

**MAYBANK INVESTMENT BANK BERHAD**  
**(15938-H)**  
(Incorporated in Malaysia)

**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2011**

	Notes	Group		Bank	
		30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>ASSETS</b>					
Cash and short-term funds	12	1,322,342	432,824	1,290,431	406,990
Deposits and placements with banks and other financial institutions	13	10,347	12,052	9,163	8,733
Securities portfolio	14	98,482	111,307	42,093	65,978
Loans and advances	15	211,032	128,042	211,032	128,042
Other assets	16	431,721	158,286	431,736	158,703
Tax recoverable		29,599	18,444	29,599	18,444
Statutory deposits with Bank Negara Malaysia		105	105	105	105
Investment in subsidiaries		-	-	233,279	233,279
Investment in associates		10,656	9,944	4,200	4,200
Property, plant and equipment		9,338	9,397	9,179	9,163
Intangible assets		5,217	1,823	5,217	1,823
Deferred tax assets (net)		10,116	14,945	10,116	14,945
<b>TOTAL ASSETS</b>		<b>2,138,955</b>	<b>897,169</b>	<b>2,276,150</b>	<b>1,050,405</b>
<b>LIABILITIES</b>					
Other liabilities	17	1,681,858	488,707	1,852,797	661,235
Deferred tax liabilities		744	566	-	-
Provision for taxation and zakat		13,563	3,673	10,781	739
<b>TOTAL LIABILITIES</b>		<b>1,696,165</b>	<b>492,946</b>	<b>1,863,578</b>	<b>661,974</b>
<b>SHAREHOLDER'S EQUITY</b>					
Share capital		50,116	50,116	50,116	50,116
Reserves		392,674	354,107	362,456	338,315
<b>TOTAL EQUITY</b>		<b>442,790</b>	<b>404,223</b>	<b>412,572</b>	<b>388,431</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>2,138,955</b>	<b>897,169</b>	<b>2,276,150</b>	<b>1,050,405</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	24	508,727	410,156	508,727	410,156

*(The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

**MAYBANK INVESTMENT BANK BERHAD**  
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(Incorporated in Malaysia)

**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2011**

<u>Group</u>	Notes	4th quarter ended		Cumulative 12 months ended	
		30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Interest income	18	5,981	4,002	17,914	42,270
Interest expense	19	(1,201)	(299)	(1,494)	(12,725)
Net interest income		4,780	3,703	16,420	29,545
Net income from Islamic					
Banking Scheme operations	26	24,044	-	57,597	2,279
Non-interest income	20	62,431	42,387	247,974	183,044
Net income		91,255	46,090	321,991	214,868
Overhead expenses	21	(50,851)	(33,806)	(168,495)	(111,587)
Operating profit		40,404	12,284	153,496	103,281
Writeback of/(allowance for) impairment on loans and advances, net	22	578	2,108	(1,566)	20,523
Writeback of/(allowance for) impairment on securities available-for-sale		555	(374)	1,191	(470)
		41,537	14,018	153,121	123,334
Share of results in associates		217	(708)	712	932
<b>Profit before taxation and zakat</b>		41,754	13,310	153,833	124,266
Taxation and zakat		(8,055)	(7,773)	(35,243)	(34,218)
<b>Profit for the year</b>		33,699	5,537	118,590	90,048
Basic earnings per share (sen)		67	11	237	180

<u>Group</u>	4th quarter ended		Cumulative 12 months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>Profit for the year</b>	33,699	5,537	118,590	90,048
<b>Other comprehensive income/(loss):</b>				
Net (loss)/gain on available-for-sale financial assets				
- Net (loss)/gain on fair value changes on securities available-for-sale	(3,462)	19,011	5,270	30,407
Foreign currency translation	(38)	8,271	(3,130)	(3,965)
Income tax relating to the component of other comprehensive income	1,926	(8,126)	1,926	(8,126)
<b>Other comprehensive income for the year, net of tax</b>	(1,574)	19,156	4,066	18,316
<b>Total comprehensive income for the year</b>	32,125	24,693	122,656	108,364
<b>Total comprehensive income for the year attributable to owner of the parent</b>	32,125	24,693	122,656	108,364

*(The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

**MAYBANK INVESTMENT BANK BERHAD**

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(Incorporated in Malaysia)

**CONDENSED FINANCIAL STATEMENTS  
AUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2011**

<b>Bank</b>	<b>Notes</b>	<b>4th quarter ended</b>		<b>Cumulative 12 months ended</b>	
		<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
Interest income	18	5,795	3,804	17,211	41,822
Interest expense	19	(1,201)	(299)	(1,494)	(12,725)
Net interest income		4,594	3,505	15,717	29,097
Net income from Islamic Banking Scheme operations	26	24,044	-	57,597	2,279
Non-interest income	20	62,467	31,048	241,957	183,156
Net income		91,105	34,553	315,271	214,532
Overhead expenses	21	(50,373)	(31,937)	(166,416)	(109,423)
Operating profit		40,732	2,616	148,855	105,109
Writeback of/(allowance for) impairment on loans and advances, net	22	578	2,108	(1,566)	20,523
Writeback of/(allowance for) impairment on securities available-for-sale		555	(375)	1,191	(470)
<b>Profit before taxation and zakat</b>		<b>41,865</b>	<b>4,349</b>	<b>148,480</b>	<b>125,162</b>
Taxation and zakat		(8,325)	(7,700)	(34,473)	(33,372)
<b>Profit for the year</b>		<b>33,540</b>	<b>(3,351)</b>	<b>114,007</b>	<b>91,790</b>
Basic earnings per share (sen)		67	(7)	227	183

<b>Bank</b>	<b>4th quarter ended</b>		<b>Cumulative 12 months ended</b>	
	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
<b>Profit for the year</b>	<b>33,540</b>	<b>(3,351)</b>	<b>114,007</b>	<b>91,790</b>
<b>Other comprehensive income/(loss):</b>				
Net (loss)/gain on available-for-sale financial assets - Net (loss)/gain on fair value changes on securities available-for-sale	(1,944)	(9,318)	(7,703)	30,824
Income tax relating to the component of other comprehensive income	1,926	(7,706)	1,926	(7,706)
<b>Other comprehensive income for the year, net of tax</b>	<b>(18)</b>	<b>(17,024)</b>	<b>(5,777)</b>	<b>23,118</b>
<b>Total comprehensive income for the year</b>	<b>33,522</b>	<b>(20,375)</b>	<b>108,230</b>	<b>114,908</b>

*(The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

**MAYBANK INVESTMENT BANK BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2011**

<u>Group</u>	<-----Non-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 # RM'000	Exchange fluctuation reserve RM'000	Distributable retained profits RM'000	
<b>At 1 July 2010</b>								
- as previously stated	50,116	172,669	50,116	18,762	-	(3,788)	116,348	404,223
- effects of adopting FRS 139	-	-	-	-	-	-	15,911	15,911
<b>At 1 July 2010, as restated</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>18,762</b>	<b>-</b>	<b>(3,788)</b>	<b>132,259</b>	<b>420,134</b>
Total comprehensive income	-	-	-	7,196	-	(3,130)	118,590	122,656
<b>Transactions with owner</b>								
Dividends	-	-	-	-	-	-	(100,000)	(100,000)
<b>Total transactions with owner</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>(100,000)</b>
<b>At 30 June 2011</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>25,958</b>	<b>-</b>	<b>(6,918)</b>	<b>150,849</b>	<b>442,790</b>
<b>At 1 July 2009</b>	50,116	172,669	50,116	(3,519)	2,544	177	482,317	754,420
Total comprehensive income	-	-	-	22,281	-	(3,965)	90,048	108,364
<b>Transactions with owner</b>								
Dividends	-	-	-	-	-	-	(458,561)	(458,561)
Transfer of ESOS reserve upon expiry	-	-	-	-	(2,544)	-	2,544	-
<b>Total transactions with owner</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,544)</b>	<b>-</b>	<b>(456,017)</b>	<b>(458,561)</b>
<b>At 30 June 2010</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>18,762</b>	<b>-</b>	<b>(3,788)</b>	<b>116,348</b>	<b>404,223</b>

*(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes to the interim financial statements)*

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**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2011**

	←-----Non-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 # RM'000	Distributable retained profits RM'000	
<b>Bank</b>							
<b>At 1 July 2010</b>							
- as previously stated	50,116	172,669	50,116	5,777	-	109,753	388,431
- effects of adopting FRS 139	-	-	-	-	-	15,911	15,911
<b>At 1 July 2010, as restated</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>5,777</b>	<b>-</b>	<b>125,664</b>	<b>404,342</b>
Total comprehensive income for the year	-	-	-	(5,777)	-	114,007	108,230
<b>Transaction with owner</b>							
Dividends	-	-	-	-	-	(100,000)	(100,000)
<b>Total transactions with owner</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>(100,000)</b>
<b>At 30 June 2011</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>-</b>	<b>-</b>	<b>139,671</b>	<b>412,572</b>
<b>At 1 July 2009</b>	50,116	172,669	50,116	(17,341)	2,511	474,013	732,084
Total comprehensive income	-	-	-	23,118	-	91,790	114,908
<b>Transaction with owner</b>							
Dividends	-	-	-	-	-	(458,561)	(458,561)
Transfer of ESOS reserve upon expiry	-	-	-	-	(2,511)	2,511	-
<b>Total transactions with owner</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,511)</b>	<b>(456,050)</b>	<b>(458,561)</b>
<b>At 30 June 2010</b>	<b>50,116</b>	<b>172,669</b>	<b>50,116</b>	<b>5,777</b>	<b>-</b>	<b>109,753</b>	<b>388,431</b>

\* 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.

# This represents the cumulative fair value of equity-settled share-based compensation plan for the employees of the Group and of the Maybank Group Employee Share Options Scheme ("ESOS")

*(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes to the interim financial statements)*

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**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED CONDENSED CASH FLOW STATEMENTS**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2011**

	GROUP		BANK	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Profit before taxation and zakat	153,833	124,266	148,480	125,162
Adjustment for non-operating and non-cash items	196	(22,856)	(268)	(26,011)
Operating profit before working capital changes	<u>154,029</u>	101,410	<u>148,212</u>	99,151
Changes in working capital :				
Net changes in operating assets	(1,219,585)	3,865,432	(1,219,013)	3,854,259
Net changes in operating liabilities	1,193,147	(3,972,947)	1,191,562	(3,965,950)
Tax expense and zakat paid	(35,088)	(17,395)	(34,344)	(15,417)
Net cash generated from/(used in) operations	<u>92,503</u>	(23,500)	<u>86,417</u>	(27,957)
Net cash used in investing activities	(6,598)	(3,665)	(6,589)	(1,908)
Net cash used in financing activities - dividend paid	(100,000)	(458,561)	(100,000)	(458,561)
Net change in cash and cash equivalents	(14,095)	(485,726)	(20,172)	(488,426)
Cash and cash equivalents at beginning of the year	141,178	626,904	115,344	603,770
Cash and cash equivalents at end of the year	<u>127,083</u>	141,178	<u>95,172</u>	115,344

Cash and cash equivalents included in the cash flow statements comprise the following Financial Position amounts:

Cash and short-term funds	1,322,342	432,824	1,290,431	406,990
Less: Monies held in trust	(1,195,259)	(291,646)	(1,195,259)	(291,646)
	<u>127,083</u>	141,178	<u>95,172</u>	115,344

*(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

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**Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134") and Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) Issued by Bank Negara Malaysia**

**1. Basis of Preparation**

The audited condensed financial statements of the Group and the Bank have been prepared under the historical cost convention except for securities available for sale that are stated at fair values.

The audited condensed financial statements have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting. The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010. These explanatory notes attached to the audited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2010.

The audited condensed financial statement incorporated those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposit and granting of financing under the principles of Shariah.

The significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited annual financial statements for the year ended 30 June 2010 except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs, Interpretations of the Issues Committee ("IC Interpretations") and Technical Release ("TR").

**FRS, Amendments to FRS and Interpretations**

- (i) FRS 1: First-time Adoption of Financial Reporting Standards
- (ii) FRS 3: Business Combinations (revised)
- (iii) FRS 4: Insurance Contracts
- (iv) FRS 7: Financial Instruments - Disclosures
- (v) FRS 101: Presentation of Financial Statements (revised 2009)
- (vi) FRS 123: Borrowing Costs
- (vii) FRS 127: Consolidated and Separate Financial Statements (revised)
- (viii) FRS 139: Financial Instruments - Recognition and Measurement
- (ix) Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- (x) Amendments to FRS 2: Share-based Payments
- (xi) Amendments to FRS 2: Share-based Payments - Vesting Conditions and Cancellations
- (xii) Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- (xiii) Amendments to FRS 127: Consolidated and Separate Financial Statements
- (xiv) Amendments to FRS 132: Financial Instruments: Presentation
- (xv) Amendments to FRS 138: Intangible Assets
- (xvi) Amendments to FRS 139: Financial Instruments: Recognition and Measurements, FRS 7: Financial Instruments: Disclosure and IC Interpretation 9: Embedded Derivatives
- (xvii) Amendments to FRSs contained in the document entitled 'Improvements to FRSs (2009)'
- (xviii) IC Interpretation 9: Reassessment of Embedded Derivatives
- (xix) IC Interpretation 10: Interim Financial Reporting and Impairment
- (xx) IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
- (xxi) IC Interpretation 12: Service Concession Arrangements
- (xxii) IC Interpretation 13: Customer Loyalty Programmes
- (xxiii) IC Interpretation 14 FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- (xxv) IC Interpretation 15: Agreements for the Construction of Real Estate
- (xxvi) IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- (xxvii) IC Interpretation 17: Distribution of Non-cash Assets to Owners
- (xxviii) TR - 3: Guidance on Disclosures of Transition to IFRSs
- (xxix) TR i-3: Presentation of Financial Statements of Islamic Financial Institutions
- (xxx) SOP i-1: Financial Reporting from an Islamic Perspective

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**1. Basis of Preparation (Cont'd)**

The adoption of the above FRSs, amendments to FRSs and IC Interpretations did not have any material impact on the financial statements of the Group and the Bank except for the following:

- (i) the changes in accounting policies arising from the adoption of FRS 139 and its related amendments to FRSs, IC Interpretations and relevant Bank Negara Malaysia ("BNM") Guidelines, which are disclosed in Note 27.
- (ii) the adoption of FRS 101, FRS 7, TR i-3 and amendments to FRS 132 which resulted in changes in presentation of the financial statements and its relevant notes, but did not affect the earnings, retained earnings or other reserves; and

In addition to these, the Group and the Bank have also adopted BNM's Revised Guidelines for Financial Reporting for Banking Institutions revised on 10 March 2010 and Revised Guidelines for Classification and Impairment Provision for Loans/Financing revised on 17 December 2010. The effects of adopting these Guidelines are consistent with the application of FRS 139 and are disclosed in Note 27.

**2. Significant Accounting Estimates and Judgements**

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

**(i) Fair Value Estimation of Securities Available-for-sale (Note 14(i))**

The fair value of securities and derivatives that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows methods.

**(ii) Impairment of Other Intangible Assets**

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

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



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**2. Significant Accounting Estimates and Judgements (Cont'd)**

**(iii) Deferred Tax and Income Taxes**

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

**(iv) Impairment Losses on Loans, Advances and Financing**

The Group and the Bank review its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ resulting in future changes to the allowances.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, level of arrears, credit utilisation, loan to collateral ratios etc.) concentrations of risks and relevant economic data.

**(v) Impairment of Investments in Subsidiaries and Interest in Associates**

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

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

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

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

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**2. Significant Accounting Estimates and Judgements (Cont'd)**

**(vi) Impairment of Investments in Subsidiaries and Interest in Associates (cont'd)**

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

**(vii) Impairment of Securities Portfolio**

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

The impairment review comprises the following judgement made by management:

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

**3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited annual financial statements for the financial year ended 30 June 2010 was not qualified.

**4. Seasonal or Cyclical Factors**

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the year ended 30 June 2011.

**5. Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items due to their nature, size or incidence that occurred during the year ended 30 June 2011.

**6. Subsequent Events**

There were no material subsequent events during the year ended 30 June 2011.

**7. Changes in Estimates**

There were no material changes in estimates during the year ended 30 June 2011.

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**8. Changes in Debt and Equity Securities**

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Bank.

**9. Dividend Paid**

The amounts of dividends paid by the Bank since 30 June 2010 were as follows:

	<b>RM'000</b>
In respect of the financial year ended 30 June 2011:	
Interim dividend of 213% less 25% taxation, on 50,116,000 ordinary shares, declared and paid on 30 June 2011.	80,202
Interim tax exempt (single-tier) dividend of 40%, on 50,116,000 ordinary shares, declared and paid on 30 June 2011.	19,798
	100,000

**10. Performance Review**

For the financial year ended 30 June 2011, all business lines reported growth in revenue and operating profit despite challenging business environment and stiff competition.

Net interest income dropped significantly due to the change in business model as all loans/investment portfolios as well as treasury activities have been centralised at Maybank level since September 2009. Islamic Banking income recorded a huge jump from RM2.3 million to RM57.6 million due to increase in debt capital market transactions and in line with "Islamic First" strategy of the Group. Non-interest income increased by RM64.9 million or 35.5% to RM247.9 million due to higher fee-based income mainly from investment banking (including debt and equity capital market) and stockbroking businesses. The above resulted in net income to close at RM321.9 million, higher by RM107.1 million or 49.9% from previous year.

Overhead expenses increased by RM56.9 million or 50.9% to RM168.5 million from RM111.5 million last year. This was attributable to the increase in personnel related costs for additional hires to strengthen the team as well as higher provision for bonus in tandem with overall Group's performance.

With the above factors, the Group's profit before taxation and zakat registered an increase of 23.7% or RM29.5 million to RM153.8 million. Net profit for the year improved by 31.7% or RM28.6 million to RM118.6 million for the financial year ended 30 June 2011 compared to the previous financial year.

**11. Strategic Direction & Prospects**

The Group has recently changed its financial year end from 30 June to 31 December, whereby the next financial period will be from 1 July 2011 to 31 December 2011, covering a 6-month period.

For the current financial period ending 31 December 2011, the Group's business momentum is expected to remain strong despite challenging business environment and stiffer competition.

Our parent bank, Malayan Banking Berhad, had recently completed its acquisition of Kim Eng Holdings Limited ("Kim Eng"). The integrated organisation structure of Maybank IB and its sister company, Kim Eng, is now in place and the management team is focused towards realising the synergistic potentials and opportunities, particularly leveraging on the regional investment banking platform made available by the Kim Eng acquisition.

The Malaysian economy recovered strongly from the 2008-2009 global financial crisis and worldwide recession as real GDP rebounded by +7.2% in 2010 and the growth momentum was sustained into 2011. Globally, the world real GDP growth is underpinned by faster growth in the emerging and developing countries in relative to the developed economies. The ASEAN region, in particular, is expected to uphold its continuous sturdy growth and hence, will positively impact the Group's business.

Barring any unforeseen circumstances, the Group expects its financial performance for the financial period ending 31 December 2011 to be better than the last financial year.

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**12. Cash and short-term funds**

	Group		Bank	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Cash and bank balances with licensed commercial banks and other licensed financial institutions	1,228,419	315,330	1,223,337	312,650
Deposit placements maturing within one month	93,923	117,494	67,094	94,340
	<b>1,322,342</b>	<b>432,824</b>	<b>1,290,431</b>	<b>406,990</b>

Included in cash and short-term funds of the Group and of the Bank are monies held in trust of RM1,195,259,000 (30 June 2010: RM291,646,000) in respect of the stockbroking business.

**13. Deposits and placements with banks and other financial institutions**

	Group		Bank	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Licensed banks	10,347	12,052	9,163	8,733
	<b>10,347</b>	<b>12,052</b>	<b>9,163</b>	<b>8,733</b>

**14. Securities portfolio**

		Group		Bank	
		30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Securities available-for-sale	14 (i)	98,449	111,274	42,060	65,945
Securities held-to-maturity	14 (ii)	33	33	33	33
Total securities portfolio		<b>98,482</b>	<b>111,307</b>	<b>42,093</b>	<b>65,978</b>

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**14 (i) Securities available-for-sale**

At fair value, or cost less impairment losses for certain unquoted equity instruments	Group		Bank	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>Quoted Securities:</b>				
Shares, Warrants, Unit Trusts and Loan Stocks in Malaysia	233	12,614	233	12,614
Shares, Warrants, Unit Trusts and Loan Stocks outside Malaysia	54,189	43,129	-	-
	<u>54,422</u>	<u>55,743</u>	<u>233</u>	<u>12,614</u>
<b>Unquoted Securities:</b>				
Shares, Unit Trusts and Loan Stocks in Malaysia	37,631	44,338	35,431	42,138
Shares, Unit Trusts and Loan Stocks outside Malaysia	6,396	6,197	6,396	6,197
Private and Islamic Debt Securities in Malaysia	-	4,996	-	4,996
	<u>44,027</u>	<u>55,531</u>	<u>41,827</u>	<u>53,331</u>
<b>Total securities available-for-sale</b>	<u>98,449</u>	<u>111,274</u>	<u>42,060</u>	<u>65,945</u>

**14 (ii) Securities held-to-maturity**

At Amortised Cost	Group and Bank	
	30 June 2011 RM'000	30 June 2010 RM'000
<b>Unquoted Securities:</b>		
Corporate Bonds	33	33
<b>Total securities held-to-maturity</b>	<u>33</u>	<u>33</u>

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**15. Loans and advances**

	Group and Bank	
	30 June 2011 RM'000	30 June 2010 RM'000
<b>At amortised cost</b>		
Term loans		
- Syndicated term loan	6,209	6,209
- Other term loan	31,136	31,013
Amount due from brokers and clients		
- Margin accounts	166,409	101,299
Staff loans	13,768	14,499
Foreign currency loans	1,451	1,553
Gross loans and advances	<u>218,973</u>	<u>154,573</u>
Less: Allowance for impaired loans		
- general	-	(18,685)
- individual	(7,941)	-
- specific	-	(7,846)
Net loans and advances	<u>211,032</u>	<u>128,042</u>

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

	Group and Bank	
	30 June 2011 RM'000	30 June 2010 RM'000
Domestic business enterprises	103,415	59,046
Individuals	114,107	93,974
Foreign entities	1,451	1,553
Gross loans and advances	<u>218,973</u>	<u>154,573</u>

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

	Group and Bank	
	30 June 2011 RM'000	30 June 2010 RM'000
Fixed rate		
- Housing loans	10,195	11,873
- Hire purchase receivables	3,508	2,587
- Other fixed rate loans	65	39
Variable rate		
- Base lending rate plus	38,796	38,775
- Cost plus	166,409	101,299
Gross loans and advances	<u>218,973</u>	<u>154,573</u>

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**15. Loans and advances (Cont'd)**

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

	<b>Group and Bank</b>	
	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
Purchase of securities	196,409	131,298
Purchase of transport vehicles	3,745	2,744
Purchase of residential landed property	11,094	12,730
Personal use	63	32
Consumer durables	2	7
Working capital	7,660	7,762
Gross loans and advances	<b>218,973</b>	<b>154,573</b>

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

	<b>Group and Bank</b>	
	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
Maturing within one year	205,319	139,131
One year to three years	555	1,367
Three years to five years	2,871	1,115
After five years	10,228	12,960
Gross loans and advances	<b>218,973</b>	<b>154,573</b>

(v) Movement in impaired loans and advances ("impaired loans") are as follows:

	<b>Group and Bank</b>	
	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
Gross balance at beginning of year	9,784	57,201
Impaired during the year	683	14,333
Recovered/regularised during the year	(571)	(16,766)
Amount written off	(1,323)	(45,035)
Exchange differences	(102)	51
Gross balance at end of year	<b>8,471</b>	<b>9,784</b>
Less:		
Individual assessment/specific allowance	<b>(7,941)</b>	<b>(7,846)</b>
Net balance	<b>530</b>	<b>1,938</b>
Net impaired loans as % of gross loans and advances less individual/specific allowance	<b>0.25%</b>	<b>1.32%</b>

(vi) Impaired loans and advances by economic purpose are as follows:

	<b>Group and Bank</b>	
	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
Purchase of securities	118	1,316
Purchase of transport vehicles	156	156
Purchase of residential landed property	537	550
Working capital	7,660	7,762
	<b>8,471</b>	<b>9,784</b>

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**15. Loans and advances (Cont'd)**

(vii) Movement in the individual assessment/specific and general allowance are as follows:

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Individual assessment:</b>		
At 1 July 2010/2009		
- as previously stated	-	-
- effects of adopting FRS 139	7,846	-
At 1 July 2010/2009 , restated	7,846	-
Allowance made during the year	1,654	-
Amount written back in respect of recoveries	(237)	-
Amount written off	(1,322)	-
Balance at 30 June	<u>7,941</u>	<u>-</u>
<b>Specific allowance:</b>		
At 1 July 2010/2009		
- as previously stated	7,846	50,967
- effects of adopting FRS 139	(7,846)	-
At 1 July 2010/2009 , restated	-	50,967
Allowance made during the year	-	3,100
Amount written back in respect of recoveries	-	(3,774)
Amount written off	-	(42,447)
Balance at 30 June	<u>-</u>	<u>7,846</u>
<b>General allowance:</b>		
At 1 July 2010/2009		
- as previously stated	18,685	39,514
- effects of adopting FRS 139	(18,685)	-
At 1 July 2010/2009 , as restated	-	39,514
Allowance made during the year	-	1,018
Amount written back	-	(21,791)
Exchange differences	-	(56)
Balance at 30 June	<u>-</u>	<u>18,685</u>
As a % of gross loans and advances less specific allowance	<u>-</u>	<u>12.73%</u>



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**16. Other assets**

	Group		Bank	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Interest receivables				
- Money at call and deposit placements with banks and other financial institutions	28	4	2	3
- Loans and advances	48	799	48	47
Income receivables	2,296	2,901	-	-
Amount due from brokers and clients				
- Non-margin accounts (a)	401,770	146,372	401,770	146,372
Other debtors, deposits and prepayment	32,925	23,506	33,136	26,546
	<b>437,067</b>	<b>173,582</b>	<b>434,956</b>	<b>172,968</b>
Less: Individual assessment allowance				
- Allowance for doubtful debts	(5,346)	(15,296)	(3,220)	(14,265)
	<b>431,721</b>	<b>158,286</b>	<b>431,736</b>	<b>158,703</b>

- (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.

**17. Other liabilities**

	Group		Bank	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Provisions and accruals (a)	59,573	20,854	61,968	50,083
Amount due to brokers and clients (b)	1,106,776	194,286	1,106,776	193,079
Deposits and other creditors	515,509	273,567	684,053	418,073
	<b>1,681,858</b>	<b>488,707</b>	<b>1,852,797</b>	<b>661,235</b>

- (a) Included in provisions and accruals was a provision for liabilities amounting to approximately RM8.3 million relating to a legal case in the previous financial year. This provision has been reversed in the current financial year.

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

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

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**18. Interest income**

<u>Group</u>	4th quarter ended		Cumulative 12 months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	3,945	3,206	11,928	13,013
- Recoveries from impaired loans	(223)	(254)	70	201
Money at call and deposit placements with banks and other financial institutions	2,222	628	5,443	4,930
Securities held-for-trading	-	-	-	1,130
Securities available-for-sale	37	422	473	18,591
Securities held-to-maturity	-	-	-	4,398
Others	-	-	-	7
<b>Total interest income</b>	<b>5,981</b>	<b>4,002</b>	<b>17,914</b>	<b>42,270</b>

<u>Bank</u>	4th quarter ended		Cumulative 12 months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	3,945	3,206	11,928	13,013
- Recoveries from impaired loans	(223)	(254)	70	201
Money at call and deposit placements with banks and other financial institutions	2,036	495	4,740	4,482
Securities held-for-trading	-	-	-	1,130
Securities available-for-sale	37	357	473	18,591
Securities held-to-maturity	-	-	-	4,398
Others	-	-	-	7
<b>Total interest income</b>	<b>5,795</b>	<b>3,804</b>	<b>17,211</b>	<b>41,822</b>

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**19. Interest expense**

	Group and Bank 4th quarter ended		Group and Bank Cumulative 12 months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Deposits and placements of banks and other financial institutions	1,201	305	1,494	10,958
Deposits from customers	-	(6)	-	1,767
	<u>1,201</u>	<u>299</u>	<u>1,494</u>	<u>12,725</u>

**20. Non-interest income**

	4th quarter ended		Cumulative 12 months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>Group</b>				
<b>Fee income:</b>				
Corporate advisory fees	29,218	9,167	87,262	75,491
Underwriting commission	3,403	1,453	18,672	11,375
Brokerage income	28,039	21,183	121,081	89,003
Other fee income	(1,440)	(348)	6,636	2,232
	<u>59,220</u>	<u>31,455</u>	<u>233,651</u>	<u>178,101</u>
<b>Investment income:</b>				
(Loss)/gain from sale of securities held-for-trading, net	-	(28)	-	2,061
Gain from sale of securities available-for-sale, net	1,659	14,652	3,313	11,224
Early redemption gain from securities held-to-maturity, net	-	-	-	429
Gross dividends from securities available-for-sale				
- Quoted in Malaysia	1,142	-	770	269
- Unquoted in Malaysia	-	355	-	591
(Allowance for) impairment on other assets, net	(781)	(8,673)	(781)	(8,673)
	<u>2,020</u>	<u>6,306</u>	<u>3,302</u>	<u>5,901</u>
<b>Other income:</b>				
Foreign exchange profit/(loss)	115	225	175	(660)
Gain on disposal of property, plant and equipment (net)	27	5	33	5
Net gain on waiver of debt by an associate	-	-	-	-
Loss on disposal of foreclosed properties	-	-	-	-
Goodwill written off	-	5,898	-	-
Others	1,049	(1,502)	10,813	(303)
	<u>1,191</u>	<u>4,626</u>	<u>11,021</u>	<u>(958)</u>
<b>Total non-interest income</b>	<u>62,431</u>	<u>42,387</u>	<u>247,974</u>	<u>183,044</u>

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**20. Non-interest income (Cont'd)**

	4th quarter ended		Cumulative 12 months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>Bank</b>				
<b>Fee income:</b>				
Corporate advisory fees	26,698	7,762	81,718	70,736
Underwriting commission	3,403	1,453	18,672	11,375
Brokerage income	28,039	21,183	121,081	89,003
Other fee income	851	(348)	6,533	2,232
	<u>58,991</u>	<u>30,050</u>	<u>228,004</u>	<u>173,346</u>
<b>Investment income:</b>				
(Loss)/gain from sale of securities held-for-trading, net	-	(28)	-	2,061
Gain from sale of securities available-for-sale, net	1,659	8,601	3,313	11,224
Early redemption gain from securities held-to-maturity, net	-	-	-	429
Impairment loss on securities, net	457	-	-	-
Gross dividends from securities available-for-sale				
- Quoted in Malaysia	770	-	770	269
- Unquoted in Malaysia	(99)	261	-	591
- Subsidiaries	-	505	-	4,113
Writeback of/(allowance for) impairment on other assets	314	(8,806)	314	(8,806)
	<u>3,101</u>	<u>533</u>	<u>4,397</u>	<u>9,881</u>
<b>Other income:</b>				
Foreign exchange profit/(loss)	115	225	175	(660)
Gain on disposal of property, plant and equipment (net)	27	5	33	5
Others	233	235	9,348	584
	<u>375</u>	<u>465</u>	<u>9,556</u>	<u>(71)</u>
<b>Total non-interest income</b>	<u>62,467</u>	<u>31,048</u>	<u>241,957</u>	<u>183,156</u>

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**21. Overhead expenses**

<u>Group</u>	4th quarter ended		Cumulative 12 months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses	39,187	7,797	94,475	44,743
- Pension costs - defined contribution plan	1,996	1,334	7,278	5,230
- Other staff related expenses	3,769	3,322	7,734	5,539
- Dealers' incentives	7,716	2,921	17,484	11,365
	<b>52,668</b>	<b>15,374</b>	<b>126,971</b>	<b>66,877</b>
<b>Establishment costs</b>				
- Depreciation	793	765	3,296	2,714
- Amortisation of intangible assets	194	650	747	661
- Rental of leasehold land and premises	867	1,473	6,383	6,948
- Repairs and maintenance of property, plant and equipment	1,907	891	4,654	3,506
- Information technology expenses	602	560	1,676	1,461
- Others	(4,702)	(684)	9,944	3,635
	<b>(339)</b>	<b>3,655</b>	<b>26,700</b>	<b>18,925</b>
<b>Marketing costs</b>				
- Advertisement and publicity	1,559	2,820	4,623	4,776
- Others	853	1,205	3,785	2,084
	<b>2,412</b>	<b>4,025</b>	<b>8,408</b>	<b>6,860</b>
<b>Administration and general expenses</b>				
- Fee and brokerage	3,128	1,702	11,240	7,850
- Administrative expenses	1,240	584	3,059	2,265
- General expenses (a)	(8,258)	8,466	(7,883)	8,810
	<b>(3,890)</b>	<b>10,752</b>	<b>6,416</b>	<b>18,925</b>
<b>Total</b>	<b>50,851</b>	<b>33,806</b>	<b>168,495</b>	<b>111,587</b>

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**21. Overhead expenses (Cont'd)**

<u>Bank</u>	4th quarter ended		Cumulative 12 months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Personnel expenses</b>				
- Salaries, allowances and bonuses	39,287	7,482	94,475	44,557
- Pension costs - defined contribution plan	1,996	1,334	7,278	5,230
- Other staff related expenses	3,759	3,302	7,692	5,428
- Dealers' incentives	7,716	2,921	17,484	11,365
	<b>52,758</b>	<b>15,039</b>	<b>126,929</b>	<b>66,580</b>
<b>Establishment costs</b>				
- Depreciation	772	718	3,215	2,607
- Amortisation of intangible assets	197	661	747	661
- Rental of leasehold land and premises	838	1,454	6,264	6,830
- Repairs and maintenance of property, plant and equipment	1,907	891	4,654	3,506
- Information technology expenses	602	560	1,676	1,461
- Others	(4,686)	(691)	10,764	4,193
	<b>(370)</b>	<b>3,593</b>	<b>27,320</b>	<b>19,258</b>
<b>Marketing costs</b>				
- Advertisement and publicity	1,559	2,820	4,623	4,776
- Others	850	495	3,781	2,067
	<b>2,409</b>	<b>3,315</b>	<b>8,404</b>	<b>6,843</b>
<b>Administration and general expenses</b>				
- Fee and brokerage	2,625	1,005	8,768	5,874
- Administrative expenses	1,231	581	3,038	2,249
- General expenses (a)	(8,280)	8,417	(8,043)	8,619
	<b>(4,424)</b>	<b>10,003</b>	<b>3,763</b>	<b>16,742</b>
<b>Total</b>	<b>50,373</b>	<b>31,950</b>	<b>166,416</b>	<b>109,423</b>

(a) Included in general expenses was a provision for liabilities amounting to approximately RM8.3 million relating to a legal case in the previous financial year. This provision has been reversed in the current financial year.

**22. Write back of losses on loans and advances, net**

	Group and Bank		Group and Bank	
	4th quarter ended		Cumulative 12 months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and advances:				
(a) Individual allowance/specific allowance				
- Made during the year	417	2,111	1,654	3,100
- Written back during the year	(4)	(827)	(237)	(3,774)
(b) General allowance/collective allowance				
- Made during the year	-	169	-	1,018
- Written back during the year	(370)	(3,432)	-	(21,791)
Bad debts recovered	(621)	(129)	149	924
	<b>(578)</b>	<b>(2,108)</b>	<b>1,566</b>	<b>(20,523)</b>

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**23. Capital adequacy**

(I) The capital adequacy ratios of the Group and of the Bank are as follows :

	Group		Bank	
	30 June 2011 (Basel II) %	30 June 2010 (Basel II) %	30 June 2011 (Basel II) %	30 June 2010 (Basel II) %
<b>Capital ratios</b>				
<b>Core capital ratio</b>				
Credit risk	39.76%	72.80%	36.27%	71.46%
Credit, market and operational risks	24.72%	35.60%	22.62%	34.31%
<b>Risk-weighted capital ratio</b>				
Credit risk	39.76%	76.43%	36.27%	71.46%
Credit, market and operational risks	24.72%	37.37%	22.62%	34.31%
<b>Tier 1 capital</b>				
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
Islamic banking capital fund	5,000	5,000	5,000	5,000
Other reserves	145,849	111,348	134,671	104,753
Less: Deferred tax assets <sup>1</sup>	(10,116)	(14,379)	(10,116)	(14,945)
Total Tier 1 capital	413,634	374,870	402,456	367,709
<b>Tier 2 capital</b>				
General allowance for bad and doubtful debts	-	18,685	-	18,685
Total capital	413,634	393,555	402,456	386,394
Less: Investment in subsidiaries <sup>2</sup>	-	-	(61,804)	(61,804)
<b>Capital base</b>	<b>413,634</b>	<b>393,555</b>	<b>340,652</b>	<b>324,590</b>

<sup>1</sup> Under Bank Negara Malaysia Guidelines, deferred tax is required to be excluded from Tier 1 capital.

<sup>2</sup> Excludes the cost of investment in a subsidiary, Maysec (KL) Sdn. Bhd. of RM171,475,000 as its business, assets and liabilities have been transferred to the Bank on 30 December 2006.

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**23. Capital adequacy (Cont'd)**

(II) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

<u>Group</u>	Gross exposures	Net exposures	Risk-weighted assets	Capital requirements
30 June 2011 Exposure Class	RM'000	RM'000	RM'000	RM'000
<b>(i) Credit Risk</b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	29,839	29,839	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	1,333,144	1,333,144	266,807	21,345
Corporates	32,169	32,169	1,081	86
Regulatory retail	578,041	578,041	547,738	43,819
Higher risk assets	108,872	108,872	163,308	13,065
Other assets	46,237	46,237	46,231	3,699
Equity exposures	58	58	58	5
<b>Total on-balance sheet exposures</b>	<b>2,128,360</b>	<b>2,128,360</b>	<b>1,025,223</b>	<b>82,019</b>
<b>Off-balance sheet exposures:</b>				
Underwriting of short-term debt securities	15,000	15,000	15,000	1,200
Credit-related off-balance sheet	415,836	415,836	-	-
<b>Total off-balance sheet exposures</b>	<b>430,836</b>	<b>430,836</b>	<b>15,000</b>	<b>1,200</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,559,196</b>	<b>2,559,196</b>	<b>1,040,223</b>	<b>83,219</b>
<b>(ii) Market Risk</b>				
Foreign currency risk	-	-	70,000	5,600
Options risk	-	-	86,475	6,918
<b>Total</b>	<b>-</b>	<b>-</b>	<b>156,475</b>	<b>12,518</b>
<b>(iii) Operational Risk</b>				
	-	-	476,309	38,105
<b>Total RWA and capital requirements</b>	<b>2,559,196</b>	<b>2,559,196</b>	<b>1,673,007</b>	<b>133,842</b>



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**23. Capital adequacy (Cont'd)**

<u>Group</u>	<b>Gross</b>		<b>Risk-</b>	
<b>30 June 2010</b>	<b>exposures</b>	<b>Net exposures</b>	<b>weighted</b>	<b>Capital</b>
<b>Exposure Class</b>	<b>RM'000</b>	<b>RM'000</b>	<b>assets</b>	<b>requirements</b>
			<b>RM'000</b>	<b>RM'000</b>
(i) <b><u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	18,698	18,698	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	444,721	444,721	88,944	7,116
Corporates	32,910	32,910	1,455	116
Regulatory retail	115,395	115,395	107,810	8,625
Higher risk assets	60,479	60,479	90,718	7,257
Other assets	212,686	212,686	212,682	17,015
Equity exposures	13,314	13,314	13,314	1,065
<b>Total on-balance sheet exposures</b>	<b>898,203</b>	<b>898,203</b>	<b>514,923</b>	<b>41,194</b>
<b>Total off-balance sheet exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>898,203</b>	<b>898,203</b>	<b>514,923</b>	<b>41,194</b>
(ii) <b><u>Market Risk</u></b>				
Interest rate risk	-	-	12,812	1,025
Foreign currency risk	-	-	54,044	4,324
Options risk	-	-	45,720	3,658
<b>Total</b>	<b>-</b>	<b>-</b>	<b>112,576</b>	<b>9,007</b>
(iii) <b><u>Operational Risk</u></b>	<b>-</b>	<b>-</b>	<b>425,635</b>	<b>34,051</b>
<b>Total RWA and capital requirements</b>	<b>898,203</b>	<b>898,203</b>	<b>1,053,134</b>	<b>84,252</b>

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**23. Capital adequacy (Cont'd)**

(II) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

<u>Bank</u>	Gross exposures	Net exposures	Risk-weighted assets	Capital requirements
30 June 2011 Exposure Class	RM'000	RM'000	RM'000	RM'000
<b>(i) <u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	29,839	29,839	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	1,300,049	1,300,049	260,188	20,815
Corporates	32,169	32,169	1,081	86
Regulatory retail	578,041	578,041	547,738	43,819
Higher risk assets	46,027	46,027	69,041	5,523
Other assets	46,094	46,094	46,089	3,687
Equity exposures	58	58	58	5
<b>Total on-balance sheet exposures</b>	<b>2,032,277</b>	<b>2,032,277</b>	<b>924,195</b>	<b>73,935</b>
<b>Off-balance sheet exposures:</b>				
Underwriting of short-term debt securities	15,000	15,000	15,000	1,200
Credit-related off-balance sheet	415,836	415,836	-	-
<b>Total off-balance sheet exposures</b>	<b>430,836</b>	<b>430,836</b>	<b>15,000</b>	<b>1,200</b>
<b>Total on and off-balance sheet exposures</b>	<b>2,463,113</b>	<b>2,463,113</b>	<b>939,195</b>	<b>75,135</b>
<b>(ii) <u>Market Risk</u></b>				
Foreign currency risk	-	-	12,491	999
Options risk	-	-	86,475	6,918
<b>Total</b>	<b>-</b>	<b>-</b>	<b>98,966</b>	<b>7,917</b>
<b>(iii) <u>Operational Risk</u></b>				
	-	-	467,770	37,422
<b>Total RWA and capital requirements</b>	<b>2,463,113</b>	<b>2,463,113</b>	<b>1,505,931</b>	<b>120,474</b>

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**23. Capital adequacy (Cont'd)**

<u>Bank</u>	<b>Gross</b>	<b>Net exposures</b>	<b>Risk-weighted</b>	<b>Capital</b>
<b>30 June 2010</b>	<b>exposures</b>	<b>exposures</b>	<b>assets</b>	<b>requirements</b>
<b>Exposure Class</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(i) <u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	18,698	18,698	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	415,569	415,569	83,114	6,649
Corporates	32,910	32,910	1,455	116
Regulatory retail	115,395	115,395	107,810	8,625
Higher risk assets	52,535	52,535	78,802	6,304
Other assets	169,741	169,741	169,737	13,579
Equity exposures	13,314	13,314	13,314	1,065
<b>Total on-balance sheet exposures</b>	<b>818,162</b>	<b>818,162</b>	<b>454,232</b>	<b>36,338</b>
<b>Total off-balance sheet exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>818,162</b>	<b>818,162</b>	<b>454,232</b>	<b>36,338</b>
<b>(ii) <u>Market Risk</u></b>				
Interest rate risk	-	-	12,812	1,025
Foreign currency risk	-	-	7,610	609
Options risk	-	-	45,720	3,658
<b>Total</b>	<b>-</b>	<b>-</b>	<b>66,142</b>	<b>5,292</b>
<b>(iii) <u>Operational Risk</u></b>				
	-	-	425,635	34,051
<b>Total RWA and capital requirements</b>	<b>818,162</b>	<b>818,162</b>	<b>946,009</b>	<b>75,681</b>

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**23. Capital adequacy (Cont'd)**

(III) There is no off-balance sheet exposures and related counterparty credit risk of the Group and Bank.

The risk-weighted assets and capital requirements for the various categories of risk:

<b>Group</b>	<b>30 June 2011</b>		<b>30 June 2010</b>	
	<b>Risk-weighted assets equivalent RM'000</b>	<b>Capital required RM'000</b>	<b>Risk-weighted assets equivalent RM'000</b>	<b>Capital required RM'000</b>
Interest rate risk				
- General interest rate risk	-	-	7,812	625
- Specific interest rate risk	-	-	5,000	400
	<u>-</u>	<u>-</u>	<u>12,812</u>	<u>1,025</u>
Foreign exchange risk	<b>70,000</b>	<b>5,600</b>	54,044	4,324
Option risk	<b>86,475</b>	<b>6,918</b>	45,720	3,658
<b>Total</b>	<b><u>156,475</u></b>	<b><u>12,518</u></b>	<b><u>112,576</u></b>	<b><u>9,007</u></b>

  

<b>Bank</b>	<b>30 June 2011</b>		<b>30 June 2010</b>	
	<b>Risk-weighted assets equivalent RM'000</b>	<b>Capital required RM'000</b>	<b>Risk-weighted assets equivalent RM'000</b>	<b>Capital required RM'000</b>
Interest rate risk				
- General interest rate risk	-	-	7,812	625
- Specific interest rate risk	-	-	5,000	400
	<u>-</u>	<u>-</u>	<u>12,812</u>	<u>1,025</u>
Foreign exchange risk	<b>12,491</b>	<b>999</b>	7,610	609
Option risk	<b>86,475</b>	<b>6,918</b>	45,720	3,658
<b>Total</b>	<b><u>98,966</u></b>	<b><u>7,917</u></b>	<b><u>66,142</u></b>	<b><u>5,292</u></b>

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**23. Capital adequacy (Cont'd)**

( IV ) The breakdown of exposures by risk weights are as follows:

Group	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns /Central banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk-weighted assets
30 June 2011									
Risk weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	29,839	-	30,047	-	-	5	-	59,891	-
20%	-	1,332,552	-	-	-	-	-	1,332,552	266,510
50%	-	593	2,081	60	-	-	-	2,734	1,367
75%	-	-	-	122,051	-	-	-	122,051	91,538
100%	-	-	15,041	455,451	-	46,231	58	516,781	516,781
150%	-	-	-	479	108,872	-	-	109,351	164,027
<b>Total exposures</b>	<b>29,839</b>	<b>1,333,145</b>	<b>47,169</b>	<b>578,041</b>	<b>108,872</b>	<b>46,236</b>	<b>58</b>	<b>2,143,360</b>	<b>1,040,223</b>
<b>Risk-weighted assets by exposures</b>	-	<b>266,807</b>	<b>16,081</b>	<b>547,738</b>	<b>163,308</b>	<b>46,231</b>	<b>58</b>	<b>1,040,223</b>	
<b>Average risk weights</b>	<b>0%</b>	<b>20%</b>	<b>34%</b>	<b>95%</b>	<b>150%</b>	<b>100%</b>	<b>100%</b>	<b>49%</b>	

Group	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns /Central Banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk-weighted assets
30 June 2010									
Risk weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	18,698	-	30,041	-	-	4	-	48,743	-
20%	-	444,721	-	-	-	-	-	444,721	88,944
50%	-	-	2,828	65	-	-	-	2,893	1,446
75%	-	-	-	30,210	-	-	-	30,210	22,658
100%	-	-	41	85,120	-	212,682	13,314	311,157	311,157
150%	-	-	-	-	60,479	-	-	60,479	90,718
<b>Total exposures</b>	<b>18,698</b>	<b>444,721</b>	<b>32,910</b>	<b>115,395</b>	<b>60,479</b>	<b>212,686</b>	<b>13,314</b>	<b>898,203</b>	<b>514,923</b>
<b>Risk-weighted assets by exposures</b>	-	<b>88,944</b>	<b>1,455</b>	<b>107,810</b>	<b>90,718</b>	<b>212,682</b>	<b>13,314</b>	<b>514,923</b>	
<b>Average risk weights</b>	<b>0%</b>	<b>20%</b>	<b>4%</b>	<b>93%</b>	<b>150%</b>	<b>100%</b>	<b>100%</b>	<b>58%</b>	

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23. Capital adequacy (Cont'd)

Bank	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns /Central Banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk-weighted assets
30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk weights									
0%	29,839	-	30,047	-	-	4	-	59,890	-
20%	-	1,299,457	-	-	-	-	-	1,299,457	259,891
50%	-	593	2,081	60	-	-	-	2,734	1,367
75%	-	-	-	122,051	-	-	-	122,051	91,538
100%	-	-	15,041	455,451	-	46,089	58	516,639	516,639
150%	-	-	-	479	46,027	-	-	46,506	69,759
<b>Total exposures</b>	<b>29,839</b>	<b>1,300,050</b>	<b>47,169</b>	<b>578,041</b>	<b>46,027</b>	<b>46,093</b>	<b>58</b>	<b>2,047,277</b>	<b>939,195</b>
<b>Risk-weighted assets by exposures</b>	-	260,188	16,081	547,738	69,041	46,089	58	939,195	
<b>Average risk weights</b>	0%	20%	34%	95%	150%	100%	100%	46%	

Bank	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns /Central Banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk-weighted assets
30 June 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk Weights									
0%	18,698	-	30,041	-	-	4	-	48,743	-
20%	-	415,569	-	-	-	-	-	415,569	83,114
50%	-	-	2,828	65	-	-	-	2,893	1,446
75%	-	-	-	30,210	-	-	-	30,210	22,658
100%	-	-	41	85,120	-	169,737	13,314	268,212	268,212
150%	-	-	-	-	52,535	-	-	52,535	78,803
<b>Total exposures</b>	<b>18,698</b>	<b>415,569</b>	<b>32,910</b>	<b>115,395</b>	<b>52,535</b>	<b>169,741</b>	<b>13,314</b>	<b>818,162</b>	<b>454,233</b>
<b>Risk-weighted assets by exposures</b>	-	83,114	1,455	107,810	78,802	169,737	13,314	454,232	
<b>Average risk weights</b>	0%	20%	4%	93%	150%	100%	100%	56%	

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**24. Commitments and Contingencies**

Group and Bank	As at 30 June 2011			As at 30 June 2010		
	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Notional amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
Obligations under underwriting agreements	92,891	46,445	101,475	59,160	29,580	53,408
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	415,836	-	-	350,996	-	-
	<b>508,727</b>	<b>46,445</b>	<b>101,475</b>	<b>410,156</b>	<b>29,580</b>	<b>53,408</b>

\* 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 31 June 2011, there were no contracts subject to credit risk.

**Contingent liabilities**

	Group and Bank	
	30 June 2011 RM'000	30 June 2010 RM'000
<b>Unsecured</b>		
(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
	<b>11,091</b>	<b>11,091</b>

\* 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.

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**24. Commitments and Contingencies (Cont'd)**

**Contingent liabilities (cont'd)**

(iii) A corporate borrower had on 12 May 2005 issued a writ of summons and statement of claim against the Bank, as agent bank for three financial institutions, claiming general, special and exemplary damages and costs arising from an alleged breach of duty owned by the Bank.

In 2006, Maybank IB and the three financial institutions filed a counterclaim against the said corporate borrower for the recovery of the relevant credit facilities. The two claims were then heard together.

Pursuant to an agreement and a court vesting order dated 21 May 2007, the Bank has transferred its exposure under this credit facilities to its holding company.

The Court on 6 May 2009 entered judgment ("The Judgment") against the Bank for, inter alia, a sum of RM115.5 million with interest at six percent (6%) per annum from date of disbursement to realisation, with the balance of the corporate borrower's claim (including general damages) ordered to be assessed at a later date. In the same Judgment, the counterclaim against the corporate borrower was also dismissed.

The Bank filed an appeal against the Judgment and an application for stay of execution of the Judgment on 8 May 2009 ("Appeal"). On 24 June 2009, the Bank successfully obtained a stay order for execution on the Judgment pending the disposal of the Appeal against the Judgment. The grounds of judgment were made available on 4 August 2011 and the court has now fixed 29 September 2011 for parties to finalise the notes of proceedings and to file the Record of Appeal.

The Bank's solicitors are of the view that the Bank has a more than even chance of succeeding in the Appeal against the Judgment.

(iv) A junior noteholder, commenced an action against the Bank and another defendant claiming for the sum of RM556.5 million as damages suffered in relation to the junior serial notes issued by a corporation. The claim against the Bank is premised on the alleged breach of duties by the Bank as security agent, in exercising its right of enforcement following from an event of default declared by the relevant trustee.

The Bank does not admit any liability to this claim and will defend the suit. Trial completed on 15 August 2011 and judgment is expected by end September 2011.

The Bank's solicitors are of the view that the Bank has a very good chance of success in defending this claim against the junior noteholder.



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**25. 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.

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

<b>Group</b>	<b>Up to 1</b>	<b>&gt; 1 - 3</b>	<b>&gt; 3 - 12</b>	<b>1 - 5</b>	<b>Over 5</b>	<b>Non-</b>	<b>Trading</b>	<b>Total</b>	<b>Effective</b>
<b>30 June 2011</b>	<b>month</b>	<b>month</b>	<b>month</b>	<b>years</b>	<b>years</b>	<b>interest</b>	<b>book</b>	<b>RM'000</b>	<b>interest</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>sensitive</b>	<b>RM'000</b>	<b>RM'000</b>	<b>rate</b>
						<b>RM'000</b>			<b>%</b>
<b>Assets</b>									
Cash and short-term funds	93,923	-	-	-	-	1,228,419	-	1,322,342	2.76%
Deposits and placements with banks and other financial institutions	-	20	1,164	-	-	9,163	-	10,347	2.85%
Securities available-for-sale	-	-	-	-	-	98,449	-	98,449	-
Securities held-to-maturity	-	-	-	-	33	-	-	33	-
Loans and advances									
- performing	196,844	-	-	-	-	13,768	-	210,612	6.65%
- impaired *	-	-	-	-	-	420	-	420	-
Other assets	-	-	-	-	-	431,721	-	431,721	-
Other non-interest sensitive balances	-	-	-	-	-	65,031	-	65,031	-
<b>Total assets</b>	<b>290,767</b>	<b>20</b>	<b>1,164</b>	<b>-</b>	<b>33</b>	<b>1,846,971</b>	<b>-</b>	<b>2,138,955</b>	

\* This is arrived at after deducting the individual assessment allowance from gross impaired loans outstanding.

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**25. Interest rate risk (Cont'd)**

<u>Group (cont'd)</u> 30 June 2011	Up to 1 month RM'000	> 1 - 3 month RM'000	> 3 - 12 month 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 %
<b>Liabilities and equity</b>									
Other liabilities	-	-	-	-	-	1,679,087	-	1,679,087	-
Other non-interest sensitive balances	-	-	-	-	-	17,078	-	17,078	
<b>Total liabilities</b>	-	-	-	-	-	1,696,165	-	1,696,165	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	392,674	-	392,674	-
<b>Total equity</b>	-	-	-	-	-	442,790	-	442,790	
<b>Total liabilities and equity</b>	-	-	-	-	-	2,138,955	-	2,138,955	
On-balance sheet interest sensitivity gap	290,767	20	1,164	-	33	(291,984)	-	-	
<b>Total interest sensitivity gap</b>	290,767	20	1,164	-	33	(291,984)	-	-	
<b>Cumulative interest rate sensitivity gap</b>	290,767	290,787	291,951	291,951	291,984	-	-		

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**25. Interest rate risk (Cont'd)**

<b>Group</b>	<b>Up to 1</b>	<b>&gt; 1 - 3</b>	<b>&gt; 3 - 12</b>	<b>1 - 5</b>	<b>Over 5</b>	<b>Non-</b>	<b>Trading</b>	<b>Total</b>	<b>Effective</b>
<b>30 June 2010</b>	<b>month</b>	<b>month</b>	<b>month</b>	<b>years</b>	<b>years</b>	<b>interest</b>	<b>book</b>	<b>RM'000</b>	<b>interest</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>sensitive</b>	<b>RM'000</b>	<b>RM'000</b>	<b>rate</b>
						<b>RM'000</b>			<b>%</b>
<b>Assets</b>									
Cash and short-term funds	117,494	-	-	-	-	315,330	-	432,824	2.42%
Deposits and placements with banks and other financial institutions	-	20	3,299	-	-	8,733	-	12,052	2.50%
Securities available-for-sale	4,996	-	-	-	-	106,278	-	111,274	5.20%
Securities held-to-maturity	-	-	-	-	33	-	-	33	-
Loans and advances									
- performing	100,290	-	30,000	-	-	14,499	-	144,789	6.43%
- non-performing *	-	-	-	-	-	(16,747)	-	(16,747)	-
Other assets	-	-	-	-	-	176,730	-	176,730	-
Other non-interest sensitive balances	-	-	-	-	-	36,214	-	36,214	-
<b>Total assets</b>	<b>222,780</b>	<b>20</b>	<b>33,299</b>	<b>-</b>	<b>33</b>	<b>641,037</b>	<b>-</b>	<b>897,169</b>	

\* 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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**25. Interest rate risk (Cont'd)**

<u>Group (cont'd)</u> 30 June 2010	Up to 1 month RM'000	> 1 - 3 month RM'000	> 3 - 12 month 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 %
<b>Liabilities and equity</b>									
Other liabilities	-	-	-	-	-	488,707	-	488,707	-
Other non-interest sensitive balances	-	-	-	-	-	4,239	-	4,239	-
<b>Total liabilities</b>	-	-	-	-	-	<b>492,946</b>	-	<b>492,946</b>	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	354,107	-	354,107	-
<b>Total equity</b>	-	-	-	-	-	<b>404,223</b>	-	<b>404,223</b>	
<b>Total liabilities and equity</b>	-	-	-	-	-	<b>897,169</b>	-	<b>897,169</b>	
On-balance sheet interest sensitivity gap	222,780	20	33,299	-	33	(256,132)	-	-	-
<b>Total interest sensitivity gap</b>	<b>222,780</b>	<b>20</b>	<b>33,299</b>	<b>-</b>	<b>33</b>	<b>(256,132)</b>	<b>-</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>	<b>222,780</b>	<b>222,800</b>	<b>256,099</b>	<b>256,099</b>	<b>256,132</b>	<b>-</b>	<b>-</b>		

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**25. Interest rate risk (Cont'd)**

<b>Bank</b>	<b>Up to 1</b>	<b>&gt; 1 - 3</b>	<b>&gt; 3 - 12</b>	<b>1 - 5</b>	<b>Over 5</b>	<b>Non-</b>	<b>Trading</b>	<b>Total</b>	<b>Effective</b>
<b>30 June 2011</b>	<b>month</b>	<b>month</b>	<b>month</b>	<b>years</b>	<b>years</b>	<b>interest</b>	<b>book</b>	<b>RM'000</b>	<b>interest</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>sensitive</b>	<b>RM'000</b>	<b>RM'000</b>	<b>rate</b>
						<b>RM'000</b>			<b>%</b>
<b>Assets</b>									
Cash and short-term funds	67,094	-	-	-	-	1,223,337	-	1,290,431	2.86%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	9,163	-	9,163	-
Securities available-for-sale	-	-	-	-	-	42,060	-	42,060	-
Securities held-to-maturity	-	-	-	-	33	-	-	33	-
Loans and advances									
- performing	196,844	-	-	-	-	13,768	-	210,612	6.65%
- impaired *	-	-	-	-	-	420	-	420	-
Other assets	-	-	-	-	-	431,736	-	431,736	-
Other non-interest sensitive balances	-	-	-	-	-	291,695	-	291,695	-
<b>Total assets</b>	<b>263,938</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>2,012,179</b>	<b>-</b>	<b>2,276,150</b>	

\* This is arrived at after deducting the individual assessment allowance from gross impaired loans outstanding.

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**25. Interest rate risk (Cont'd)**

<b>Bank (cont'd)</b> 30 June 2011	<b>Up to 1 month RM'000</b>	<b>&gt; 1 - 3 month RM'000</b>	<b>&gt; 3 - 12 month RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non- interest sensitive RM'000</b>	<b>Trading book RM'000</b>	<b>Total RM'000</b>	<b>Effective interest rate %</b>
<b>Liabilities and equity</b>									
Other liabilities	-	-	-	-	-	1,852,797	-	1,852,797	-
Other non-interest sensitive balances	-	-	-	-	-	10,781	-	10,781	-
<b>Total liabilities</b>	-	-	-	-	-	<b>1,863,578</b>	-	<b>1,863,578</b>	
Share capital	-	-	-	-	-	50,116	-	50,116	-
Reserves	-	-	-	-	-	362,456	-	362,456	-
<b>Total equity</b>	-	-	-	-	-	<b>412,572</b>	-	<b>412,572</b>	
<b>Total liabilities and equity</b>	-	-	-	-	-	<b>2,276,150</b>	-	<b>2,276,150</b>	
On-balance sheet interest sensitivity gap	<b>263,938</b>	-	-	-	<b>33</b>	<b>(263,971)</b>	-	-	
<b>Total interest sensitivity gap</b>	<b>263,938</b>	-	-	-	<b>33</b>	<b>(263,971)</b>	-	-	
<b>Cumulative interest rate sensitivity gap</b>	<b>263,938</b>	<b>263,938</b>	<b>263,938</b>	<b>263,938</b>	<b>263,971</b>	-	-		

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**25. Interest rate risk (Cont'd)**

<b>Bank</b>	<b>Up to 1</b>	<b>&gt; 1 - 3</b>	<b>&gt; 3 - 12</b>	<b>1 - 5</b>	<b>Over 5</b>	<b>Non-</b>	<b>Trading</b>	<b>Total</b>	<b>Effective</b>
<b>30 June 2010</b>	<b>month</b>	<b>month</b>	<b>month</b>	<b>years</b>	<b>years</b>	<b>interest</b>	<b>book</b>	<b>RM'000</b>	<b>interest</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>sensitive</b>	<b>RM'000</b>	<b>RM'000</b>	<b>rate</b>
						<b>RM'000</b>			<b>%</b>
<b>Assets</b>									
Cash and short-term funds	94,340	-	-	-	-	312,650	-	406,990	2.49%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	8,733	-	8,733	-
Securities available-for-sale	4,996	-	-	-	-	60,949	-	65,945	5.20%
Securities held-to-maturity	-	-	-	-	33	-	-	33	-
Loans and advances									
- performing	100,290	-	30,000	-	-	14,499	-	144,789	6.43%
- non-performing *	-	-	-	-	-	(16,747)	-	(16,747)	-
Other assets	-	-	-	-	-	177,147	-	177,147	-
Other non-interest sensitive balances	-	-	-	-	-	263,515	-	263,515	-
<b>Total assets</b>	<b>199,626</b>	<b>-</b>	<b>30,000</b>	<b>-</b>	<b>33</b>	<b>820,746</b>	<b>-</b>	<b>1,050,405</b>	

\* 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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**25. Interest rate risk (Cont'd)**

<b>Bank (cont'd)</b> 30 June 2010	Up to 1 month RM'000	> 1 - 3 month RM'000	> 3 - 12 month 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 %
<b>Liabilities and equity</b>									
Other liabilities	-	-	-	-	-	661,235	-	661,235	-
Other non-interest sensitive balances	-	-	-	-	-	739	-	10,781	-
<b>Total liabilities</b>	-	-	-	-	-	<b>661,974</b>	-	<b>661,974</b>	
Share capital	-	-	-	-	-	50,116	-	50,116	
Reserves	-	-	-	-	-	338,315	-	338,315	
<b>Total equity</b>	-	-	-	-	-	<b>388,431</b>	-	<b>388,431</b>	
<b>Total liabilities and equity</b>	-	-	-	-	-	<b>1,050,405</b>	-	<b>1,050,405</b>	
On-balance sheet interest sensitivity gap	199,626	-	30,000	-	33	(229,659)	-	-	
<b>Total interest sensitivity gap</b>	<b>199,626</b>	<b>-</b>	<b>30,000</b>	<b>-</b>	<b>33</b>	<b>(229,659)</b>	<b>-</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>	<b>199,626</b>	<b>199,626</b>	<b>229,626</b>	<b>229,626</b>	<b>229,659</b>	<b>-</b>	<b>-</b>		



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**26. The Operations of Islamic Banking Scheme**  
**Audited Statements of Financial Position as at 30 June 2011**

	Notes	Group and Bank	
		30 June 2011 RM'000	30 June 2010 RM'000
<b>ASSETS</b>			
Cash and short-term funds		16,013	79
Other assets	(a)	<u>57,163</u>	14,958
<b>Total assets</b>		<u><b>73,176</b></u>	<u><b>15,037</b></u>
<b>LIABILITIES</b>			
Other liabilities	(b)	19,198	3
Provision for taxation and zakat		<u>10,781</u>	739
<b>TOTAL LIABILITIES</b>		<u><b>29,979</b></u>	<u><b>742</b></u>
<b>ISLAMIC BANKING FUND</b>			
Islamic banking capital fund		5,000	5,000
Reserves		<u>38,197</u>	9,295
		<u><b>43,197</b></u>	<u><b>14,295</b></u>
<b>Total Liabilities and Islamic Banking Fund</b>		<u><b>73,176</b></u>	<u><b>15,037</b></u>

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26. The Operations of Islamic Banking Scheme (Cont'd)

**Condensed Financial Statements**  
**Audited Statements of Comprehensive Income**  
**For the Fourth Quarter Ended 30 June 2011**

	Notes	4th quarter ended		Cumulative 12 months ended	
		30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Income derived from investment of depositors' funds and others	(c)	-	(1,532)	-	896
Transfer to profit equalisation reserves		-	-	-	328
Gross attributable income		-	(1,532)	-	1,224
Income attributable to depositors	(d)	-	-	-	(477)
		-	(1,532)	-	747
Income derived from investment of Islamic banking capital funds	(e)	<b>24,044</b>	1,532	<b>57,597</b>	1,532
<b>Income attributable to the Group and the Bank</b>		<b>24,044</b>	-	<b>57,597</b>	2,279
Overhead expenses	(f)	<b>(6,777)</b>	330	<b>(18,653)</b>	249
<b>Profit before taxation and zakat</b>		<b>17,267</b>	330	<b>38,944</b>	2,528
Taxation		<b>(4,291)</b>	(82)	<b>(9,711)</b>	(803)
Zakat		<b>(152)</b>	(3)	<b>(331)</b>	(22)
<b>Profit for the year</b>		<b>12,824</b>	245	<b>28,902</b>	1,703

	4th quarter ended		Cumulative 12 months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>Profit for the year</b>	<b>12,824</b>	245	<b>28,902</b>	1,703
<b>Other comprehensive income:</b>				
Net (loss) on fair value changes on securities available-for-sale	-	(232)	-	(232)
<b>Total comprehensive income for the year</b>	<b>12,824</b>	13	<b>28,902</b>	1,471

**Audited Consolidated Statements of Changes in Equity**  
**For the Fourth Quarter Ended 30 June 2011**

	Islamic banking capital fund RM'000	Non-distributable unrealised holdings reserves RM'000	Distributable retained profits RM'000	Total RM'000
<b>Group and Bank</b>				
At 1 July 2010	5,000	-	9,295	14,295
Total comprehensive income for the year	-	-	28,902	28,902
<b>At 30 June 2011</b>	<b>5,000</b>	-	<b>38,197</b>	<b>43,197</b>
At 1 July 2009	5,000	232	7,592	12,824
Total comprehensive income for the year	-	(232)	1,703	1,471
<b>At 30 June 2010</b>	<b>5,000</b>	-	<b>9,295</b>	<b>14,295</b>

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**26. The Operations of Islamic Banking Scheme (Cont'd)**

**Condensed Financial Statements**  
**Audited Condensed Cash Flow Statements**  
**For the Fourth Quarter Ended 30 June 2011**

	<b>Group and Bank</b>	
	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat	38,944	2,528
Decrease in securities portfolio	-	158,574
Increase in receivables	(42,205)	(13,759)
Decrease/(increase) in payables	19,195	(46,219)
Decrease in deposits from customers and banks and other financial institutions	-	(611,085)
Net cash generated from/(used) in operating activities	15,934	(509,961)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>15,934</b>	<b>(509,961)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>79</b>	<b>510,040</b>
<b>Cash and cash equivalents at end of the year</b>	<b>16,013</b>	<b>79</b>

**(a) Other assets**

	<b>Group and Bank</b>	
	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
Income receivables	57,163	14,958

**(b) Other liabilities**

	<b>Group and Bank</b>	
	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
Provisions and accruals	19,198	3

The movements in PER are as follows:

Balance at beginning of year	-	683
Amount reversed during the year	-	(683)
Balance at end of year	-	-

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**26. The Operations of Islamic Banking Scheme (Cont'd)**

**(c) Income derived from investment of depositors' funds and others**

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

	4th quarter ended		Cumulative 12 months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Gross income from:				
- Securities available-for-sale	-	(457)	-	220
- Securities held-to-maturity	-	(254)	-	148
- Deposit and placement with financial institutions	-	(495)	-	290
	-	(1,206)	-	658
Gain from sale of investment				
- Securities	-	(406)	-	238
	-	(1,612)	-	896

**(d) Income attributable to depositors**

	4th quarter ended		Cumulative 12 months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Deposits from customers				
- Mudharabah fund	-	-	-	2
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	-	-	-	475
	-	-	-	477

**(e) Income derived from investment of Islamic banking capital funds**

	4th quarter ended		Cumulative 12 months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Gross income from:				
- Securities available-for-sale	-	-	-	377
- Securities held-to-maturity	-	-	-	254
- Deposit and placement with financial institutions	85	-	85	495
- Gain from sale of investment securities	17,050	-	17,050	406
Fee income from:				
- Corporate advisory fees	36,270	-	36,270	-
- Brokerage income	4,192	-	4,192	-
	57,597	-	57,597	1,532

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**26. The Operations of Islamic Banking Scheme (Cont'd)**

**(f) Overhead expenses**

	4th quarter ended		Cumulative 12 months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Personnel expenses	5,524	-	14,428	-
Establishment costs	855	(330)	3,000	(249)
Marketing costs	218	-	670	-
Administration and general expenses	180	-	555	-
	<b>6,777</b>	<b>(330)</b>	<b>18,653</b>	<b>(249)</b>

**(g) Capital adequacy**

Group and Bank	
30 June 2011 (Basel II) %	30 June 2010 (Basel II) %

**(l) Capital ratios**

**Core capital ratios:**

Credit risk	71.58	95.57
Credit, market and operational risks	<b>42.58</b>	<b>64.28</b>

**Tier 1 capital**

Group and Bank	
30 June 2011 RM'000	30 June 2010 RM'000

Islamic banking capital fund	5,000	5,000
Retained profits	38,197	9,295
<b>Total tier 1 capital</b>	<b>43,197</b>	<b>14,295</b>
<b>Capital base</b>	<b>43,197</b>	<b>14,295</b>

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**26. The Operations of Islamic Banking Scheme (Cont'd)**

**(g) Capital adequacy (cont'd)**

**(II) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:**

<u>Bank</u>	Gross	Net	Risk-	Capital
30 June 2011	exposures	exposures	weighted	requirements
Exposure Class	RM'000	RM'000	assets	RM'000
			RM'000	
<b>(i) <u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	62	62	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	15,951	15,951	3,190	255
Other assets	57,162	57,162	57,162	4,573
<b>Total on-balance sheet exposures</b>	<b>73,175</b>	<b>73,175</b>	<b>60,352</b>	<b>4,828</b>
<b>Total off-balance sheet exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>73,175</b>	<b>73,175</b>	<b>60,352</b>	<b>4,828</b>
<b>(ii) <u>Market Risk</u></b>				
	-	-	-	-
<b>(iii) <u>Operational Risk</u></b>				
	-	-	41,088	3,287
<b>Total RWA and capital requirements</b>	<b>73,175</b>	<b>73,175</b>	<b>101,440</b>	<b>8,115</b>

<u>Bank</u>	Gross	Net	Risk-	Capital
30 June 2010	exposures	exposures	weighted	requirements
Exposure Class	RM'000	RM'000	assets	RM'000
			RM'000	
<b>(i) <u>Credit Risk</u></b>				
<b>On-balance sheet exposures:</b>				
Sovereigns/Central banks	79	79	-	-
Other assets	14,958	14,958	14,958	1,197
<b>Total on-balance sheet exposures</b>	<b>15,037</b>	<b>15,037</b>	<b>14,958</b>	<b>1,197</b>
<b>Total off-balance sheet exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>15,037</b>	<b>15,037</b>	<b>14,958</b>	<b>1,197</b>
<b>(ii) <u>Market Risk</u></b>				
	-	-	-	-
<b>(iii) <u>Operational Risk</u></b>				
	-	-	7,279	582
<b>Total RWA and capital requirements</b>	<b>15,037</b>	<b>15,037</b>	<b>22,237</b>	<b>1,779</b>

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26. The Operations of Islamic Banking Scheme (Cont'd)

(g) Capital adequacy (cont'd)

(III) The breakdown of exposures by risk weights are as follows:

Group	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns/ Central banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total Exposures after netting and credit risk mitigation	Total risk- weighted assets
30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk weights									
0%	62	-	-	-	-	-	-	62	-
20%	-	15,951	-	-	-	-	-	15,951	3,190
100%	-	-	-	-	-	57,162	-	57,162	57,162
<b>Total exposures</b>	<b>62</b>	<b>15,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,162</b>	<b>-</b>	<b>73,175</b>	<b>60,352</b>
<b>Risk-weighted assets by exposures</b>	<b>-</b>	<b>3,190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,162</b>	<b>-</b>	<b>60,352</b>	
<b>Average risk weights</b>	<b>0%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>	<b>0%</b>	<b>82%</b>	

Group	Exposures after Netting and Credit Risk Mitigation								
	Sovereigns/ Central Banks	Banks, DFIs and MDBs	Corporates	Regulatory retail	Higher risk assets	Other assets	Equity exposures	Total exposures after netting and credit risk mitigation	Total risk- weighted assets
30 June 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk weights									
0%	79	-	-	-	-	-	-	79	-
100%	-	-	-	-	-	14,958	-	14,958	14,958
<b>Total exposures</b>	<b>79</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,958</b>	<b>-</b>	<b>15,037</b>	<b>14,958</b>
<b>Risk-weighted assets by exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,958</b>	<b>-</b>	<b>14,958</b>	
<b>Average risk weights</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>	

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**26. The Operations of Islamic Banking Scheme (Cont'd)**

**(h) 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 reprice or mature, whichever is earlier.

<u>Group and Bank</u> 30 June 2011	Up to 1 month RM'000	> 1 - 3 month RM'000	> 3 - 12 month RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000	Effective yield/profit rate %
<b>Assets</b>									
Cash and short-term funds	15,950	-	-	-	-	63	-	16,013	3.00
Other assets	-	-	-	-	-	57,163	-	57,163	-
<b>Total assets</b>	<b>15,950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,226</b>	<b>-</b>	<b>73,176</b>	
<b>Liabilities and Islamic banking fund</b>									
Other non-yield/profit rate sensitive balances	-	-	-	-	-	29,979	-	29,979	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,979</b>	<b>-</b>	<b>29,979</b>	
Reserves	-	-	-	-	-	43,197	-	43,197	-
Total Islamic banking fund	-	-	-	-	-	43,197	-	43,197	
<b>Total liabilities and Islamic banking fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,176</b>	<b>-</b>	<b>73,176</b>	
<b>Total yield/profit rate sensitivity gap</b>	<b>15,950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,950)</b>	<b>-</b>	<b>-</b>	
<b>Cumulative yield/profit rate sensitivity gap</b>	<b>15,950</b>	<b>15,950</b>	<b>15,950</b>	<b>15,950</b>	<b>15,950</b>	<b>-</b>	<b>-</b>	<b>-</b>	



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26. The Operations of Islamic Banking Scheme (Cont'd)

(h) Yield/profit rate risk on IBS portfolio (cont'd)

<u>Group and Bank</u> 30 June 2010	Up to 1 month RM'000	> 1 - 3 month RM'000	> 3 - 12 month RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000	Effective yield/profit rate %
<b>Assets</b>									
Cash and short-term funds	-	-	-	-	-	79	-	79	-
Other assets	-	-	-	-	-	14,958	-	14,958	-
<b>Total assets</b>	-	-	-	-	-	<b>15,037</b>	-	<b>15,037</b>	
<b>Liabilities and Islamic banking fund</b>									
Other non-yield/profit rate sensitive balances	-	-	-	-	-	742	-	742	-
<b>Total liabilities</b>	-	-	-	-	-	<b>742</b>	-	<b>742</b>	
Reserves	-	-	-	-	-	14,295	-	14,295	-
Total Islamic banking fund	-	-	-	-	-	<b>14,295</b>	-	<b>14,295</b>	
<b>Total liabilities and Islamic banking fund</b>	-	-	-	-	-	<b>15,037</b>	-	<b>15,037</b>	
<b>Total yield/profit rate sensitivity gap</b>	-	-	-	-	-	-	-	-	
<b>Cumulative yield/profit rate sensitivity gap</b>	-	-	-	-	-	-	-	-	

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**26. The operations of Islamic Banking Scheme (Cont'd)**

**(i) 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 balance sheet.

**(j) 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 institution in calculating and deriving the rate of return for the depositors.

**(k) Shariah committee**

The operation of IBS is governed by Section 124(3) of the Banking and Financial Institution 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 application to BNM for new product approval
- (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 four Shariah consultants.

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**27. Changes in Accounting Policies**

As disclosed in Note 1, the adoption of new FRS's, amendments to FRSs, IC Interpretations and TR during the financial period have resulted in the following changes in accounting policies:

- (i) FRS 139 Financial Instruments: Recognition and Measurement
- (ii) IC Interpretation 9 Reassessment of Embedded Derivatives
- (iii) Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- (iv) Amendments to FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. Some of these principles and accounting policies have been adopted by the Group and the Bank since the application of BNM's revised BNM/GP8 - Guidelines of Financial Reporting for Licensed Institutions ("BNM GP8 Guidelines") on 1 July 2005 due to the similarities between BNM GP8 Guidelines and FRS 139.

The changes in accounting policies above have been accounted for prospectively, in line with the transitional arrangements under para 103AA of FRS 139, with adjustments to the carrying values of financial assets and liabilities at the beginning of the current financial period being adjusted to opening retained profits and/or unrealised holding reserves/(deficit) as appropriate.

Upon the full adoption of FRS 139 on 1 July 2010, the Group has implemented additional requirements as follows:

1) Impairment of loans and advances (inclusive receivables (non-margin))

The Group and the Bank assess at the end of each reporting period whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loan is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (as incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the loan or group of loans that can be easily estimated.

The Group and the Bank assess if objective evidences of impairment exist for loans and advances and financing which are deemed to be individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

For margin and non-margin accounts to refer to note 2 below.

Loans which are not individually significant and loans that have been individually assessed with no evidence of impairment loss are grouped together for portfolio impairment assessment.

2) Classification of loans and advances as impaired

Prior to the adoption of FRS 139, loans were classified as non-performing when principal or interest/profit for both are past due for three (3) months or more. Upon the adoption of FRS 139, loans are classified as impaired when principal or interest/profit or both are past due for three (3) months or more or where loans in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for.

For margin and non-margin, the classification of impaired accounts are to follow the Bursa Malaysia Guidelines under Schedule 7 Chapter 11.

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**27. Changes in Accounting Policies (Cont'd)**

3) Interest and Profit Income Recognition

For all financial instruments measured at amortised cost, interest bearing and other financial assets classified as financial investments available-for-sale and financial instruments designated at fair value through profit or loss, interest or profit income or expense is recorded using the effective interest rate ("EIR") or effective profit rate ("EPR"), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR or the EPR, but not future credit losses.