Group	1.59	1.57
- Bank	1.63	1.61

8. OTHER ASSETS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tax recoverable	72,636	22,056	72,636	22,053
Interest/Income receivables	33,525	37,645	33,343	37,614
Amount due from brokers and clients				
- Non-margin accounts (Note a)	198,520	161,179	198,520	161,179
Other debtors, deposits and prepayment	21,475	28,378	17,449	27,919
Less: Allowance for doubtful debts	326,156 (8,393)	249,258 (7,184)	321,948 (7,229)	248,765 (7,184)
	317,763	242,074	314,719	241,581

(a) Amount due from brokers and clients relates to outstanding purchase contracts entered into on behalf of clients, contra gains and losses, clients' trust monies, other fees and charges.

The normal trade credit terms for non-margin brokers and clients is 3 market days in accordance with the Bursa Malaysia's Fixed Delivery and Settlement System (FDSS) trading rules.

8. OTHER ASSETS (cont'd)

Included in amount due from brokers and clients are gross balances of non-performing accounts as follows:

	Group and Bank	
	2009	2008
	RM'000	RM'000
Classified as doubtful	73	95
Classified as bad	3,006	3,790
	3,079	3,885

(b) The movement of allowance for bad and doubtful debts is as follows:

	Group		Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
At July 1, 2008/2007	7,184	56,829	7,184	56,829
Bad debts in a newly acquired subsidiary	1,164	-	-	-
Amount written back, net	2,087	(6,144)	2,087	(6,144)
Bad debts written off	(2,032)	(43,493)	(2,032)	(43,493)
Bad debts recovered	(10)	(8)	(10)	(8)
At June 30	8,393	7,184	7,229	7,184

9. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities.

10. INVESTMENT IN SUBSIDIARIES

	Group and Bank	
	2009	2008
	RM'000	RM'000
Unquoted share, at cost	230,924	227,287

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10. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Proportion of Ownership Interest (%)		Principal Activities
		2009	2008	
Held by the Bank:				
BinaFikir Sdn. Bhd.	Malaysia	100	-	Advisory Services
Aseam Malaysia Nominees (Tempatan) Sdn. Bhd.	Malaysia	100	100	Nominee Services
Aseam Malaysia Nominees (Asing) Sdn. Bhd.	Malaysia	100	100	Nominee Services
Mayban Securities Nominees (Tempatan) Sdn. Bhd.	Malaysia	100	100	Nominee Services
Mayban Securities Nominees (Asing) Sdn. Bhd.	Malaysia	100	100	Nominee Services
Maysec Sdn. Bhd.	Malaysia	100	100	Investment Holding
Held through Maysec Sdn. Bhd.:				
Maysec (KL) Sdn. Bhd.	Malaysia	100	100	Dormant
Mayban Futures Sdn. Bhd.	Malaysia	100	100	Dormant
Maysec (Ipoh) Sdn. Bhd.	Malaysia	100	100	Dormant
Budaya Tegas Sdn. Bhd.	Malaysia	100	100	Investment Holding
Mayban Securities (Jersey) Ltd.#	United Kingdom	100	100	Investment Holding
Held through Mayban Securities (Jersey) Ltd.:				
Mayban Securities (HK) Ltd.*	Hong Kong	100	100	Dormant
Phileo Allied Securities (Philippines) Inc.*	Philippines	100	100	Dormant

* Audited by firms affiliated with Ernst & Young

Audited by a firm of auditors other than Ernst & Young

Acquisition of a subsidiary during the year

The Bank had on November 11, 2008 acquired the entire issued and paid up capital of BinaFikir Sdn. Bhd. for a provisional cash consideration of RM3,637,011. The final consideration will be determined based on the Share Sale Agreement dated August 27, 2008 as disclosed in Note 30.

10. INVESTMENT IN SUBSIDIARIES (cont'd)

Acquisition of a subsidiary during the year (cont'd)

- (a) The fair values of the assets acquired and liabilities assumed of BinaFikir Sdn. Bhd. on acquisition date of November 11, 2008, were as follows:

	Unaudited as at November 11, 2008 RM'000
Assets	
Cash and short-term funds	2,722
Trade and other receivables	944
Property, plant and equipment	268
Total assets	3,934
Liabilities	
Other payables and accruals	2,773
Provision for taxation	42
Total liabilities	2,815
Fair value of net assets acquired	1,119
Goodwill on acquisition (Note 13)	2,518
Total cost of acquisition	3,637
The cash outflow on acquisition is as follows:	
Provisional Purchase consideration satisfied by cash	3,637
Cash and cash equivalents of the subsidiary acquired	(2,722)
Net cash outflow of the Bank	915

11. INVESTMENT IN ASSOCIATES

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted shares, at cost	4,200	26,775	4,200	26,775
Share of post-acquisition reserves	4,812	13,928	-	-
	9,012	40,703	4,200	26,775
Represented by the Group's share of: Net tangible assets	9,012	40,703	-	-

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11. INVESTMENT IN ASSOCIATES (cont'd)

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Proportion of Ownership Interest and Voting Power (%)		Principal Activities
		2009	2008	
Maydis Berhad	Malaysia	30.1	30.1	Dormant
Mayban Ventures Sdn. Bhd.	Malaysia	30.0	30.0	Venture capital services
Baiduri Securities Sdn. Bhd.	Brunei	39.0	39.0	Dormant

During the financial year, Maydis Berhad agreed to waive the entire amount owed by the Bank amounting to RM31,029,000 as a result of the business transfer in November 11, 2006. RM22,575,000 has been recognised as a return of capital and the balance of RM8,454,000 has been recognised as income in the income statements as disclosed in Note 23.

The financial statements of the above associates are coterminous with those of the Group except for Baiduri Securities Sdn. Bhd. which has a financial year end of December 31. The Group has discontinued the share of losses of Baiduri Securities Sdn. Bhd. because the share of losses of this associate has exceeded the Group's interest in the associate. The Group's unrecognised share of losses of this associate for the current year was RM Nil (2008: RM Nil) and the share of accumulated losses of RM4,459,000 (2008:RM4,459,000).

The summarised financial information of the associates are as follows:

	2009 RM'000	2008 RM'000
Assets and liabilities		
Current assets	44,094	150,493
Non-current assets	18,262	19,052
Total assets	62,356	169,545
Current liabilities	34,226	34,239
Total liabilities	34,226	34,239
Results		
Revenue	9,918	8,881
Profit for the year	5,565	14,324

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group 2009	Freehold	Leasehold	Office	Data	Office	Motor	Total
	Land and Buildings RM'000	Land and Buildings RM'000	Equipment Furniture and Fittings RM'000	Processing Equipment RM'000	Renovation RM'000	Vehicles RM'000	
Cost							
At July 1, 2008	657	1,636	20,773	20,366	12,669	1,244	57,345
Acquisition of a subsidiary	-	-	112	122	406	-	640
Additions	-	-	389	75	452	-	916
Disposals	-	-	(72)	(65)	-	(181)	(318)
Exchange differences	-	21	-	-	-	-	21
At June 30, 2009	657	1,657	21,202	20,498	13,527	1,063	58,604
Accumulated Depreciation							
At July 1, 2008	152	705	16,302	19,281	10,233	653	47,326
Acquisition of a subsidiary	-	-	88	88	196	-	372
Charge for the year	13	23	1,203	365	966	189	2,759
Disposals	-	-	(72)	(65)	-	(181)	(318)
Exchange differences	-	33	-	-	-	-	33
At June 30, 2009	165	761	17,521	19,669	11,395	661	50,172
Net Carrying Amount							
At June 30, 2009	492	896	3,681	829	2,132	402	8,432
Group 2008							
Cost							
At July 1, 2007	657	1,649	20,411	19,244	11,121	973	54,055
Additions	-	-	566	1,130	1,548	753	3,997
Disposals	-	-	(199)	(8)	-	(482)	(689)
Exchange differences	-	(13)	(5)	-	-	-	(18)
At June 30, 2008	657	1,636	20,773	20,366	12,669	1,244	57,345
Accumulated Depreciation							
At July 1, 2007	139	683	15,320	19,023	9,420	931	45,516
Charge for the year	13	37	1,178	266	813	204	2,511
Disposals	-	-	(191)	(8)	-	(482)	(681)
Exchange differences	-	(15)	(5)	-	-	-	(20)
At June 30, 2008	152	705	16,302	19,281	10,233	653	47,326
Net Carrying Amount							
At June 30, 2008	505	931	4,471	1,085	2,436	591	10,019

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12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold Land and Buildings RM'000	Leasehold Land and Buildings RM'000	Office Equipment Furniture and Fittings RM'000	Data Processing Equipment RM'000	Office Renovation RM'000	Motor Vehicles RM'000	Total RM'000
Bank 2009							
Cost							
At July 1, 2008	657	1,164	20,612	20,366	12,669	1,244	56,712
Additions	-	-	389	75	452	-	916
Disposals	-	-	(72)	(66)	-	(181)	(319)
At June 30, 2009	657	1,164	20,929	20,375	13,121	1,063	57,309
Accumulated Depreciation							
At July 1, 2008	152	417	16,141	19,281	10,233	653	46,877
Charge for the year	13	23	1,181	347	914	189	2,667
Disposals	-	-	(72)	(66)	-	(181)	(319)
At June 30, 2009	165	440	17,250	19,562	11,147	661	49,225
Net Carrying Amount							
At June 30, 2009	492	724	3,679	813	1,974	402	8,084
Bank 2008							
Cost							
At July 1, 2007	657	1,164	20,245	19,244	11,121	973	53,404
Additions	-	-	566	1,130	1,548	753	3,997
Disposals	-	-	(199)	(8)	-	(482)	(689)
At June 30, 2008	657	1,164	20,612	20,366	12,669	1,244	56,712
Accumulated Depreciation							
At July 1, 2007	139	394	15,154	19,023	9,420	931	45,061
Charge for the year	13	23	1,178	266	813	204	2,497
Disposals	-	-	(191)	(8)	-	(482)	(681)
At June 30, 2008	152	417	16,141	19,281	10,233	653	46,877
Net Carrying Amount							
At June 30, 2008	505	747	4,471	1,085	2,436	591	9,835

13. INTANGIBLE ASSETS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Goodwill				
At cost:				
At July 1, 2008/2007	-	-	-	-
Additions	2,518	-	-	-
Written off	(2,518)			
At June 30	-	-	-	-
Computer software				
At cost:				
At July 1, 2008/2007	24,066	23,822	24,066	23,822
Additions	1,171	244	1,171	244
At June 30	25,237	24,066	25,237	24,066
Accumulated amortisation:				
At July 1, 2008/2007	23,112	21,826	23,112	21,826
Charge for the year	441	1,286	441	1,286
At June 30	23,553	23,112	23,553	23,112
Net carrying amount				
Goodwill	-	-	-	-
Computer software	1,684	954	1,684	954
	1,684	954	1,684	954

Goodwill during the year arose as a result of the acquisition of BinaFikir Sdn. Bhd. during the financial year as disclosed in Note 10, and has been written off during the year.

14. DEFERRED TAX ASSETS (NET)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At July 1, 2008/2007	39,347	16,288	39,924	17,402
Recognised in income statement (Note 25)	(1,045)	778	(1,045)	778
Recognised in equity	(14,031)	22,281	(14,462)	21,744
At June 30	24,271	39,347	24,417	39,924
Presented after appropriate offsetting as follows:				
Deferred tax assets, net	24,417	39,924	24,417	39,924
Deferred tax liabilities	(146)	(577)	-	-

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14. DEFERRED TAX ASSETS (NET) (cont'd)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group and of the Bank

	Loan Loss and Provision RM'000	Provision for Liabilities RM'000	Other Temporary Differences RM'000	Total RM'000
At July 1, 2008	10,278	10,058	20,242	40,578
Recognised in income statement	(399)	(752)	-	(1,151)
Recognised in equity	-	-	(14,462)	(14,462)
At June 30, 2009	9,879	9,306	5,780	24,965
At July 1, 2007	11,950	4,759	1,572	18,281
Recognised in income statement	(1,672)	5,299	(3,074)	553
Recognised in equity	-	-	21,744	21,744
At June 30, 2008	10,278	10,058	20,242	40,578

Deferred Tax Liabilities of the Group

	Other Temporary Differences RM'000	Accelerated Capital Allowance RM'000	Total RM'000
At July 1, 2008	(577)	(654)	(1,231)
Recognised in income statement	-	106	106
Recognised in equity	431	-	431
At June 30, 2009	(146)	(548)	(694)
At July 1, 2007	(1,114)	(879)	(1,993)
Recognised in income statement	-	225	225
Recognised in equity	537	-	537
At June 30, 2008	(577)	(654)	(1,231)

Deferred Tax Liabilities of the Bank

	Accelerated Capital Allowance RM'000
At July 1, 2008	(654)
Recognised in income statement	106
Recognised in equity	-
At June 30, 2009	(548)
At July 1, 2007	(879)
Recognised in income statement	225
Recognised in equity	-
At June 30, 2008	(654)

14. DEFERRED TAX ASSETS (NET) (cont'd)

As part of the Bank's rationalisation process in transforming itself into an investment bank in December 2006, the Bank was allowed to account for a tax credit equal to 27% of the unabsorbed business tax losses of Maysec (KL) Sdn. Bhd. prior to the rationalisation exercise, amounting to approximately RM53.65 million as tax credits, subject to the approval from the Inland Revenue Board (IRB). As at the end of the financial year, the approval from IRB has yet to be obtained. As such, these tax credits have not been recognised as deferred tax assets in the current year's financial statements.

15. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2009 RM'000	2008 RM'000
(i) By type of deposits		
Fixed and investment deposits	3,862,851	5,890,270
(ii) By maturity structure of deposits		
Due within six months	3,839,226	5,758,297
More than six months to one year	23,625	128,357
More than one year to three years	-	3,616
	3,862,851	5,890,270
(iii) By type of customer		
Government and statutory bodies	-	130,000
Business enterprises	2,208,425	4,047,379
Others	1,654,426	1,712,891
	3,862,851	5,890,270

16. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2009 RM'000	2008 RM'000
Licensed banks in Malaysia	232,470	1,216,760

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17. OTHER LIABILITIES

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest/profit payable	13,814	27,662	13,814	27,662
Provisions and accruals	41,566	45,629	47,707	44,003
Amount due to brokers and clients (Note a)	267,087	234,407	267,086	234,407
Deposits and other creditors	38,215	93,607	200,508	247,079
Profit equalisation reserve (IBS operations)	683	122	683	122
Zakat payable	85	41	-	41
Provisions for taxation	-	10,327	-	-
Provisions for taxation (IBS operations)	2,955	1,497	2,933	1,497
	364,405	413,292	532,731	554,811

- (a) Amount due to brokers and clients represents net amount payable to margin and non-margin clients, which include outstanding sales contracts entered into on behalf of clients, contra gains and losses, clients' trust monies and other fees and charges.

The trade credit term for trade contract payables for non-margin clients and brokers is 3 market days according to the Bursa Malaysia's Fixed Delivery and Settlement System (FDSS) trading rules.

18. SHARE CAPITAL

	2009	2008	Group and Bank			
			Number of Ordinary Shares of RM1 Each		Amount	
			2009 RM'000	2008 RM'000	RM'000	RM'000
Authorised			600,000	600,000	600,000	600,000
Issued and fully paid			50,116	50,116	50,116	50,116

19. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on December 28, 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders (single tier system). However, there is a transitional period of six years, expiring on December 31, 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at December 31, 2007 in accordance with Section 39 of the Finance Act 2007.

19. RETAINED EARNINGS (cont'd)

The Bank did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the Section 108 balance as at June 30, 2009 and 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at June 30, 2009 and 2008, the Bank has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

20. EQUITY CONTRIBUTION FROM PARENT

Equity contribution from parent represents the cumulative fair value of equity-settled share-based compensation plan for the employees of the Group and of the Bank, the Malayan Banking Berhad Group Employee Share Options Scheme (ESOS).

The terms of the current ESOS includes provision for the participation of non-executive directors. The maximum number of ordinary shares of RM1 each in Malayan Banking Berhad available under the ESOS should not exceed 15% of the total number of issued and paid-up capital of Malayan Banking Berhad at any point of time during the duration of the scheme. Other principal features of the ESOS are as follows:

- (a) The employees eligible to participate in the ESOS must be employed and on the payroll of Malayan Banking Berhad and its subsidiaries for a continuous period of at least twenty four (24) months including service during the probation period and is confirmed in service;
- (b) The non-executive directors eligible to participate in the ESOS must have been a Non-Executive Director of the Malayan Banking Berhad Group for a continuous period of at least twenty four (24) months;
- (c) The entitlement under the ESOS for the Executive Directors and Non-Executive Directors, including any persons connected to the directors is subject to the approval of the shareholders of Malayan Banking Berhad in a general meeting;
- (d) The ESOS shall be in force for a period of five (5) years from its commencement and no further options under the scheme will be granted thereafter unless the shareholders of Malayan Banking Berhad in a general meeting agree to continue with the ESOS for a further period of five (5) years with or without variations, and subject to the approvals of relevant authorities, provided that the duration of the ESOS including any extension, if any, shall not exceed a total period of ten (10) years from its commencement;
- (e) The new ordinary shares in Malayan Banking Berhad allotted upon any exercise of options under the scheme will upon allotment, rank pari passu in all aspects with the then existing ordinary shares in Malayan Banking Berhad, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Article of Association of Malayan Banking Berhad relating to transfer, transmission and otherwise; and
- (f) The subscription price shall be at a discount, within the limit allowed by the relevant authorities from time to time and shall be decided by the ESOS Committee at its discretion, to the weighted average market price of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer, but shall in no event be less than the par value of the shares.
- (g) Pursuant to the bonus issue exercise of 1 new ordinary share for every 4 ordinary shares held as disclosed in Note 49(c), the ESOS committee has approved the corresponding adjustments be made to the unexercised options under the ESOS, which is in accordance with the Malayan Banking Berhad Group ESOS By-Laws. The additional shares were allocated at no cost to the option holder.

Additional shares, calculated in the same ratio as the bonus issue (1 share for every 4 shares) would be allocated and kept in reserve until such time the option holders exercised the options, subject to the expiry of the option period on August 26, 2009.

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20. EQUITY CONTRIBUTION FROM PARENT (cont'd)

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year as disclosed in the financial statements of Malayan Banking Berhad:

Grant Date	Number of Share Options					Outstanding at June 30 2009/2008 '000	Exercisable at June 30 2009/2008 '000
	Outstanding at July 1 2008/2007 (Adjusted for Bonus and Rights Issue)	Movement During the Year					
	'000	Granted '000	Exercised '000	Forfeited '000	Expired '000		
2009							
1.9.2004	4,118	4,858	(16)	(105)	-	8,855	8,855
15.10.2004	3,158	1,600	(1)	(75)	-	4,682	4,682
30.6.2005	150	60	-	-	-	210	210
14.11.2005	6,905	2,724	(1)	(168)	-	9,460	9,460
14.11.2006	12,696	5,109	(1)	(480)	-	17,324	17,324
	27,027	14,351	(19)	(828)	-	40,531	40,531
WAEP							
2008							
1.9.2004	14,318	-	(5,342)	(4,858)	-	4,118	4,118
15.10.2004	5,043	-	(1,397)	(488)	-	3,158	3,158
30.6.2005	150	-	-	-	-	150	150
14.11.2005	10,912	-	(2,982)	(1,025)	-	6,905	6,905
14.11.2006	19,436	*139	(5,954)	(925)	-	12,696	12,696
	49,859	139	(15,675)	(7,296)	-	27,027	27,027
WAEP	9.82	10.19	9.78	9.49	-	9.94	9.94

* Reinstatement of the share allotments to 8 employees under the 4th ESOS Offer.

(i) Details of share options outstanding at the end of the year:

Grant Date	Exercise Price RM'000	Exercise Period
2009		
1.9.2004	6.61	1.9.2004 - 25.8.2009
15.10.2004	7.07	15.10.2004 - 25.8.2009
30.6.2005	7.58	6.1.2005 - 25.8.2009
14.11.2005	7.10	14.11.2005 - 25.8.2009
14.11.2006	7.30	14.11.2006 - 25.8.2009

20. EQUITY CONTRIBUTION FROM PARENT (cont'd)

(i) Details of share options outstanding at the end of the year (cont'd):

Grant Date	Exercise Price RM'000	Exercise Period
2008		
1.9.2004	9.23	1.9.2004 - 25.8.2009
15.10.2004	9.87	15.10.2004 - 25.8.2009
30.6.2005	10.58	6.1.2005 - 25.8.2009
14.11.2005	9.92	14.11.2005 - 25.8.2009
14.11.2006	10.19	14.11.2006 - 25.8.2009

(ii) Fair value of share options granted on 14.11.2006

The fair value of share options granted by Malayan Banking Berhad on 14.11.2006 was estimated by an external valuer using a trinomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured and the assumptions were as follows:

Fair value of share options at 14.11.2006 at (RM) :	1.38
Weighted average share price (RM)	11.50
Weighted average exercise price (RM)	10.19
Expected volatility (%)	14.26%
Expected life (years)	1 - 2.8
Risk free rate (%)	3.63%
Expected dividend yield (%)	5.50%

The expected life of the options was based on historical data and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility were indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

21. INTEREST INCOME

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Loans and advances				
- Interest income other than recoveries from non-performing loans	10,449	13,923	10,449	13,923
- Recoveries from non-performing loans	498	3,267	498	3,267
Money at call and deposit placements with banks and other financial institutions	21,454	121,709	20,935	121,072
Securities held-for-trading	24,671	26,873	24,671	26,873
Securities available-for-sale	136,047	112,784	136,047	112,784
Securities held-to-maturity	19,322	12,889	19,322	12,889
Others	536	155	536	155
	212,977	291,600	212,458	290,963
Add:				
Amortisation of premiums and accretion of discounts, net	34,570	15,871	34,570	15,871
Total interest income	247,547	307,471	247,028	306,834

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22. INTEREST EXPENSE

	Group and Bank	
	2009	2008
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	85,797	99,235
Deposits from customers	84,722	146,272
	170,519	245,507

23. NON-INTEREST INCOME

	Group		Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Corporate advisory fees	52,556	48,240	44,348	48,240
Guarantee fees	-	42	-	42
Underwriting commission	(183)	14,268	(183)	14,268
Brokerage income	53,974	84,547	53,974	84,547
Other fee income	43	58	43	58
Total fee income	106,390	147,155	98,182	147,155
Investment income:				
Loss from sale of securities held-for-trading, net	(7,344)	(9,759)	(7,344)	(9,759)
Gain from sale of securities available - for-sale, net	15,315	61,880	15,315	61,880
Early redemption gain from securities held-to-maturity, net	138	216	138	216
Gross dividends from:				
Securities available-for-sale				
- Quoted in Malaysia	1,854	2,948	1,854	2,948
- Quoted outside Malaysia	1,564	1,853	-	-
- Unquoted in Malaysia	295	115	295	115
- Associates	-	-	1,124	3,559
Unrealised gain/(loss) on revaluation of securities held-for-trading and derivatives	12,890	(14,742)	12,890	(14,742)
Provision for impairment losses in securities, net	(5,000)	(21,000)	(5,000)	(21,000)
	19,712	21,511	19,272	23,217
Other income:				
Foreign exchange gain/(loss) - unrealised	1,400	(767)	1,187	(967)
Rental income	2	3	2	3
Net gain on disposal of property, plant and equipment	51	99	51	99
Loss on disposal of foreclosed properties	(1)	(63)	(1)	(63)
Gain on disposal of an associate	-	4,761	-	6,858
Net gain on waiver of debt by an associate	8,454	-	8,454	-
Goodwill written off	(2,518)	-	-	-
Others	522	594	457	532
	7,910	4,627	10,150	6,462
Total non-interest income	134,012	173,293	127,604	176,834

24. OVERHEAD EXPENSES

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Personnel expenses				
- Salaries, allowances and bonuses	50,256	48,928	50,256	48,830
- Pension costs - defined contribution plan	4,731	6,517	4,731	6,517
- Other staff related expenses	4,149	5,102	4,148	5,139
	59,136	60,547	59,135	60,486
Establishment costs				
- Depreciation of property, plant and equipment	2,759	2,511	2,667	2,497
- Amortisation of computer software	441	1,286	441	1,286
- Rental	6,678	8,348	6,678	8,320
- Repairs and maintenance of property, plant and equipment	3,226	1,727	3,224	1,727
- Information technology expenses	1,260	1,103	1,260	1,103
- Others	12,718	9,038	11,696	9,038
	27,082	24,013	25,966	23,971
Marketing costs				
- Advertisement and publicity	2,758	4,636	2,758	4,631
- Dealers' incentives	5,718	9,437	5,718	9,437
- Others	1,641	2,471	1,638	2,471
	10,117	16,544	10,114	16,539
Administration and general expenses				
- Fee and brokerage	5,776	5,857	3,561	5,769
- Administrative expenses	1,065	4,526	2,884	4,446
- General expenses	185	623	235	550
	7,026	11,006	6,680	10,765
Total overhead expenses	103,361	112,110	101,895	111,761
Included in overhead expenses are the following:				
Directors' remuneration (Note 27)	2,082	2,225	2,082	2,225
Rental of premises	5,940	5,765	5,940	5,765
Hire of equipment	3,602	3,407	3,602	3,407
Auditors' remuneration				
- Current year	278	223	227	176
- Underprovision in prior year	-	22	-	22

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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25. WRITE BACK OF LOSSES ON LOANS AND ADVANCES, NET

	Group and Bank	
	2009 RM'000	2008 RM'000
Write back of bad and doubtful debts:		
(a) Specific allowance		
- Made during the year	4,331	12,710
- Written back during the year	(2,629)	(34,989)
(b) General allowance		
- Made during the year	15,276	1,129
- Written back during the year	(16,876)	(4,273)
Bad debts recovered	(3,344)	(7,620)
Provision for/(write back) of allowance of amount due from brokers and clients	80	(6,321)
	(3,162)	(39,364)

26. TAXATION AND ZAKAT

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tax expense for the year:				
Malaysian income tax	28,911	45,855	26,965	46,653
Foreign income tax	(15)	(136)	-	-
(Over)/Underprovision in prior years	(36,103)	20,816	(36,103)	4,409
	(7,207)	66,535	(9,138)	51,062
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences (net)	257	(2,178)	257	(2,178)
Relating to changes in tax rate	788	1,400	788	1,400
	1,045	(778)	1,045	(778)
Zakat	45	34	45	34
	(6,117)	65,791	(8,048)	50,318

Income tax is calculated at the Malaysian statutory tax rate of 25% (2008:26%) of the estimated assessable profit for the year.

26. TAXATION AND ZAKAT (cont'd)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit before taxation	107,352	171,872	111,007	170,307
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	27,468	44,687	27,752	44,280
Share of associates' taxation	(281)	(925)	-	-
Effect of different tax rates in other tax jurisdictions	(9)	(416)	-	-
Income not subject to tax	(7,736)	-	(7,757)	-
Expenses not deductible for tax purposes	9,725	195	7,227	195
Utilisation of previously unrecognised unabsorbed capital allowances	(14)	-	-	-
Effect of change in tax rate on opening balance of deferred tax assets	788	1,400	788	1,400
(Over)/underprovision of tax in prior year	(36,103)	20,816	(36,103)	4,409
Tax expense for the year	(6,162)	65,757	(8,093)	50,284
Zakat	45	34	45	34
Tax expense and zakat for the year	(6,117)	65,791	(8,048)	50,318

27. DIRECTORS' REMUNERATION

	Group and Bank	
	2009 RM'000	2008 RM'000
Directors of the Bank:		
Executive Directors:		
Salary and other remuneration, including meeting allowances	1,525	1,701
Pension costs - defined contribution plan	267	187
Benefits-in-kind	7	8
	1,799	1,896
Non-Executive Directors:		
Fees	290	337
Total	2,089	2,233
Total (excluding benefits-in-kind) (Note 24)	2,082	2,225

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27. DIRECTORS' REMUNERATION (cont'd)

Number of directors of the Bank whose remuneration falls into the following bands:

	Bank	
	2009 RM'000	2008 RM'000
Number of Executive Directors:		
RM1,850,001 to RM1,900,000	-	1
RM850,001 to RM900,000	1	-
RM200,000 to RM250,000	1	-
Number of Non-Executive Directors:		
RM50,001 to RM100,000	1	3
Up to RM50,000	9*	5
	12	9

* Includes RM65,624 paid during the year to 3 past directors who served in the financial year ended June 30, 2008.

28. EARNINGS PER SHARE

The basic earnings per share (EPS) of the Group and the Bank are calculated by dividing the net profit for the year by the number of ordinary shares in issue during the financial year.

	Group		Bank	
	2009	2008	2009	2008
Net profit for the year (RM'000)	113,469	106,081	119,055	119,989
Number of ordinary shares in issue ('000)	50,116	50,116	50,116	50,116
Basic EPS (sen)	226	212	238	239

29. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the Group's and the Bank's other significant related party transactions and balances:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Transactions with holding company:				
Income:				
Interest on securities	9,850	13,879	9,850	13,879
Interest on deposits and placements	2,556	5,074	2,556	4,438
Expenditure:				
Interest on deposits and placements	39,733	33,902	39,733	33,902
Rental of premises	2,398	2,410	2,398	2,410
Other expenses	2,099	1,996	2,099	1,996
Other Transactions:				
Gain on disposal of securities with carrying amount of RM5,229,114,000 (2008: RM3,832,159,000) for cash consideration of RM5,229,941,000 (2008: RM3,841,728,000)	827	9,569	827	9,569
Transactions with associates:				
Income:				
Dividend income	-	-	1,124	3,559
Other income	-	-	39	37
Transactions with other related companies within Malayan Banking Berhad's Group:				
Income:				
Interest on securities	13,414	8,570	13,414	8,570
Interest on deposits and placements	3,533	359	3,533	359
Expenditure:				
Interest on deposits and placements	12,910	10,809	12,910	10,809
Other expenses	2,186	2,912	2,186	2,912

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29. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Holding company:				
Amount due to:				
Deposits and placements	-	908,500	-	908,500
Interest payable on deposits	-	5,489	-	5,489
Unrealised loss from interest rate swap	-	4,876	-	4,876
Amount due from:				
Current accounts and deposits	58,498	100,459	32,341	68,536
Securities	55,500	240,101	55,500	240,101
Interest receivable from deposits	55,529	2,288	174	2,255
Other creditors	-	1,226	-	1,226
Associates:				
Amount due to:				
Others	-	30,890	-	30,890
Related companies:				
Amount due to:				
Deposits and placements	805,261	436,205	805,261	436,205
Interest payable on deposits	223	153	223	153
Other creditors	-	-	171,474	171,474
Amount due from:				
Deposits	-	1,500	-	1,500
Securities	-	486,005	-	486,005
Others	1,272	773	1,272	773

The directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

Compensation of key management personnel

Remuneration of executive directors and the chief executive officers for the year is as follows:

	Group and Bank	
	2009	2008
	RM'000	RM'000
Short-term employee benefits:-		
Salary and other remuneration, including meeting allowances	1,525	1,701
Pension costs - defined contribution plan	267	187
Benefits-in-kind	7	8
	1,799	1,896

(a) Credit exposures arising from credit transactions with connected parties

	Group and Bank
	2009
	RM'000
Outstanding credit exposures with connected parties	500
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.20%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	-

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

30. SIGNIFICANT EVENTS

On November 11, 2008, the Bank acquired the entire issued and paid up capital of BinaFikir Sdn. Bhd. for a provisional consideration of RM3,637,011. The final consideration will be determined after June 30, 2009 based on the Share Sale Agreement dated August 27, 2008. The final consideration has yet to be determined at the date of this report.

The Bank has obtained internal approval from both the Bank's Board of Directors and Malayan Banking Berhad's Board of Directors on May 20, 2009 and May 27, 2009 respectively on the proposed Treasury Centralisation Exercise involving the transfer of Investment Banking Markets (*the Treasury business of the Bank*) to Maybank's Global Markets. External approvals including that of Bank Negara Malaysia are still pending, at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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31. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. Risk weighted exposures of the Group and of the Bank as at June 30, are as follows:

Group and Bank	2009			2008		
	Principal Amount RM'000	Credit Equivalent* RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent* RM'000	Risk Weighted Amount RM'000
Obligations under underwriting agreements	30,000	-	-	195,000	-	-
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	315,967	-	-	502,022	-	-
Interest rate related contracts: Swap						
- Less than one year	-	-	-	210,000	525	105
- One year to less than five years	-	-	-	915,000	31,550	6,310
	345,967	-	-	1,822,022	32,075	6,415

* The credit equivalent amount is arrived at using the credit evaluation conversion factor as per Bank Negara Malaysia's guideline.

Interest rate related contracts are subject to market risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in this type 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.

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group and the Bank have a gain position. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates and prices. As at June 30, 2009, there were no contracts subject to credit risk.

Contingent liabilities

	Group and Bank	
	2009 RM'000	2008 RM'000
(i) Guarantee given to the holding company for banking facilities extended to Bursa Malaysia Securities Clearing Berhad	1,000	1,000
(ii) Claims under litigation*	10,091	10,091
	11,091	11,091

* The Group and the Bank are aggressively defending all of the claims under litigation, through their solicitors, the outcomes of which are subject matter for the Courts to eventually determine.

31. COMMITMENTS AND CONTINGENCIES (cont'd)

Contingent liabilities (cont'd) Unsecured (cont'd)

- (iii) A corporate borrower issued a writ of summons against the Bank in 2005 in its capacity as agent bank for the syndicate lenders claiming general, special and exemplary damages arising from alleged breach of duty owed by the Bank. 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 RM4.0 million which were granted by the Bank and three other financial institutions as the syndicated lenders. The loan was restructured in 2002 to RM38 million with terms for repayment. In 2006, the Bank and three other syndicated lenders filed a suit against the corporate borrower for the recovery of the loan. The two suits were then ordered by the court to be heard together.

Pursuant to an agreement dated December 19, 2006, the Bank had disposed off its exposure under this loan to its holding company.

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

The balance of the judgement claim (*including for general damages*) against the Bank as agent for the syndicated lenders, was ordered to be assessed by the Senior Assistant Registrar, at a later date which has yet to be determined at the date of this report. The Bank has filed a notice of appeal and an application for stay of execution of the judgement sum. On June 24, 2009, the Court granted a stay order pending the affixture of appeal. The borrower had on June 24, 2009 filed an appeal against the decision on the stay and the date for the hearing of this appeal has yet to be fixed by the court.

- (iv) A borrower has filed a counter claim suit against the Bank in 2006 in response to a suit filed by the Bank against the borrower in 2005. The claim of approximately RM62.73 million is based on the alleged unauthorised trading by his remisier in his margin account.

The suit is currently pending consolidation of the Court's files from the Penang High Court to the Kuala Lumpur High Court for further trial. No hearing dates have been fixed as at the date of this report.

The Bank continues to defend both the claims, through its solicitors, the outcome of which is for the Court to eventually determine.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is a critical pillar of the Malayan Banking Berhad Group's operating model. The establishment of the Risk Management Department in the Bank was to adhere and be in line with sound risk management practice as required by Bank Negara Malaysia. As part of the Bank's strategy to integrate the management and control of risks across the various risk segments, a dedicated Board committee known as the Risk Management Committee was established. The Committee is responsible for formulating policies and the oversight of credit, market, liquidity, operational and interest rate risks. In terms of risk management, the Bank has transformed from a compliance driven culture to a risk aware culture.

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**(a) Credit risk management**

In discharging this responsibility, the Credit Risk Unit is primarily involved in managing and enhancing asset quality, formulating and reviewing credit policies as well as the documentation/compilation of credit policies and procedures for adherence. The Credit Risk Unit also sets and reviews concentration limits according to various categories such as single customer groups, economic segments, product types, banks and countries, and overseas credit portfolio risk.

(b) Market risk management

The Market Risk Unit continually evaluates risk arising from adverse movements in market prices or rates and monitors compliance to approved policies and risk limits. Market risk profiles are regularly reported to the various levels of management, as well as the Risk Management Committee and the Board of Directors.

Market risk controls adopted include the "Value-at-Risk" (VaR) measurement, independent mark-to-market valuations, on-line tracking of various risk limits for trading positions, stress testing of portfolios, back testing of risk models and new product introduction guidelines.

(c) Liquidity risk management

The primary mechanism and tool for monitoring liquidity is the cash flow behaviour of the Bank. This framework ascertains liquidity based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of eligible liquid assets.

The Group and the Bank maintains a minimum level of liquid assets although there is no such regulatory requirement. These assets are maintained in the form of cash and marketable debt securities that are issued by both sovereigns and triple-A rated private entities.

(d) Operational risk management

The Risk Taking Units (*including the support units*) are primary parties responsible for the management of day-to-day operational risks inherent in their respective business and functional areas. While the Operational Risk Unit is responsible for the second line of defence, the Internal Audit acts as the third line of defence by overseeing compliance in respect of day-to-day management of operational risks at the Risk Taking Units and providing independent assessments regarding the overall effectiveness of the operational risk management framework.

33. INTEREST RATE RISK

The Group and Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Asset and Liability Management Committee (ALCO) to protect total net interest income from changes in market interest rates.

The table below summarises the Group's and the Bank's exposure to interest rate risk. The table indicates effective interest rates at the balance sheet date and the periods in which the financial instruments are repriced or mature, whichever is earlier.

33. INTEREST RATE RISK (cont'd)

Group 2009	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 Book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	600,525	-	-	-	-	134,875	-	735,400	1.98
Deposits and placements with banks and other financial institutions	-	4,147	1,260	-	-	9,334	-	14,741	1.92
Securities held-for-trading	-	-	-	-	-	19,930	376,510	396,440	4.74
Securities available-for-sale	14,954	25,148	126,184	1,443,211	800,438	300,999	-	2,710,934	4.74
Securities held-to-maturity	-	-	10,003	494,538	217,860	11,315	-	733,716	4.36
Loans and advances									
- performing	148,025	1	119,593	494	13,703	2,999	-	284,815	6.06
- non-performing *	-	-	-	-	-	(33,280)	-	(33,280)	-
Other assets	-	-	-	-	-	317,763	-	317,763	-
Other non-interest sensitive balances	-	-	-	-	-	53,763	-	53,763	-
Total assets	763,504	29,296	257,040	1,938,243	1,032,001	817,698	376,510	5,214,292	
Liabilities and equity									
Deposits from customers	3,294,890	190,718	377,243	-	-	-	-	3,862,851	2.32
Deposits and placements of banks and other financial institutions	232,470	-	-	-	-	-	-	232,470	3.30
Other liabilities	-	-	-	-	-	364,405	-	364,405	-
Other non-interest sensitive balances	-	-	-	-	-	146	-	146	-
Total liabilities	3,527,360	190,718	377,243	-	-	364,551	-	4,459,872	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	704,304	-	704,304	-
Total equity	-	-	-	-	-	754,420	-	754,420	
Total liabilities and equity	3,527,360	190,718	377,243	-	-	1,118,971	-	5,214,292	
On-balance sheet interest sensitivity gap	(2,763,856)	(161,422)	(120,203)	1,938,243	1,032,001	(301,273)	376,510	-	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	-	-	-	-	-	-	-	-	-
Total interest sensitivity gap	(2,763,856)	(161,422)	(120,203)	1,938,243	1,032,001	(301,273)	376,510	-	
Cumulative interest rate sensitivity gap	(2,763,856)	(2,925,278)	(3,045,481)	(1,107,238)	(75,237)	(376,510)	-	-	

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loans outstanding.

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33. INTEREST RATE RISK (cont'd)

Group 2008	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 Book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	2,682,383	-	-	-	-	173,096	-	2,855,479	3.51
Deposits and placements with banks and other financial institutions	-	501,485	3,170	-	-	8,894	-	513,549	3.58
Securities held-for-trading	-	-	-	-	-	5,906	470,868	476,774	4.93
Securities available-for-sale	31,932	195,058	423,042	1,507,087	693,990	922,026	-	3,773,135	4.42
Securities held-to-maturity	-	-	50,452	203,454	18,031	19,510	-	291,447	4.05
Loans and advances									
- performing	104,237	-	11	646	14,808	4,233	-	123,935	8.10
- non-performing *	-	-	-	-	-	(35,775)	-	(35,775)	-
Other assets	-	-	-	-	-	242,074	-	242,074	-
Other non-interest sensitive balances	-	-	-	-	-	96,600	-	96,600	-
Total assets	2,818,552	696,543	476,675	1,711,187	726,829	1,436,564	470,868	8,337,218	
Liabilities and equity									
Deposits from customers	4,696,424	896,374	293,856	3,616	-	-	-	5,890,270	3.55
Deposits and placements of banks and other financial institutions	566,760	200,000	450,000	-	-	-	-	1,216,760	3.68
Other liabilities	-	-	-	-	-	413,292	-	413,292	-
Other non-interest sensitive balances	-	-	-	-	-	577	-	577	-
Total liabilities	5,263,184	1,096,374	743,856	3,616	-	413,869	-	7,520,899	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	766,203	-	766,203	-
Total equity	-	-	-	-	-	816,319	-	816,319	
Total liabilities and equity	5,263,184	1,096,374	743,856	3,616	-	1,230,188	-	8,337,218	
On-balance sheet interest sensitivity gap	(2,444,632)	(399,831)	(267,181)	1,707,571	726,829	206,376	470,868	-	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	175,000	950,000	(210,000)	(915,000)	-	-	-	-	-
Total interest sensitivity gap	(2,269,632)	550,169	(477,181)	792,571	726,829	206,376	470,868	-	
Cumulative interest rate sensitivity gap	(2,269,632)	(1,719,463)	(2,196,644)	(1,404,073)	(677,244)	(470,868)	-	-	

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loans outstanding.

33. INTEREST RATE RISK (cont'd)

Bank 2009	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 Book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	580,660	-	-	-	-	131,606	-	712,266	1.98
Deposits and placements with banks and other financial institutions	-	-	-	-	-	9,334	-	9,334	
Securities held-for-trading	-	-	-	-	-	19,930	376,510	396,440	4.74
Securities available-for-sale	14,955	25,148	126,184	1,443,211	800,438	252,663	-	2,662,599	4.74
Securities held-to-maturity	-	-	10,003	494,538	217,860	11,315	-	733,716	4.36
Loans and advances									
- performing	148,025	1	119,593	494	13,703	2,999	-	284,815	6.06
- non-performing *	-	-	-	-	-	(33,280)	-	(33,280)	-
Other assets	-	-	-	-	-	314,719	-	314,719	-
Other non-interest sensitive balances	-	-	-	-	-	279,527	-	279,527	-
Total assets		743,640	25,149	255,780	1,938,243	1,032,001	988,813	376,510	5,360,136
Liabilities and equity									
Deposits from customers	3,294,889	190,718	353,619	23,625	-	-	-	3,862,851	3.55
Deposits and placements of banks and other financial institutions	232,470	-	-	-	-	-	-	232,470	3.68
Other liabilities	-	-	-	-	-	532,731	-	532,731	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	-
Total liabilities	3,527,359	190,718	353,619	23,625	-	532,731	-	4,628,052	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	681,968	-	681,968	-
Total equity	-	-	-	-	-	732,084	-	732,084	
Total liabilities and equity	3,527,359	190,718	353,619	23,625	-	1,264,815	-	5,360,136	
On-balance sheet interest sensitivity gap	(2,783,719)	(165,569)	(97,839)	1,914,618	1,032,001	(276,002)	376,510	-	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	-	-	-	-	-	-	-	-	-
Total interest sensitivity gap	(2,783,719)	(165,569)	(97,839)	1,914,618	1,032,001	(276,002)	376,510	-	
Cumulative interest rate sensitivity gap	(2,783,719)	(2,949,288)	(3,047,127)	(1,132,509)	(100,508)	(376,510)	-		

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loans outstanding.

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33. INTEREST RATE RISK (cont'd)

Bank 2008	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 Book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	2,659,520	-	-	-	-	150,692	-	2,810,212	3.52
Deposits and placements with banks and other financial institutions	-	500,000	-	-	-	8,894	-	508,894	3.58
Securities held-for-trading	-	-	-	-	-	5,906	470,868	476,774	4.93
Securities available-for-sale	31,932	195,058	423,042	1,507,087	693,989	879,046	-	3,730,154	4.42
Securities held-to-maturity	-	-	50,452	203,454	18,031	19,510	-	291,447	4.05
Loans and advances									
- performing	104,223	-	11	646	14,808	4,233	-	123,921	8.10
- non-performing *	-	-	-	-	-	(35,775)	-	(35,775)	-
Other assets	-	-	-	-	-	241,595	-	241,595	-
Other non-interest sensitive balances	-	-	-	-	-	309,775	-	309,775	-
Total assets	2,795,675	695,058	473,505	1,711,187	726,828	1,583,876	470,868	8,456,997	
Liabilities and equity									
Deposits from customers	4,696,424	896,374	293,856	3,616	-	-	-	5,890,270	3.55
Deposits and placements of banks and other financial institutions	566,760	200,000	450,000	-	-	-	-	1,216,760	3.68
Other liabilities	-	-	-	-	-	554,811	-	554,811	-
Total liabilities	5,263,184	1,096,374	743,856	3,616	-	554,811	-	7,661,841	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	745,040	-	745,040	-
Total equity	-	-	-	-	-	795,156	-	795,156	
Total liabilities and equity	5,263,184	1,096,374	743,856	3,616	-	1,349,967	-	8,456,997	
On-balance sheet interest sensitivity gap	(2,467,509)	(401,316)	(270,351)	1,707,571	726,828	233,909	470,868	-	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	175,000	950,000	(210,000)	(915,000)	-	-	-	-	-
Total interest sensitivity gap	(2,292,509)	548,684	(480,351)	792,571	726,828	233,909	470,868	-	
Cumulative interest rate sensitivity gap	(2,292,509)	(1,743,825)	(2,224,176)	(1,431,605)	(704,777)	(470,868)	-		

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loans outstanding.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets and financial liabilities and also off-balance sheet derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Group's and the Bank's financial instruments, including loans and advances to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group and the Bank's financial instruments, including loans and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and of the Bank as a going concern.

The on-balance sheet financial assets and financial liabilities of the Group and of the Bank whose fair values are required to be disclosed in accordance with FRS 132 - Financial Instruments: Disclosure and Presentation, which comprise all its assets and liabilities with the exception of investment in subsidiaries, investment in associates, property, plant and equipment, intangible assets and deferred taxation.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and financial liabilities:

	2009		2008	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group and Bank				
Financial assets				
Securities held-to-maturity	733,716	737,852	291,447	283,269

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34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (cont'd)

The fair values of unrecognised financial instruments at the balance sheet date are as follows:

	2009		
	Nominal Amount RM'000	Fair Value - Assets RM'000	Fair Value - Liabilities RM'000
Group and Bank			
Interest rate contracts - Swaps	-	-	-

	2008		
	Nominal Amount RM'000	Fair Value - Assets RM'000	Fair Value - Liabilities RM'000
Group and Bank			
Interest rate contracts - Swaps	1,125,000	16,298	(21,173)

The fair values of the other assets and other liabilities, which are considered short term in nature, are estimated to approximate their carrying amount.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(a) Cash and short-term funds

The carrying amount approximates fair value due to the relatively short maturity of these financial instruments.

(b) Deposits and placements with banks and other financial institutions, obligations on securities sold under repurchase agreements

The carrying amounts of those financial instruments with remaining maturities of less than one year approximate their fair values due to the relatively short maturity of these instruments. For deposits and placements with maturities of more than one year, the fair values are estimated based on the discounted cash flows using applicable prevailing market rates of similar instruments at the balance sheet date.

(c) Securities held-for-trading, securities available-for-sale and securities held-to-maturity

The fair values are estimated based on quoted or observable market prices as at the balance sheet date. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, the expected future cash flows are discounted using prevailing market rates of similar instruments at the balance sheet date.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (cont'd)

(d) Loans and advances

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing loans, the fair values are deemed to approximate the carrying values which are net of interest/income-in-suspense and specific allowance for doubtful debts.

(e) Deposits from customers, deposits and placements of banks and other financial institutions

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

(f) Derivative financial instruments

Fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates relative to their terms. The fair values of the Group's and the Bank's derivative instruments are estimated by reference to quoted market prices. Internal models are used where no market price is available.

35. CAPITAL COMMITMENTS

Capital expenditure approved by the directors but not provided for in the financial statements are as follows:

	Group and Bank	
	2009	2008
	RM'000	RM'000
Property, plant and equipment:		
Approved but not contracted for	33	443

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36. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and of the Bank as at June 30, are as follows:

	Group		Bank	
	2009 %	2008 %	2009 %	2008 %
Capital ratios				
Core capital ratio				
Credit risk	79.67	107.97	79.87	107.32
Credit and market risks	29.42	30.09	28.20	27.86
Risk-weighted capital ratio				
Credit risk	81.85	107.97	79.87	107.32
Credit and market risks	30.22	30.09	28.20	27.86

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tier 1 capital				
Paid-up share capital	50,116	50,116	50,116	50,116
Share premium	172,669	172,669	172,669	172,669
Statutory reserves	50,116	50,116	50,116	50,116
Distributable retained profits	482,317	594,370	474,013	580,480
Less: Deferred tax assets (net)	(24,271)	(39,347)	(24,417)	(39,924)
Total Tier 1 capital	730,947	827,924	722,497	813,457
Tier 2 capital				
General allowance for bad and doubtful debts	39,514	41,114	39,514	41,114
Total capital	770,461	869,038	762,011	854,571
Less:				
Investment in subsidiaries (#)	-	-	(59,449)	(55,812)
Investment in subordinated instruments	(19,460)	(79,912)	(19,460)	(86,940)
Capital base	751,001	789,126	683,102	711,819

Excludes the cost of investment in a subsidiary, Maysec (KL) Sdn. Bhd. of RM171,475,000 as its business, assets and liabilities had been transferred to the Bank on December 30, 2006.

36. CAPITAL ADEQUACY (cont'd)

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

	Group			
	2009		2008	
	Principal Amount RM'000	Risk- Weighted Assets RM'000	Principal Amount RM'000	Risk- Weighted Assets RM'000
0%	982,567	-	3,263,219	-
10%	11,751	1,175	14,325	1,433
20%	432,509	86,502	384,584	76,917
50%	14,736	7,368	15,943	7,972
100%	818,705	818,705	570,737	570,737
Risk-weighted assets for counterparty risk		12		625
large exposure risk		3,751		73,175
Risk-weighted assets for credit risk		917,513		730,859
Risk-weighted assets for market risk		1,567,205		1,891,380
Total risk-weighted assets		2,484,718		2,622,239

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

	Bank			
	2009		2008	
	Principal Amount RM'000	Risk- Weighted Assets RM'000	Principal Amount RM'000	Risk- Weighted Assets RM'000
0%	982,567	-	3,263,219	-
10%	11,751	1,175	14,325	1,433
20%	403,970	80,794	334,662	66,932
50%	14,736	7,368	15,943	7,972
100%	762,163	762,163	513,155	513,155
Risk-weighted assets for counterparty risk		12		625
large exposure risk		3,751		73,175
Risk-weighted assets for credit risk		855,263		663,292
Risk-weighted assets for market risk		1,567,205		1,891,380
Total risk-weighted assets		2,422,468		2,554,672

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37. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

The primary format, business segment information, is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The amounts for each business segment are shown after the allocation of certain centralised cost, funding income and the applicable transfer pricing where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation. All inter-segment transactions are conducted at arm's length basis on normal commercial terms that are not more favourable than those generally available to the public.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

For the purpose of the business segments reporting, the various departments in the Group were defined and categorised in the following broad segments:

(a) Primary segment - By business segment**(i) Corporate advisory**

Corporate advisory focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, and share and futures dealings.

(ii) Corporate lending

Corporate lending caters to funding requirements of large corporate customers through direct lending.

(iii) Treasury

Treasury and Sales & Distribution involve in the proprietary trading in treasury related products and services such as foreign exchange, money market operations and securities trading.

(iv) Stockbroking

Stockbroking engages in the business of dealing in securities and acts as a securities broker.

(v) Others

This segment includes investment holding, nominee and custodian services.

37. SEGMENT INFORMATION (cont'd)

(a) Primary segment - By business segment

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

Group 2009	Corporate advisory RM'000	Corporate lending RM'000	Treasury RM'000	Stockbroking RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue							
Interest income	48	1,861	234,734	10,212	692	-	247,547
Net income from Islamic Banking							
Scheme Operations	-	-	5,627	-	-	-	5,627
Non-interest income	28,191	12,845	28,538	55,359	9,079	-	134,012
Total revenue	28,239	14,706	268,899	65,571	9,771	-	387,186
Results							
Segment results	27,718	13,440	103,809	61,929	9,771	-	216,667
Overhead expenses	(33,633)	(1,371)	(8,526)	(47,310)	(12,521)	-	(103,361)
Writeback of losses on loans and advances, net	53	-	1,524	1,745	(160)	-	3,162
Share of profits of associates	-	-	-	-	(9,116)	-	(9,116)
Profit before taxation							107,352
Taxation and zakat							6,117
Net profit for the year							113,469
Assets							
Segment assets	20,757	163,199	4,268,138	560,897	683,840	(832,128)	4,864,703
Investment in associates	-	-	-	-	4,200	4,812	9,012
Unallocated assets	-	-	-	-	-	-	340,577
Total assets							5,214,292
Liabilities							
Segment liabilities	-	-	4,109,818	485,858	155,229	(323,409)	4,427,496
Unallocated liabilities	-	-	-	-	-	-	32,376
Total liabilities							4,459,872
Other segment information							
Capital expenditure	-	-	-	823	1,264	-	2,087
Depreciation	-	-	-	2,067	692	-	2,759
Amortisation	-	-	-	256	185	-	441
Other significant non-cash expenses							
- Provisions	-	-	-	2,697	9,083	-	11,780

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37. SEGMENT INFORMATION (cont'd)

(a) Primary segment - By business segment (cont'd)

Group 2008	Corporate advisory RM'000	Corporate lending RM'000	Treasury RM'000	Stockbroking RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue							
Interest income	33	3,272	286,800	16,552	814	-	307,471
Net income from Islamic Banking Scheme Operations	-	-	4,543	-	-	-	4,543
Non-interest income	94,462	(16,951)	(21,090)	88,033	28,839	-	173,293
Total revenue	94,495	(13,679)	270,253	104,585	29,653	-	485,307
Results							
Segment results	94,433	(16,100)	22,988	108,825	29,654	-	239,800
Overhead expenses	(41,541)	(5,390)	(7,045)	(57,785)	(349)	-	(112,110)
Writeback of losses on loans and advances, net	-	25,884	(124)	10,105	3,499	-	39,364
Share of profits of associates	-	-	-	-	4,818	-	4,818
Profit before taxation							171,872
Taxation and zakat							(65,791)
Net profit for the year							106,081
Assets							
Segment assets	44,814	46,092	7,549,477	490,853	697,274	(830,982)	7,997,528
Investment in associates	-	-	-	-	26,775	13,928	40,703
Unallocated assets	-	-	-	-	-	-	298,987
Total assets							8,337,218
Liabilities							
Segment liabilities	-	-	7,139,689	289,418	182,439	(323,383)	7,288,163
Unallocated liabilities	-	-	-	-	-	-	232,736
Total liabilities							7,520,899
Other segment information							
Capital expenditure	-	-	-	2,420	1,821	-	4,241
Depreciation	-	-	-	1,986	525	-	2,511
Amortisation	-	-	-	1,058	228	-	1,286
Other significant non-cash expenses - Provisions	-	-	-	6,119	10,200	-	16,319

(b) Secondary segment - By geographical locations

The Group's operations are predominantly carried out in Malaysia and hence no segment information is presented by geographical locations.

38. RATING STATEMENT

The Bank's long-term rating of A1 and short term rating of P1 was reaffirmed by the Rating Agency Malaysia Berhad on April 2, 2009.

39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS)

BALANCE SHEET AS AT JUNE 30, 2009

	Note	Group and Bank	
		2009 RM'000	2008 RM'000
ASSETS			
Cash and short-term funds	(a)	510,040	1,220,670
Securities available-for-sale	(b)	97,003	93,949
Securities held-to-maturity	(c)	61,441	-
Other assets	(d)	1,199	2,049
Deferred tax assets, net	(e)	93	368
Total assets		669,776	1,317,036
Liabilities and Islamic banking fund			
Deposits from customer	(f)	375,407	953,256
Deposits and placements of banks and other financial institutions	(g)	232,470	308,260
Other liabilities	(h)	46,142	45,828
Provision for taxation and zakat	(i)	2,933	1,538
Total liabilities		656,952	1,308,882
Islamic banking capital fund		5,000	5,000
Reserves		7,824	3,154
		12,824	8,154
Total liabilities and Islamic banking fund		669,776	1,317,036

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
June 30, 2009

ANNUAL REPORT 2009

39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS) (cont'd)

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	Group and Bank	
		2009 RM'000	2008 RM'000
Income derived from investment of depositors' funds and others	(j)	27,010	28,184
Transfer to profit equalisation reserves		(561)	(42)
Gross attributable income		26,449	28,142
Income attributable to depositors	(k)	(21,211)	(23,899)
Income derived from investment of Islamic banking capital funds	(l)	5,238	4,243
		389	300
Income attributable to the Group and the Bank		5,627	4,543
Overhead expenses	(m)	(891)	(488)
Profit before taxation and zakat		4,736	4,055
Taxation	(n)	(1,179)	(1,055)
Zakat	(o)	(45)	(34)
Net profit for the year		3,512	2,966

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

Group and Bank	Islamic Banking Funds RM'000	Non- distributable Unrealised Holdings Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000
Net increase in fair value of securities	-	1,158	-	1,158
Net profit for the year	-	-	3,512	3,512
At June 30, 2009	5,000	232	7,592	12,824
At July 1, 2007	5,000	1,078	1,114	7,192
Net decrease in fair value of securities	-	(2,004)	-	(2,004)
Net profit for the year	-	-	2,966	2,966
At June 30, 2008	5,000	(926)	4,080	8,154

The accompanying notes form an integral part of the financial statements.

39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS) (cont'd)

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Group and Bank	
	2009	2008
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation and zakat	4,736	4,055
Adjustments for:		
Profit equalisation reserve	561	42
Accretion of discounts and amortisation of premiums	24	(1,780)
Operating profit before working capital changes	5,321	2,317
Increase in securities	(63,361)	(239)
Decrease/(Increase) in receivables	850	(1,429)
Increase in payables	199	1,562
(Decrease)/Increase in deposits from customers	(653,639)	938,331
Net cash (used in)/generated from operating activities	(710,630)	940,542
Cash flows from investing activity		
Capital injection from Head Office	-	-
Net cash generated from investing activity	-	-
Net (decrease)/increase in cash and cash equivalents	(710,630)	940,542
Cash and cash equivalents at July 1, 2008/2007	1,220,670	280,128
Cash and cash equivalents at June 30 - Note 38(a)	510,040	1,220,670

The accompanying notes form an integral part of the financial statements.

(A) CASH AND SHORT-TERM FUNDS

	Group and Bank	
	2009	2008
	RM'000	RM'000
Cash and balances with banks and other financial institutions	40	-
Deposit placements maturing within one month	510,000	1,220,670
	510,040	1,220,670

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
June 30, 2009

ANNUAL REPORT 2009

39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS) (cont'd)

(b) SECURITIES AVAILABLE-FOR-SALE

	Group and Bank	
	2009 RM'000	2008 RM'000
At Fair Value		
Money Market Instruments:		
Malaysian Government Investment Certificates	5,027	39,724
Khazanah Bonds	4,946	4,697
	9,973	44,421
Unquoted Securities:		
Private and Islamic Debt Securities in Malaysia	87,030	49,528
Total securities available-for-sale	97,003	93,949

The maturity structure of money market instruments available-for-sale are as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
One year to three years	4,946	44,421
More than three years but less than five years	5,027	-
	9,973	44,421

(c) SECURITIES HELD-TO-MATURITY

	Group and Bank	
	2009 RM'000	2008 RM'000
At amortised cost		
Money Market Instruments:		
Malaysian Government Investment Certificates	61,441	-

The maturity structure of money market instruments held-to-maturity are as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
One year to three years	25,289	-
More than five years	36,152	-
	61,441	-

39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS) (cont'd)

(d) OTHER ASSETS

	Group and Bank	
	2009 RM'000	2008 RM'000
Income receivable	1,199	2,049

(e) DEFERRED TAX ASSETS, NET

	Group and Bank	
	2009 RM'000	2008 RM'000
At July 1, 2008/2007	368	(372)
Recognised in equity	(275)	740
At June 30	93	368

(f) DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2009 RM'000	2008 RM'000
General investment deposits	375,407	953,256
(i) The maturity structure of general investment deposits is as follows:		
Due within six months	375,407	903,256
More than six months but less than one year	-	50,000
	375,407	953,256
(ii) The deposits are sourced from the following customers:		
Business enterprises	13,389	508,542
Others	362,018	444,714
	375,407	953,256

(g) DEPOSITS AND PLACEMENT OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2009 RM'000	2008 RM'000
Licensed banks	232,470	308,260

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
June 30, 2009

ANNUAL REPORT 2009

39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS) (cont'd)

(h) OTHER LIABILITIES

	Group and Bank	
	2009 RM'000	2008 RM'000
Profit payable	73	1,214
Profit equalisation reserve (PER)	683	122
Provisions and accruals	45,386	44,492
	46,142	45,828
The movements in PER are as follows:		
At July 1, 2008/2007	122	80
Amount arising during the year	561	42
At June 30	683	122

(i) PROVISION FOR TAXATION AND ZAKAT

	Group and Bank	
	2009 RM'000	2008 RM'000
Taxation	2,847	1,497
Zakat	86	41
	2,933	1,538

(j) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUND AND OTHERS

Details of the income derived from investment of depositors' funds are as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
Gross income from:		
- Securities available-for-sale	4,752	3,738
- Securities held-to-maturity	1,559	-
- Deposits and placements with financial institution	19,509	22,685
Accretion of discounts and amortisation of premium	(24)	1,761
	25,796	28,184
Gain from sale of investment		
- Securities	1,214	-
	27,010	28,184

39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS) (cont'd)

(k) INCOME ATTRIBUTABLE TO DEPOSITORS

	Group and Bank	
	2009	2008
	RM'000	RM'000
Deposits from customers - Mudharabah fund	4,358	8,590
Deposits and placements of banks and other financial institutions - Mudharabah fund	16,853	15,309
	21,211	23,899

(l) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING CAPITAL FUNDS

Details of the income derived from investment of Islamic banking capital funds are as follows:

	Group and Bank	
	2009	2008
	RM'000	RM'000
Gross income from:		
- Securities available-for-sale	69	40
- Securities held-to-maturity	22	-
- Deposits and placements with financial institutions	281	241
Gain from sale of investment securities available-for-sale	17	-
Accretion of discounts and amortisation of premiums	-	19
	389	300

(m) OVERHEAD EXPENSES

	Group and Bank	
	2009	2008
	RM'000	RM'000
Establishment costs	889	488
Administration and general expenses	2	-
	891	488

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
June 30, 2009

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39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS) (cont'd)

(n) TAXATION AND ZAKAT

	Group and Bank	
	2009 RM'000	2008 RM'000
Income tax for the year:		
Malaysian income tax	1,179	1,055
Zakat	45	34
Tax expense and zakat for the year	1,224	1,089

Income tax is calculated at the Malaysian statutory tax rate of 25% (2008:26%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

	Group and Bank	
	2009 RM'000	2008 RM'000
Profit before taxation and zakat	4,736	4,055
Taxation at Malaysian statutory tax rate of 25% (2008:26%)	1,184	1,055
Effect of expenses not deductible for tax purposes	(5)	-
Tax expense for the year	1,179	1,055
Zakat	45	34
Tax expense and zakat for the year	1,224	1,089

39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS) (cont'd)

(o) CAPITAL ADEQUACY

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	Group and Bank	
	2009	2008
	%	%
Capital ratios		
Core capital and risk-weighted capital ratios:		
Credit risk	2,436.45	1,156.97
Credit and market risks	27.28	23.99

	Group and Bank	
	2009	2008
	RM'000	RM'000
Tier 1 capital		
Islamic banking capital fund	5,000	5,000
Retained profits	7,592	4,080
Less: Deferred tax assets	(93)	(368)
Total Tier 1 capital	12,499	8,712
Tier 2 capital	-	-
Capital base	12,499	8,712

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

	2009		2008	
	Principal Amount	Risk-Weighted Assets	Principal Amount	Risk-Weighted Assets
	RM'000	RM'000	RM'000	RM'000
0%	572,002	-	1,220,766	-
10%	-	-	-	-
20%	206	41	1,500	300
50%	-	-	-	-
100%	472	472	453	453
Risk-weighted assets for credit risk		513		753
Risk-weighted assets for market risk		45,308		35,558
Total risk-weighted assets		45,821		36,311

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

June 30, 2009

ANNUAL REPORT 2009

39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS) (cont'd)

(p) YIELD/PROFIT RATE RISK ON IBS PORTFOLIO

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in interest rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the Group and the Bank to protect the income from IBS operations.

The table below summarises the Group's and the Bank's exposure to yield/profit rate risk for the IBS operations. The table indicates effective yield/profit rates at the balance sheet date and the periods in which the financial instruments repriced or mature, whichever is earlier.

Group and Bank 2009	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 Book RM'000	Total RM'000	Effective Interest Rate %
Assets									
Cash and short-term funds	510,000	-	-	-	-	40	-	510,040	2.00
Securities available-for-sale	-	-	-	10,078	81,979	4,946	-	97,003	4.89
Securities held-to-maturity	-	-	-	-	25,289	36,152	-	61,441	4.32
Other assets	-	-	-	-	-	1,292	-	1,292	-
Total assets	510,000	-	-	10,078	107,268	42,430	-	669,776	
Liabilities and Islamic Banking Fund									
Deposits from customers	375,407	-	-	-	-	-	-	375,407	3.30
Deposits and placements of banks and other financial institutions	232,470	-	-	-	-	-	-	232,470	3.30
Other non-yield/ profit sensitive balances	-	-	-	-	-	49,075	-	49,075	-
Total liabilities	607,877	-	-	-	-	49,075	-	656,952	
Islamic banking capital fund	-	-	-	-	-	5,000	-	5,000	-
Reserves	-	-	-	-	-	7,824	-	7,824	-
Total Islamic Banking Fund	-	-	-	-	-	12,824	-	12,824	
Total liabilities and Islamic Banking Fund	607,877	-	-	-	-	61,899	-	669,776	
Total yield/profit rate sensitivity gap	(97,877)	-	-	10,078	107,268	(19,469)	-	-	
Cumulative yield/profit rate sensitivity gap	(97,877)	(97,877)	(97,877)	(87,799)	19,469	-	-	-	

39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS) (cont'd)

(p) YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (cont'd)

Group and Bank 2008	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 Book RM'000	Total RM'000	Effective Interest Rate %
Assets									
Cash and short-term funds	1,220,620	-	-	-	-	50	-	1,220,670	3.50
Securities available-for-sale	-	-	-	84,200	5,052	4,697	-	93,949	4.29
Other assets	-	-	-	-	-	2,049	-	2,049	-
Other non-yield/ profit sensitive balances	-	-	-	-	-	368	-	368	-
Total assets	1,220,620	-	-	84,200	5,052	7,164	-	1,317,036	
Liabilities and Islamic Banking Fund									
Deposits from customers	892,245	6,111	4,900	50,000	-	-	-	953,256	3.99
Deposits and placements of banks and other financial institutions	308,260	-	-	-	-	-	-	308,260	4.00
Other non-yield/ profit sensitive balances	-	-	-	-	-	47,366	-	47,366	-
Total liabilities	1,200,505	6,111	4,900	50,000	-	47,366	-	1,308,882	
Islamic banking capital fund	-	-	-	-	-	5,000	-	5,000	-
Reserves	-	-	-	-	-	3,154	-	3,154	-
Total Islamic Banking Fund	-	-	-	-	-	8,154	-	8,154	
Total liabilities and Islamic Banking Fund	1,200,505	6,111	4,900	50,000	-	55,520	-	1,317,036	
Total yield/profit rate sensitivity gap	20,115	(6,111)	(4,900)	34,200	5,052	(48,356)	-	-	
Cumulative yield/profit rate sensitivity gap	20,115	14,004	9,104	43,304	48,356	-	-	-	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

June 30, 2009

ANNUAL REPORT 2009

39. THE OPERATIONS OF ISLAMIC BANKING SCHEME (IBS) (cont'd)**(q) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date, which are considered short term in maturity, approximate their carrying amounts as shown in the balance sheet.

(r) ALLOCATION OF INCOME

The policy of allocation of income to the various types of deposits and investments is subject to "The Framework of Rate of Return" issued by Bank Negara Malaysia in October 2001. The objective is to set the minimum standard and terms of reference for the Islamic banking institutions in calculating and deriving the rate of return for the depositors.

(s) SHARIAH COMMITTEE

The operation of IBS is governed by Section 124(3) of the Banking and Financial Institutions Act, 1989 (the Act), which stipulates that "any licensed institution carrying on Islamic financial business, in addition to its existing licensed business may, from time to time seek the advise of the Shariah Advisory Council (SAC) established under subsection (7) of the Act, on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam" and Section IV of BNM's "Guidelines on the Governance of Shariah Committee for The Islamic Financial Institutions" known as BNM/GPS 1, stipulates that "Every Islamic institution is required to establish a Shariah Committee".

Based on the above, the duties and responsibilities of the Group's and the Bank's Shariah Committee are to advise on the overall Islamic Banking operations of the Group's and the Bank's business in order to ensure compliance with the Shariah requirements.

The roles of the Shariah Committee in monitoring the Group's and the Bank's activities include:

- (i) To advise the Board on Shariah matters in its business operations
 - (ii) To endorse Shariah Compliance Manuals
 - (iii) To endorse and validate relevant documentations
 - (iv) To assist related parties on Shariah matters for advice upon request
 - (v) To advise on matters to be referred to the SAC
 - (vi) Provide written Shariah opinion:
 - When the Group and the Bank make references to SAC of BNM for advice on unresolved Shariah issues
 - When the Group and the Bank submit applications to BNM for new product approvals
 - (vii) Assist in providing explanation on matters referred to BNM or SAC of BNM at their requests
 - (viii) Participate in the in-house training programmes of the Group and the Bank
- The Group and the Bank presently have three Shariah Consultants.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Tan Sri Mohamed Basir bin Ahmad

Chief Executive Officer/Director

Mohammed Rashdan Mohd Yusof

Members

Dato' Sri Abdul Wahid Omar

Dato' Aminuddin Md Desa

Haji Mohd Hashir Haji Abdullah

Datuk R. Karunakaran

RISK MANAGEMENT COMMITTEE

Chairman

Datuk R. Karunakaran

(Independent Non-Executive Director)

Members

Dato' Aminuddin Md Desa

(Non-Independent Non-Executive Director)

Tuan Haji Mohd Hashir bin Haji Abdullah

(Independent Non-Executive Director)

CREDIT & UNDERWRITING REVIEW COMMITTEE

Chairman

Dato' Sri Abdul Wahid Omar

Members

Dato' Aminuddin Md Desa

Datuk R. Karunakaran

AUDIT COMMITTEE

Chairman

Tuan Haji Mohd Hashir Haji Abdullah

(Independent Non-Executive Director)

Members

Dato' Aminuddin Md Desa

(Non-Independent Non-Executive Director)

Datuk R. Karunakaran

(Independent Non-Executive Director)

Company Secretary

Faudziah Ismail (Ms)

Auditors

Ernst & Young

Certified Public Accountants

As at October 15, 2009

CAPITAL AND SHAREHOLDERS' FUNDS

Authorised Share Capital : 600,000,000

Paid-Up Share Capital : 50,116,000 Ordinary Shares
of RM1.00 each

Shareholders' Funds : RM732,084,000

(as at June 30, 2009)

REGISTERED OFFICE

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100, Jalan Tun Perak, 50050 Kuala Lumpur

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30450 Ipoh, Perak Darul Ridzuan

Tel: 605-2453 400

Fax: 605-2534 333

DATE OF INCORPORATION

September 28, 1973

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