

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE SECOND QUARTER ENDED 31 DECEMBER 2008**

<b>Group</b>	<b>Note</b>	<b>2nd Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
		<b>31 December 2008</b>	<b>31 December 2007</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Continuing Operations</b>					
Interest income	A15	3,489,799	2,994,263	6,335,721	5,905,154
Interest expense	A16	(1,942,383)	(1,579,602)	(3,523,290)	(3,178,926)
Net interest income		1,547,416	1,414,661	2,812,431	2,726,228
Income from Islamic Banking					
Scheme operations:					
Gross operating income		289,441	212,625	570,235	435,044
Profit equalisation reserves		12,234	1,531	13,413	(11,338)
	A28b	301,675	214,156	583,648	423,706
Non-interest income	A17	809,624	636,335	1,288,373	1,246,558
Net income		2,658,715	2,265,152	4,684,452	4,396,492
Overhead expenses	A18	(1,408,543)	(1,053,972)	(2,624,955)	(2,063,034)
Operating Profit		1,250,172	1,211,180	2,059,497	2,333,458
Allowance for losses on loans, advances and financing	A19	(312,172)	(177,569)	(504,404)	(285,621)
Write-back of allowance for non-refundable deposit	A5	-	-	483,824	-
		938,000	1,033,611	2,038,917	2,047,837
Share of profits in associated companies		22,285	(382)	45,142	(506)
Impairment loss of an investment	A30	-	-	(242,000)	-
<b>Profit before taxation</b>		<b>960,285</b>	<b>1,033,229</b>	<b>1,842,059</b>	<b>2,047,331</b>
Taxation & Zakat	B5	(225,617)	(307,048)	(536,635)	(569,189)
<b>Profit for the period</b>		<b>734,668</b>	<b>726,181</b>	<b>1,305,424</b>	<b>1,478,142</b>
<b>Attributable to:</b>					
Equity holders of the parent		734,560	730,954	1,306,733	1,466,383
Minority Interest		108	(4,773)	(1,309)	11,759
		734,668	726,181	1,305,424	1,478,142
<b>Earnings per share attributable to equity holders of the parent</b>					
	B12				
Basic		15.05 sen	15.01 sen <sup>1</sup>	26.77 sen	30.13 sen <sup>1</sup>
Fully diluted		15.05 sen	15.00 sen <sup>1</sup>	26.77 sen	30.10 sen

<sup>1</sup> Adjusted for bonus issue of 1:4

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**FOR THE SECOND QUARTER ENDED 31 DECEMBER 2008**

<u>Bank</u>	Note	2nd Quarter Ended		Cumulative 6 Months Ended	
		31 December 2008 RM'000	31 December 2007 RM'000 (Restated)	31 December 2008 RM'000	31 December 2007 RM'000 (Restated)
<b>Continuing Operations</b>					
Interest income	A15	2,793,903	2,830,930	5,536,895	5,572,523
Interest expense	A16	(1,527,433)	(1,494,139)	(3,042,283)	(3,005,770)
Net interest income		1,266,470	1,336,791	2,494,612	2,566,753
Non-interest income	A17	508,627	433,934	776,901	864,247
Net income		1,775,097	1,770,725	3,271,513	3,431,000
Overhead expenses	A18	(903,246)	(766,746)	(1,844,976)	(1,524,658)
Operating Profit		871,851	1,003,979	1,426,537	1,906,342
Allowance for losses on loans, advances and financing	A19	(128,548)	(172,373)	(275,054)	(274,235)
Write-back of allowance for non-refundable deposit	A5	-	-	483,824	-
Impairment loss of an investment	A30	-	-	(242,000)	-
<b>Profit before taxation</b>		<b>743,303</b>	<b>831,606</b>	<b>1,393,307</b>	<b>1,632,107</b>
Taxation & Zakat	B5	(144,278)	(224,526)	(353,161)	(424,152)
Profit for the period from continuing operations		357,025	607,080	1,040,146	1,207,955
<b>Discontinued Operation</b>					
Profit for the period from transfer of Islamic Banking operations	A31 (a)	-	26,136	-	69,187
<b>Profit for the period</b>		<b>599,025</b>	<b>633,216</b>	<b>1,040,146</b>	<b>1,277,142</b>

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED BALANCE SHEETS AS AT 31 DECEMBER 2008**

	Note	GROUP		BANK	
		31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
<b>ASSETS</b>					
Cash and short-term funds		<b>22,734,638</b>	27,644,359	<b>17,091,316</b>	24,069,617
Deposits and placements with financial institutions		<b>4,145,744</b>	8,956,515	<b>4,928,071</b>	8,795,492
Securities portfolio	A9	<b>52,063,075</b>	36,551,156	<b>41,238,271</b>	29,711,540
Loans, advances and financing	A10	<b>182,575,367</b>	164,799,666	<b>143,453,513</b>	138,985,721
Derivative assets		<b>1,677,152</b>	830,150	<b>1,617,040</b>	828,182
Other assets	A11	<b>5,153,870</b>	3,915,687	<b>6,492,787</b>	3,040,046
Investment properties		<b>3,932</b>	3,885	-	-
Statutory deposits with Central Banks		<b>5,405,235</b>	5,872,414	<b>3,677,771</b>	4,939,701
Investment in subsidiaries		-	-	<b>14,983,707</b>	6,423,155
Interests in associates		<b>3,041,549</b>	2,218,847	<b>342,962</b>	12,055
Property, plant and equipment		<b>1,477,631</b>	1,210,833	<b>1,087,996</b>	1,062,383
Intangible assets	A29	<b>6,207,137</b>	189,729	<b>174,119</b>	182,455
Deferred tax assets		<b>1,122,291</b>	1,217,490	<b>880,866</b>	1,122,138
Life, general takaful and family takaful fund assets		<b>16,098,647</b>	15,689,969	-	-
<b>TOTAL ASSETS</b>		<b>301,706,268</b>	269,100,700	<b>235,968,419</b>	219,172,485
<b>LIABILITIES</b>					
Deposits from customers	A12	<b>206,592,878</b>	187,112,077	<b>162,055,778</b>	156,322,564
Deposits and placements of banks and other financial institutions	A13	<b>29,154,554</b>	24,554,106	<b>30,558,437</b>	25,847,297
Obligations on securities sold under repurchase agreements		-	322,371	-	322,371
Bills and acceptances payable		<b>3,712,399</b>	4,792,302	<b>3,682,421</b>	4,396,381
Derivative liabilities		<b>2,073,087</b>	1,055,097	<b>1,953,634</b>	1,027,048
Other liabilities	A14	<b>7,276,767</b>	5,248,563	<b>4,480,675</b>	3,919,074
Recourse obligation on loans sold to Cagamas		<b>759,792</b>	1,274,069	<b>759,792</b>	1,274,069
Provision for taxation and zakat		<b>232,804</b>	435,483	<b>82,676</b>	390,327
Deferred tax liabilities		<b>49,492</b>	51,862	-	-
Subordinated obligations	A13	<b>8,647,555</b>	4,975,723	<b>8,136,298</b>	4,975,723
Capital Securities	A13	<b>6,032,242</b>	3,497,316	<b>6,032,242</b>	3,497,316
Life, general takaful and family takaful fund liabilities		<b>4,000,240</b>	4,032,822	-	-
Life, general takaful and family takaful policy holders' funds		<b>12,098,407</b>	11,657,147	-	-
<b>TOTAL LIABILITIES</b>		<b>280,630,217</b>	249,008,938	<b>217,741,953</b>	201,972,170

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED BALANCE SHEETS AS AT 31 DECEMBER 2008**

	Note	GROUP		BANK	
		31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
<b>SHAREHOLDERS' EQUITY</b>					
Share capital		4,881,147	4,881,123	4,881,147	4,881,123
Reserves		15,348,005	14,421,370	13,345,319	12,319,192
		<b>20,229,152</b>	19,302,493	<b>18,226,466</b>	17,200,315
Minority Interest		846,899	789,269	-	-
Total equity		<b>21,076,051</b>	20,091,762	<b>18,226,466</b>	17,200,315
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>301,706,268</b>	269,100,700	<b>235,968,419</b>	219,172,485
<b>COMMITMENTS AND CONTINGENCIES</b>	A24	<b>220,917,849</b>	204,216,762	<b>204,003,410</b>	192,079,393
<b><u>CAPITAL ADEQUACY</u></b>	A26				
Based on credit and market risks:					
<b><u>Without deducting dividend payable *</u></b>					
Core capital ratio		8.13%	10.98%	10.19%	11.49%
Risk-weighted capital ratio		13.54%	14.87%	10.19%	12.73%
<b><u>After deducting dividend payable</u></b>					
Core capital ratio:		8.13%	10.60%	10.19%	11.09%
Risk-weighted capital ratio:		13.54%	14.49%	10.19%	12.32%
Net assets per share attributable to equity holders of the parent		<b>RM4.14</b>	RM3.95	<b>RM3.73</b>	RM3.52

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

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2008**

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

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2008**

<u>GROUP</u>	<===== Non Distributable =====>										
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unrealised Reserve/(Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Share Option Reserves RM'000	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
<b>At 1 July 2007</b>	4,881,123	2,097,011	4,573,636	15,250	(416,340)	(41,752)	63,069	8,130,496	<b>19,302,493</b>	789,269	<b>20,091,762</b>
Currency translation differences	-	-	-	-	-	38,642	-	-	<b>38,642</b>	608	<b>39,250</b>
Acquisition of an Interest by Minority Interest	-	-	-	-	-	-	-	-	-	996,628	<b>996,628</b>
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	-	23,687	-	-	-	<b>23,687</b>	(13,754)	<b>9,933</b>
Net accretion from decreased interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) not recognised in the income statement	-	-	-	-	23,687	38,642	-	-	<b>62,329</b>	983,482	<b>1,045,811</b>
Net profit for the period	-	-	-	-	-	-	-	572,173	<b>572,173</b>	(1,417)	<b>570,756</b>
Total recognised income/(expense) for the period	-	-	-	-	23,687	38,642	-	572,173	<b>634,502</b>	982,065	<b>1,616,567</b>
Share-based payment under ESOS	-	-	-	-	-	-	122	-	<b>122</b>	-	<b>122</b>
Transfer to/from statutory reserves	-	-	171,000	-	-	-	-	(171,000)	-	-	-
Issue of ordinary shares pursuant to ESOS	23	146	-	-	-	-	-	-	<b>169</b>	-	<b>169</b>
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
<b>At 31 December 2007</b>	<b>4,881,146</b>	<b>2,097,157</b>	<b>4,744,636</b>	<b>15,250</b>	<b>(392,653)</b>	<b>(3,110)</b>	<b>63,191</b>	<b>8,531,669</b>	<b>19,937,286</b>	<b>1,771,334</b>	<b>21,708,620</b>

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2008**

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

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**FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2008**

	<=====Non Distributable=====>						Distributable Retained Profits RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Unrealised Holding Reserve/(Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Other Reserves RM'000		
<b>BANK</b>								
<b>At 1 July 2007</b>	4,881,123	2,097,011	4,483,770	(400,753)	94,730	63,069	5,981,365	<b>17,200,315</b>
Currency translation differences	-	-	-	-	(11,171)	-	-	<b>(11,171)</b>
Unrealised net gain on revaluation of securities available for sale	-	-	-	27,866	-	-	-	<b>27,866</b>
Net gain/(loss) not recognised in the income statement	-	-	-	27,866	(11,171)	-	-	<b>16,695</b>
Net profit for the period	-	-	-	-	-	-	683,121	<b>683,121</b>
Total recognised income/(expense) for the period	-	-	-	27,866	(11,171)	-	683,121	<b>699,816</b>
Share-based payment under ESOS	-	-	-	-	-	122	-	<b>122</b>
Transfer to statutory reserve	-	-	171,000	-	-	-	(171,000)	-
Issue of ordinary shares pursuant to ESOS	23	146	-	-	-	-	-	<b>169</b>
Dividend paid	-	-	-	-	-	-	-	-
<b>At 31 December 2007</b>	<b>4,881,146</b>	<b>2,097,157</b>	<b>4,654,770</b>	<b>(372,887)</b>	<b>83,559</b>	<b>63,191</b>	<b>6,493,486</b>	<b>17,900,422</b>

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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED CASH FLOW STATEMENTS**  
**FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2008**

	GROUP		BANK	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
Profit before taxation				
Continuing operations	<b>1,842,059</b>	2,047,331	<b>1,393,307</b>	1,632,107
Discontinued operation	-	-	-	102,882
Adjustments for non-operating and non-cash items	<b>716,447</b>	1,804,714	<b>691,174</b>	1,517,504
Operating profit before working capital changes	<b>2,558,506</b>	3,852,045	<b>2,084,481</b>	3,252,493
Changes in working capital:-				
Net changes in operating assets	<b>(9,648,409)</b>	(10,062,048)	<b>(8,319,089)</b>	(9,969,665)
Net changes in operating liabilities	<b>4,259,519</b>	9,190,457	<b>3,704,442</b>	10,671,594
Tax expense and zakat paid	<b>(706,177)</b>	(655,790)	<b>(617,249)</b>	(523,641)
Net cash generated from operations	<b>(3,536,561)</b>	2,324,664	<b>(3,147,415)</b>	3,430,781
Net cash (used in)/generated from investing activities	<b>(7,115,802)</b>	(117,673)	<b>(8,969,490)</b>	(116,889)
Net cash (used in)/generated from financing activities	<b>4,970,560</b>	(2,942,544)	<b>4,411,831</b>	(2,942,545)
	<b>(2,145,242)</b>	(3,060,217)	<b>(4,557,659)</b>	(3,059,434)
Net change in cash and cash equivalents	<b>(5,681,803)</b>	(735,553)	<b>(7,705,074)</b>	371,347
Cash and cash equivalents at beginning of period *	<b>28,416,441</b>	36,517,013	<b>24,796,390</b>	33,152,218
	<b>22,734,638</b>	35,781,460	<b>17,091,316</b>	33,523,565
Assets transferred to subsidiary pursuant to transfer of Islamic Banking operations	-	-	-	(1,416,054)
Cash and cash equivalents at end of period	<b>22,734,638</b>	35,781,460	<b>17,091,316</b>	<b>32,107,511</b>
* Cash and cash equivalents at beginning of year				
Cash and short term funds as previously reported	<b>27,644,359</b>	37,597,422	<b>24,069,617</b>	34,200,909
Effects of foreign exchange rate changes	<b>772,082</b>	(1,080,409)	<b>726,773</b>	(1,048,691)
As restated	<b>28,416,441</b>	36,517,013	<b>24,796,390</b>	33,152,218

**(These condensed financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements)**

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

**A1. Basis of Preparation**

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

The condensed interim financial statements were not audited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and Chapter 9, part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2008. These explanatory notes attached to the audited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 30 June 2008.

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 2008.

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

**Prior Quarter Adjustment – Bank level**

A restatement of RM242 million was made to the last quarter’s results at Bank level for impairment of investment in an associate in order to be consistent with the impairment made at Group level in the same quarter. The comparative amounts that have been restated are set out in Note A31 (b).

**A2. Significant Accounting Estimates and Judgments**

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

- (i) **Fair Value Estimation of Securities Held-for-trading (Note 9(i)), Securities Available-for-sale (Note 9(ii)) and Derivative Financial Instruments**

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

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**A2. Significant Accounting Estimates and Judgments (contd.)**

**(ii) Valuation of Investment Properties**

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

**(iii) Impairment of Goodwill**

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

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

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

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

**(v) Liabilities of Insurance Business**

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

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

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

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

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**A2. Significant Accounting Estimates and Judgments (contd.)**

**(vii) Allowances for Bad and Doubtful Debts**

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

The Group and Bank have adopted certain criteria in the identification of doubtful loans, which include classifying loans as non-performing when repayments are in arrears for more than three (3) months (one (1) month after maturity date for trade bills, bankers' acceptances and trust receipts). Specific allowances for doubtful loans are provided after taking into consideration of the values assigned to collateral. The values assigned to collateral are estimated based on market value and/or forced sales value, as appropriate and conforms to BNM guidelines. In addition to the specific allowances made, the Group and Bank also make general allowance against exposure not specifically identified based on a certain percentage of total risk-weighted assets for credit risk. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

**A3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited annual financial statements for the financial year ended 30 June 2008 was not qualified.

**A4. Seasonal or Cyclical Factors**

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the second financial quarter ended 31 December 2008.

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

During the quarter ended 31 December 2008, save as disclosed under Note A7 below, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank.

**A6. Changes in Estimates**

There were no material changes in estimates during the quarter ended 31 December 2008.

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**A7. Changes in Debt and Equity Securities**

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

**(a) Issuance of Shares**

The issued and paid-up share capital of the Bank was increased from RM4,881,123,401 as at 30 June 2008 to RM4,881,147,151 as at 31 December 2008, from the issuance of 23,750 new ordinary as follows:

Issuance of 23,750 new ordinary shares of RM1.00 each to eligible persons who have exercised their options under the Maybank Group Employee Share Option Scheme (ESOS), plus 4,750 bonus shares granted upon exercise of the options after bonus declaration, at the following option prices:

<u>Number of shares issued</u>	<u>Option price per share</u>	<u>No. of bonus shares issued:</u>
16,100	RM 9.23	4,025
1,100	RM 9.87	275
800	RM 9.92	200
1,000	RM10.19	250

**(b) Innovative Tier 1 Capital Securities (IT1CS)**

On 11 August 2008, Maybank issued SGD600 million IT1CS Callable with Step-up in 2018 under its RM4.0 billion Innovative Tier 1 Capital Securities Programme. The SGD IT1CS bear a fixed interest rate payment from and including 11 August 2008 to (but excluding) 11 August 2018 (the First Reset Date), payable semi annually in arrear on 11 February and 11 August in each year commencing on 11 February 2009. The SGD IT1CS has a principal stock settlement mechanism to redeem the IT1CS on the 60th year from the date of issuance. The Bank, however, has the option to redeem the IT1CS on the 10th anniversary of the issue date and on any interest payment date thereafter. On the 10th anniversary of the issue date, there will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus 100 basis points above the three month SGD Swap Offer Rate.

As part of its overall IT1CS Programme, Maybank had also on 25 September 2008 issued RM1.10 billion of IT1CS. The RM IT1CS which matures on 25 September 2068 also bear a fixed interest rate and is callable on 25 September 2018 and on every interest payment date thereafter. On the 10th anniversary of the issue date, there will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus 100 basis points above the Kuala Lumpur Inter-Bank Offer Rate for 3-months RM deposits.

The IT1CS will constitute direct, unsecured and subordinated obligations of the Bank and will rank pari passu and without any preference among themselves, and will rank pari passu with other Tier 1 securities.

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**A7. Changes in Debt and Equity Securities (contd.)**

**(c) Tier 2 Capital Subordinated Term Loan Facility**

On 28 November 2008, Maybank ("Borrower") has secured a RM3.1 billion Tier 2 Capital Subordinated Term Loan Facility (the "Facility") for a term of fifteen (15) years from the drawdown date, with an option by the Borrower to redeem the Facility on the Optional Redemption Date or such other period as may be agreed between the Lender and Borrower. The Optional Redemption Date is the tenth (10<sup>th</sup>) anniversary from the Drawdown date or any semi annual Interest Payment date thereafter.

The Facility bear a fixed interest rate payment, payable semi annually in arrear. On the 10th anniversary of the issue date, there will be a one-time step-up in the interest rate which shall be equivalent to the aggregate of one hundred (100) basis points and the then prevailing market rate to be agreed between the Lender and the Borrower based on the then Borrower's prevailing credit rating for a tier 2 subordinated bond and upon having considered amongst others, the yield for a five (5) year bond maturity and last traded yields for Tier 2 subordinated bonds and other comparables of equivalent ratings.

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

**A8. Dividends Paid**

A final dividend of 20.0 sen per share less 26% tax for the financial year ended 30 June 2008, amounting to RM722,409,591.80 was paid on 21 October 2008.

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**A9. Securities Portfolio**

	Note	Group		Bank	
		31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
Securities held-for-trading	(i)	2,367,605	880,794	1,506,811	418,170
Securities available-for-sale	(ii)	47,828,453	34,484,135	38,938,331	28,620,398
Securities held-to-maturity	(iii)	1,867,017	1,186,227	793,129	672,972
		<b>52,063,075</b>	<b>36,551,156</b>	<b>41,238,271</b>	<b>29,711,540</b>

**A9. (i) Securities Held-for-trading**

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
<b>At Fair value</b>				
<b>Money Market Instruments:-</b>				
Malaysian Government Securities	325,770	38,947	212,875	38,947
Malaysian Government Treasury Bills	69,228	19,917	69,228	19,917
Malaysian Government Investment Issues	197,984	9,536	110,976	9,536
Bank Negara Malaysia Monetary Notes	668,005	4,112	668,005	4,112
Foreign Government Securities	18,303	268	-	-
Foreign Certificates of Deposits	41,340	-	-	-
Total Money Market Instruments	<b>1,320,630</b>	<b>72,780</b>	<b>1,061,084</b>	<b>72,512</b>
<b>Quoted securities:</b>				
Shares	15,849	23,689	15,849	23,689
	<b>15,849</b>	<b>23,689</b>	<b>15,849</b>	<b>23,689</b>
<b>Unquoted securities:</b>				
Malaysian Government Bonds	80,566	35,189	80,566	35,189
Private and Islamic Debt Securities in Malaysia	626,761	462,356	25,513	-
Foreign Private Debt Securities	323,799	286,780	323,799	286,780
	<b>1,031,126</b>	<b>784,325</b>	<b>429,878</b>	<b>321,969</b>
<b>Total securities held-for-trading</b>	<b>2,367,605</b>	<b>880,794</b>	<b>1,506,811</b>	<b>418,170</b>

**A9. (ii) Securities Available-for-sale**

	Group		Bank	
	31 December 2008 RM'000	30 June 2007 RM'000	31 December 2008 RM'000	30 June 2007 RM'000
<b>At Fair value, or cost less impairment losses for certain unquoted equity instruments</b>				
<b>Money market instruments:-</b>				
Malaysian Government Securities	9,139,676	4,779,401	8,398,111	4,339,911
Malaysian Treasury Bills	-	29,915	-	29,915
Cagamas Bonds	384,802	552,925	302,072	330,348
Foreign Government Securities	6,294,632	3,699,181	4,067,897	3,602,495
Malaysian Government Investment Issues	7,337,616	4,144,204	5,168,556	2,643,988
Bank Negara Malaysia Bills	347,955	49,962	347,955	49,962
Foreign Government Treasury Bills	1,006,984	943,965	889,014	817,769
Negotiable Instruments of Deposits	1,277,245	907,399	3,286,593	2,868,290
Bankers' Acceptances and Islamic Accepted Bills	3,831,532	1,955,570	3,289,617	1,278,786
Khazanah Bonds	820,890	889,737	378,950	345,341
Bank Negara Malaysia Sukuk Ijarah Bonds	-	-	-	-
Bank Negara Malaysia Monetary Notes	350,515	787,150	350,515	787,150
Foreign Certificates of Deposits	138,052	216,237	-	-
Total Money Market Instruments	<b>30,929,899</b>	<b>18,955,646</b>	<b>26,479,280</b>	<b>17,093,955</b>

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**A9. Securities Portfolio (contd)**

**A9. (ii) Securities Available-for-sale (contd)**

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
<b>Quoted Securities: -</b>				
In Malaysia:				
Shares, Warrants, Trust Units and Loan Stocks	307,867	508,255	151,252	165,835
Outside Malaysia:				
Shares, Warrants, Trust Units and Loan Stocks	57,968	106,536	26,356	58,150
	<b>365,835</b>	614,791	<b>177,608</b>	223,985
<b>Unquoted Securities:-</b>				
Shares, trust units and loan stocks in Malaysia	734,226	777,089	486,190	507,187
Shares, trust units and loan stocks outside Malaysia	34,334	32,152	16,534	15,776
Islamic Private Debt Securities in Malaysia	10,685,789	9,164,822	7,380,657	6,191,994
Malaysian Government Bonds	327,473	314,664	327,473	314,664
Foreign Government Bonds	69,697	73,138	-	-
Foreign Islamic Private Debt Securities	4,505,527	4,306,821	3,894,915	4,027,825
Credit Linked Notes	175,673	245,012	175,674	245,012
Malaysia Global Sukuk	-	-	-	-
	<b>16,532,719</b>	14,913,698	<b>12,281,443</b>	11,302,458
<b>Total securities available-for-sale</b>	<b>47,828,453</b>	34,484,135	<b>38,938,331</b>	28,620,398

**A9. (iii) Securities Held-To-Maturity**

**At Amortised cost less impairment losses**  
**Money market instruments:-**

Malaysian Government Securities	391,747	103,635	307,201	103,076
Cagamas Bonds	13,399	13,409	1,670	1,670
Foreign Government Securities	392,371	152,962	-	-
Malaysian Government Investment Issues	112,223	80	-	-
Total Money Market Instruments	<b>909,740</b>	270,086	<b>308,871</b>	104,746

**Unquoted Securities:-**

Private and Islamic Debt Securities in Malaysia	286,481	355,443	46,216	76,265
Malaysian Government Bonds	45,129	42,559	45,129	42,559
Foreign Government Bonds	-	-	-	-
Foreign Islamic Private Debt Securities	642,803	535,275	410,034	466,523
Credit Linked Note	-	-	-	-
Others	2,044	2,044	2,044	2,044
	<b>976,457</b>	935,321	<b>503,423</b>	587,391
Accumulated impairment losses	<b>(19,180)</b>	(19,180)	<b>(19,165)</b>	(19,165)
<b>Total securities held-to-maturity</b>	<b>1,867,017</b>	1,186,227	<b>793,129</b>	672,972



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**A10. Loans, Advances and Financing**

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
Overdrafts	14,209,490	13,991,903	11,349,412	11,940,569
Term loans				
- Housing loans/financing	33,578,420	30,529,958	27,019,304	25,677,249
- Syndicated loan/financing	12,777,631	11,307,954	9,666,388	8,899,119
- Hire purchase receivables	35,115,509	31,767,799	22,685,127	22,931,657
- Lease receivables	3,346	3,796	3,346	3,796
- Other loans/financing	52,478,769	45,469,560	37,540,647	33,302,664
Credit card receivables	4,220,831	3,459,441	3,824,086	3,459,441
Bills receivable	1,556,578	2,130,068	1,493,438	2,026,654
Trust receipts	2,461,913	2,216,693	2,097,284	2,001,697
Claims on customers under acceptance credits	13,381,788	13,728,112	9,648,122	9,661,171
Loans/financing to banks and other financial institutions	11,071,832	9,580,463	9,871,994	9,580,173
Revolving credits	19,055,314	17,486,917	15,723,122	17,064,091
Staff loans	1,378,266	1,213,646	964,280	954,499
Housing loans to				
- Executive directors of subsidiaries	865	972	865	972
Others	513,459	121,139	-	-
	<b>201,804,011</b>	<b>183,008,421</b>	<b>151,887,415</b>	<b>147,503,752</b>
Unearned interest and income	<b>(12,417,081)</b>	<b>(11,791,307)</b>	<b>(3,120,535)</b>	<b>(3,215,208)</b>
Gross loans, advances and financing	<b>189,386,930</b>	<b>171,217,114</b>	<b>148,766,880</b>	<b>144,288,544</b>
Allowances for bad and doubtful debts and financing:				
- specific	(3,336,819)	(3,229,837)	(2,638,376)	(2,574,307)
- general	(3,474,744)	(3,187,611)	(2,674,991)	(2,728,516)
Net loans, advances and financing	<b>182,575,367</b>	<b>164,799,666</b>	<b>143,453,513</b>	<b>138,985,721</b>

**(ii) By type of customer**

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
<b>Domestic operations:</b>				
Domestic non-bank financial institutions				
- Stockbroking companies	143,072	136,032	142,893	135,853
- Others	11,419,519	10,802,344	9,500,724	9,273,341
Domestic business enterprise				
- Small and medium enterprise	26,757,684	28,374,741	22,120,450	23,561,485
- Others	24,810,581	23,931,302	21,923,849	20,970,409
Government and statutory bodies	2,354,297	176,827	2,234,039	65,314
Individuals	59,785,772	58,017,124	45,951,836	45,534,182
Other domestic entities	124,402	164,327	20,019	31,767
Foreign entities	550,170	483,202	468,322	423,877
Total domestic operations	<b>125,945,497</b>	<b>122,085,899</b>	<b>102,362,132</b>	<b>99,996,228</b>

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**A10. Loans, Advances and Financing (contd)**

**(i) By type of customer (contd)**

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
<b>Overseas operations:</b>				
Singapore	38,508,346	36,976,691	38,508,346	36,976,691
Hong Kong SAR	3,005,141	2,734,133	3,005,141	2,734,133
United States of America	1,477,206	1,230,560	1,477,206	1,230,560
People's Republic of China	815,526	799,411	815,526	799,411
Vietnam	577,179	549,621	577,179	549,621
United Kingdom	1,238,267	1,299,853	1,238,267	1,299,853
Brunei	121,583	155,298	121,583	155,298
Cambodia	240,972	174,885	240,972	174,885
Bahrain	420,528	371,864	420,528	371,864
Labuan offshore	3,713,464	3,825,321	-	-
Philippines	891,862	766,221	-	-
Indonesia	12,363,551	197,991	-	-
Papua New Guinea	67,808	49,366	-	-
	<b>63,441,433</b>	<b>49,131,215</b>	<b>46,404,748</b>	<b>44,292,316</b>
Gross loans, advances and financing	<b>189,386,930</b>	<b>171,217,114</b>	<b>148,766,880</b>	<b>144,288,544</b>

**(ii) By interest/profit rate sensitivity**

Fixed rate				
- Housing loans/financing	10,948,275	11,057,861	7,195,931	6,905,007
- Hire purchase receivables	27,982,706	26,744,656	19,193,690	19,384,816
- Other fixed rate loans/financing	18,794,933	13,673,676	13,112,444	10,316,056
Variable rate				
- Base lending rate plus	61,875,219	59,250,264	58,065,651	55,866,545
- Cost plus	20,875,874	20,383,788	16,863,058	16,038,791
- Other variable rates	48,909,923	40,106,869	34,336,106	35,777,329
Gross loans, advances and financing	<b>189,386,930</b>	<b>171,217,114</b>	<b>148,766,880</b>	<b>144,288,544</b>

**(ii) Total loans by economic purpose**

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
<b>Domestic operations:</b>				
Purchase of securities	10,384,331	10,336,662	9,968,324	10,132,879
Purchase of transport vehicles	18,601,138	17,791,196	9,473,915	9,958,723
- less Islamic loans sold to Cagamas	(518,956)	(611,346)	-	-
Purchase of landed properties				
- residential	24,593,100	24,269,350	19,146,561	18,752,859
- non-residential	6,493,606	6,429,515	5,827,563	5,812,909
- less Islamic housing loans sold to Cagamas	(338,589)	(362,256)	-	-
Purchase of fixed assets (exclude landed properties)	3,311	3,798	3,311	3,798
Personal use	3,443,701	3,326,392	3,100,331	2,982,302
Credit card	3,570,404	3,196,102	3,558,720	3,196,102
Purchase of consumer durables	16,035	12,283	15,783	12,155
Construction	5,541,370	5,456,547	4,647,777	4,590,098
Working capital	50,838,639	51,294,293	43,462,477	43,778,260
Others	3,317,407	943,363	3,157,370	776,143
Total domestic operations	<b>125,945,497</b>	<b>122,085,899</b>	<b>102,362,132</b>	<b>99,996,228</b>

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**A10. Loans, Advances and Financing (contd)**

**(ii) Total loans by economic purpose (contd)**

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
<b>Overseas operations:</b>				
Singapore	38,508,346	36,976,691	38,508,346	36,976,691
Hong Kong SAR	3,005,141	2,734,133	3,005,141	2,734,133
United States of America	1,477,206	1,230,560	1,477,206	1,230,560
People's Republic of China	815,526	799,411	815,526	799,411
Vietnam	577,179	549,621	577,179	549,621
United Kingdom	1,238,267	1,299,853	1,238,267	1,299,853
Brunei	121,583	155,298	121,583	155,298
Cambodia	240,972	174,885	240,972	174,885
Bahrain	420,528	371,864	420,528	371,864
Labuan Offshore	3,713,464	3,825,321	-	-
Philippines	891,862	766,221	-	-
Indonesia	12,363,551	197,991	-	-
Papua New Guinea	67,808	49,366	-	-
	<b>63,441,433</b>	<b>49,131,215</b>	<b>46,404,748</b>	<b>44,292,316</b>
Gross loans, advances and financing	<b>189,386,930</b>	<b>171,217,114</b>	<b>148,766,880</b>	<b>144,288,544</b>

**(iii) Non-performing loans by economic purpose**

<b>Domestic operations:</b>				
Purchase of securities	240,822	235,595	142,383	141,008
Purchase of transport vehicles	137,082	113,949	98,024	85,480
Purchase of landed properties				
- residential	2,032,180	2,054,284	1,535,994	1,540,594
- non-residential	362,908	384,991	316,215	341,498
Purchase of fixed assets (exclude landed properties)	-	-	-	-
Personal use	208,320	205,453	167,144	170,885
Credit card	43,120	39,488	43,120	39,488
Purchase of consumer durables	1,188	1,073	1,188	1,069
Construction	410,811	413,657	313,990	277,209
Working capital	2,442,813	2,583,576	2,126,855	2,273,731
Others	21,540	33,895	16,885	28,896
Total domestic operations	<b>5,900,784</b>	<b>6,065,961</b>	<b>4,761,798</b>	<b>4,899,858</b>
<b>Overseas operations:</b>				
Singapore	302,106	237,782	302,106	237,782
Hong Kong SAR	60,633	25,716	60,633	25,716
Brunei	5,240	41,076	5,240	41,076
Vietnam	20,910	9,488	20,910	9,488
United Kingdom	17,132	-	17,132	-
People's Republic of China	294	292	294	292
Cambodia	-	-	-	-
Labuan Offshore	105,729	61,287	-	-
Papua New Guinea	2,657	3,073	-	-
Philippines	26,962	27,773	-	-
Indonesia	384,919	-	-	-
	<b>926,582</b>	<b>406,487</b>	<b>406,315</b>	<b>314,354</b>
	<b>6,827,366</b>	<b>6,472,448</b>	<b>5,168,113</b>	<b>5,214,212</b>

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**A10. Loans, Advances and Financing (contd)**

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

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
At beginning of the period	6,472,448	8,258,214	5,214,212	8,054,673
Non-performing during the period	1,636,231	3,894,201	1,299,231	3,471,106
Reclassified as performing	(884,345)	(2,304,117)	(745,818)	(2,070,771)
Acquired upon acquisition of a subsidiary	396,688	-	-	-
Recovered during the period	(414,315)	(1,740,968)	(366,056)	(1,511,268)
Amount written off	(345,003)	(1,569,501)	(273,556)	(1,420,809)
Converted to Securities	(925)	(47,188)	(925)	(47,188)
Converted to Properties	-	(5,700)	-	(5,700)
Amount transferred to Maybank Islamic Bhd	-	-	-	(1,245,328)
Sale of NPL	-	(97,615)	-	(97,615)
Exchange differences and expenses debited	(33,413)	85,122	41,025	87,112
At end of the period	<b>6,827,366</b>	6,472,448	<b>5,168,113</b>	5,214,212
Less: Specific allowance	<b>(3,474,744)</b>	(3,229,837)	<b>(2,638,376)</b>	(2,574,307)
Net non-performing loans, advances and financing	<b>3,352,622</b>	3,242,611	<b>2,529,737</b>	2,639,905
Net NPL as a% of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowance	<b>1.80%</b>	1.92%	<b>1.73%</b>	1.86%

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

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
<u>Specific Allowance</u>				
At beginning of the period	3,229,837	3,875,219	2,574,307	3,696,358
Allowance made during the period	915,721	1,649,562	722,851	1,451,779
Amount written back in respect of recoveries	(243,637)	(701,148)	(205,087)	(563,134)
Acquired upon acquisition of a subsidiary	127,079	-	-	-
Amount written off	(345,003)	(1,569,501)	(273,556)	(1,420,809)
Transfer to general allowance	(142)	(7,366)	-	(4,302)
Transferred to impairment losses in value of securities	(925)	(8,651)	(925)	(8,651)
Transfer to restructured/rescheduled loans	(181,170)	(15,636)	(181,170)	(15,636)
Amount transferred to Maybank Islamic Bhd	-	-	-	(579,816)
Exchange differences	(27,016)	7,358	1,956	18,518
At end of the period	<b>3,474,744</b>	3,229,837	<b>2,638,376</b>	2,574,307

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

<u>General Allowance</u>				
At beginning of the period	3,187,611	2,757,315	2,728,516	2,613,274
Allowance made during the year	47,711	437,587	-	407,326
Amount written back	(102,750)	(22,418)	(57,296)	-
Amount transferred to Maybank Islamic Bhd	-	-	-	(307,891)
Acquired upon acquisition of a subsidiary	244,399	-	-	-
Transfer from specific allowance	142	7,366	-	4,302
Exchange differences	(40,294)	7,761	3,770	11,505
At end of the period	<b>3,336,819</b>	3,187,611	<b>2,674,990</b>	2,728,516
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowance	<b>1.79%</b>	1.89%	<b>1.83%</b>	1.93%

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**A11. Other Assets**

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
Interest receivables	1,152,996	825,087	898,128	759,031
Prepayments and deposits	617,088	452,537	437,605	415,148
Other debtors	3,113,861	2,395,812	5,094,491	1,803,306
Tax Recoverable	127,229	117,874	-	-
Properties -Foreclosed & Acquired in satisfaction of Loan	142,696	124,377	62,563	62,561
	<b>5,153,870</b>	<b>3,915,687</b>	<b>6,492,787</b>	<b>3,040,046</b>

**A12. Deposits from Customers**

Fixed deposits and negotiable instruments of deposits				
- One year or less	112,998,592	102,661,282	86,675,548	84,064,822
- More than one year	3,163,113	3,073,899	1,696,716	1,571,969
Money Market deposits	12,787,341	10,964,912	12,787,341	10,964,912
Savings deposits	33,223,154	29,425,896	25,244,490	25,027,773
Demand deposits	41,810,375	38,634,568	33,554,260	32,721,668
Structured deposits *	2,610,303	2,351,520	2,097,423	1,971,420
	<b>206,592,878</b>	<b>187,112,077</b>	<b>162,055,778</b>	<b>156,322,564</b>

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

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
Business enterprises	76,169,111	68,428,468	57,295,673	52,832,804
Individuals	99,188,176	90,243,156	82,829,597	83,229,457
Government and statutory bodies	7,477,153	7,703,001	4,966,562	5,028,237
Others	23,758,438	20,737,452	16,963,946	15,232,066
	<b>206,592,878</b>	<b>187,112,077</b>	<b>162,055,778</b>	<b>156,322,564</b>

**A13. Deposits and Placement of Banks and Other Financial Institutions and Debt Securities**

Licensed banks	23,909,826	20,339,978	26,054,022	21,832,396
Licensed finance companies	884	733	884	733
Licensed merchant banks	1,528,862	451,206	1,515,762	451,206
Other financial institutions	3,714,982	3,762,189	2,987,769	3,562,962
	<b>29,154,554</b>	<b>24,554,106</b>	<b>30,558,437</b>	<b>25,847,297</b>

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

- One year or less	27,143,166	22,750,881	28,737,183	24,229,174
- More than one year	2,011,388	1,803,225	1,821,254	1,618,123
	<b>29,154,554</b>	<b>24,554,106</b>	<b>30,558,437</b>	<b>25,847,297</b>

Subordinated obligations

Unsecured				
- less than one year	1,026,998	-	1,026,998	-
- more than one year	<sup>1</sup> 7,620,557	<sup>1</sup> 4,975,723	<sup>1</sup> 7,109,300	<sup>1</sup> 4,975,723

<sup>1</sup> Includes Subordinated Notes of USD300 million. (30 June 2008: USD300 million)

Capital Securities

Unsecured				
- less than one year	-	-	-	-
- more than one year	<sup>1</sup> 6,032,242	<sup>1</sup> 3,497,316	<sup>1</sup> 6,032,242	<sup>1</sup> 3,497,316

<sup>1</sup> Includes Capital Securities of SGD600 million. (30 June 2008: Nil)

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**A14. Other Liabilities**

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
Interest/Profit payable	1,178,337	1,009,604	1,050,816	947,456
Provision for outstanding claims	446,982	421,234	-	-
Unearned premium reserves	270,345	273,755	-	-
Profit Equalisation Reserves	52,443	65,623	-	-
Provisions and accruals	1,144,233	1,252,134	897,510	926,011
Due to brokers and clients	172,044	234,407	-	-
Deposits and other creditors	4,012,383	1,991,806	2,532,349	2,045,607
	<b>7,276,767</b>	<b>5,248,563</b>	<b>4,480,675</b>	<b>3,919,074</b>

**A15. Interest Income**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
<b>Group</b>				
Loans, advances and financing				
- Interest income other than recoveries from NPL	2,442,297	1,830,848	4,338,207	3,606,301
- Recoveries from NPL	52,589	89,572	103,852	164,244
Money at call and deposit placements with financial institutions	231,192	554,660	529,669	1,109,046
Securities purchased under resale agreements	1,159	1,874	3,036	5,818
Securities held-for-trading	243,950	169,367	464,446	360,591
Securities available-for-sale	483,421	327,049	841,592	626,142
Securities held-to-maturity	31,239	23,255	43,400	61,787
Others	11,523	-	11,523	-
	<b>3,497,370</b>	<b>2,996,625</b>	<b>6,335,725</b>	<b>5,933,929</b>
Amortisation of premium less accretion of discounts	5,519	10,727	23,685	(154)
Net interest/income clawed back/suspended	(13,090)	(13,089)	(23,689)	(28,621)
	<b>3,489,799</b>	<b>2,994,263</b>	<b>6,335,721</b>	<b>5,905,154</b>
<b>Bank</b>				
Loans, advances and financing				
- Interest income other than recoveries from NPL	1,896,961	1,756,374	3,728,274	3,459,800
- Recoveries from NPL	51,943	88,394	102,347	159,592
Money at call and deposit placements with financial institutions	248,660	526,753	570,660	1,053,802
Securities purchased under resale agreements	46	867	151	3,057
Securities held-for-trading	237,589	162,057	453,149	345,920
Securities available-for-sale	369,560	285,378	685,655	540,086
Securities held-to-maturity	10,252	19,656	19,623	49,710
	<b>2,815,011</b>	<b>2,839,479</b>	<b>5,559,859</b>	<b>5,611,967</b>
Amortisation of premium less accretion of discounts	(8,018)	4,540	725	(10,823)
Net interest/income clawed back/suspended	(13,090)	(13,089)	(23,689)	(28,621)
	<b>2,793,903</b>	<b>2,830,930</b>	<b>5,536,895</b>	<b>5,572,523</b>

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**A16. Interest Expense**

<u>Group</u>	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	578,022	346,898	846,378	698,684
Deposits from customers	1,159,838	1,163,222	2,329,817	2,340,654
Loans sold to Cagamas	7,943	20,084	19,721	42,359
Floating rate certificates of deposits	3,423	5,852	6,483	12,760
Subordinated notes	21,753	14,034	30,557	39,797
Subordinated bonds	60,775	29,485	105,848	44,608
Capital Securities	100,906	-	174,697	-
Others	9,723	27	9,789	64
	<b>1,942,383</b>	<b>1,579,602</b>	<b>3,523,290</b>	<b>3,178,926</b>
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	276,520	393,739	572,037	785,152
Deposits from customers	1,071,621	1,030,919	2,148,382	2,081,027
Loans sold to Cagamas	7,943	20,084	19,721	42,359
Floating rate certificates of deposits	3,423	5,852	6,483	12,760
Subordinated notes	21,753	14,034	30,557	39,797
Subordinated bonds	45,309	29,485	90,382	44,608
Capital Securities	100,906	-	174,697	-
Others	(42)	26	24	67
	<b>1,527,433</b>	<b>1,494,139</b>	<b>3,042,283</b>	<b>3,005,770</b>

**A17. Non-interest Income**

<u>Group</u>				
(a) Fee income:				
Commission	197,248	179,666	393,922	358,452
Service charges and fees	193,682	196,055	394,577	349,184
Guarantee fees	33,608	26,841	63,489	57,772
Underwriting fees	980	1,185	2,671	3,074
Brokerage income	10,738	19,055	21,622	43,736
Other fee income	23,744	25,458	44,034	36,169
	<b>460,000</b>	<b>448,260</b>	<b>920,315</b>	<b>848,387</b>
(b) Net gain/(loss) arising from:				
Sale of securities held-for trading	(7,899)	(12,093)	(21,552)	(22,981)
Sale of securities available-for-sale	34,147	21,674	47,639	53,661
Redemption of securities held-to-maturity	(4)	(17)	(88)	45
Net loss from sale of associated company	-	(300)	-	(300)
	<b>26,244</b>	<b>9,264</b>	<b>25,999</b>	<b>30,425</b>
(c) Gross dividend from:				
Securities portfolio	6,574	9,428	18,321	17,456
(d) Unrealised gain/(loss) on revaluation of securities held-for-trading and derivatives	(111,056)	(90,551)	(109,927)	(177,594)
Write back of /(Provision for) impairment losses in securities, net	(22,562)	6,979	(38,809)	(10,546)
	<b>(133,618)</b>	<b>(83,572)</b>	<b>(148,736)</b>	<b>(188,140)</b>
(e) Other income:				
Foreign exchange profit/(loss)	214,305	91,750	89,095	214,992
Net premiums written	128,787	125,355	251,545	244,713
Rental Income	5,372	4,475	12,278	8,332
Gains on disposal of property, plant and equipment	834	3,143	10,032	5,084
Gain on disposal of foreclosed properties	171	325	225	2,701
Others	100,955	27,907	109,299	62,608
	<b>450,424</b>	<b>252,955</b>	<b>472,474</b>	<b>538,430</b>
Total non-interest income	<b>809,624</b>	<b>636,335</b>	<b>1,288,373</b>	<b>1,246,558</b>

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**A17. Non-interest Income (contd)**

<u>Bank</u>	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
(a) Fee income:				
Commission	172,004	177,966	367,158	354,472
Service charges and fees	173,021	158,344	346,117	302,054
Guarantee fees	28,668	26,762	58,276	57,646
Underwriting fees	905	336	2,599	653
Other fee income	19,702	22,096	37,074	29,137
	<b>394,300</b>	<b>385,504</b>	<b>811,224</b>	<b>743,962</b>
(b) Net gain/(loss) arising from:				
Sale of securities held-for-trading	24,829	(8,214)	19,974	(15,400)
Sale of securities available-for-sale	30,551	9,979	33,370	25,778
Redemption of securities held-to-maturity	(3)	(17)	(83)	(184)
Net loss from sale of associated company	-	(1,800)	-	(1,800)
	<b>55,377</b>	<b>(52)</b>	<b>53,261</b>	<b>8,394</b>
(c) Gross dividend income from:				
Securities portfolio	3,732	2,355	8,605	3,616
Subsidiary companies	1,800	1,800	1,800	1,800
	<b>5,532</b>	<b>4,155</b>	<b>10,405</b>	<b>5,416</b>
(d) Unrealised (loss)/gain on revaluation of securities held-for-trading and derivatives	(114,248)	(85,948)	(123,650)	(165,760)
Write back of /(Provision for) impairment losses in securities, net	(6,035)	28,432	(42,073)	30,980
Impairment of interest in associates	-	-	-	-
	<b>(120,283)</b>	<b>(57,516)</b>	<b>(165,723)</b>	<b>(134,780)</b>
(e) Other income:				
Foreign exchange profit	154,707	84,276	41,534	203,338
Rental Income	5,530	4,006	12,101	7,666
Gain on disposal of property and equipment (net)	363	928	422	2,477
Others	13,101	12,633	13,677	27,774
	<b>173,701</b>	<b>101,843</b>	<b>67,734</b>	<b>241,255</b>
Total non-interest income	<b>508,627</b>	<b>433,934</b>	<b>776,901</b>	<b>864,247</b>

**A18. Overhead Expenses**

**Group**

Personnel costs				
- Salaries, allowances and bonuses	521,205	363,678	955,202	707,599
- Pension costs	54,302	51,726	124,174	105,097
- Others	55,629	54,324	111,565	101,039
	<b>631,136</b>	<b>469,728</b>	<b>1,190,941</b>	<b>913,735</b>
Establishment costs				
- Depreciation	44,602	34,372	70,176	66,210
- Rental of leasehold land and premises	38,586	18,561	60,349	35,477
- Repairs and maintenance of property and equipment	25,648	16,489	46,542	37,524
- Information technology expenses	115,782	89,390	221,983	183,745
- Others	18,453	15,316	40,226	33,170
	<b>243,071</b>	<b>174,128</b>	<b>439,276</b>	<b>356,126</b>
Marketing expenses				
- Advertisement and publicity	93,097	89,116	183,593	169,299
- Others	20,682	21,327	43,113	42,826
	<b>113,779</b>	<b>110,443</b>	<b>226,706</b>	<b>212,125</b>
Administration and general expenses				
- Fees and brokerage	115,335	114,508	231,293	218,990
- Administrative expenses	88,984	61,611	149,421	124,553
- General expenses	137,568	44,945	180,053	87,202
- Claims incurred	73,302	70,007	168,518	132,203
- Others	5,368	8,602	38,747	18,100
	<b>420,557</b>	<b>299,673</b>	<b>768,032</b>	<b>581,048</b>
	<b>1,408,543</b>	<b>1,053,972</b>	<b>2,624,955</b>	<b>2,063,034</b>



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**A18. Overhead Expenses (contd)**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Personnel costs				
- Salaries, allowances and bonuses	398,610	326,043	791,853	635,520
- Pension costs	48,430	47,213	115,263	95,688
- Others	43,962	46,643	87,507	84,444
	<b>491,002</b>	<b>419,899</b>	<b>994,623</b>	<b>815,652</b>
Establishment costs				
- Depreciation	23,606	28,589	46,316	56,491
- Rental of leasehold land and premises	18,713	16,665	37,434	31,929
- Repairs and maintenance of property and equipment	16,485	14,333	34,082	32,892
- Information technology expenses	105,652	83,767	203,242	172,621
- Others	13,709	13,922	29,770	27,189
	<b>178,165</b>	<b>157,276</b>	<b>350,844</b>	<b>321,122</b>
Marketing expenses				
- Advertisement and publicity	66,089	66,543	133,568	131,843
- Others	20,269	20,148	40,555	40,221
	<b>86,358</b>	<b>86,691</b>	<b>174,123</b>	<b>172,064</b>
Administration and general expenses				
- Fees and brokerage	111,617	109,384	224,186	208,898
- Administrative expenses	49,392	52,911	103,884	108,190
- General expenses	56,583	42,724	94,879	85,044
- Others	2,807	8,726	36,186	15,964
	<b>220,399</b>	<b>213,745</b>	<b>459,135</b>	<b>418,096</b>
Overhead expenses allocated to subsidiary company	(72,678)	(110,865)	(133,749)	(202,276)
	<b>903,246</b>	<b>766,746</b>	<b>1,844,976</b>	<b>1,524,658</b>

**A19. Allowance for Losses on Loans, Advances and Financing**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
Allowance for bad and doubtful debts and financing:				
- general allowance made (net)	(94,581)	51,708	(55,039)	33,508
- specific allowance	498,200	438,415	915,721	911,697
- specific allowance written back	(84,992)	(211,407)	(243,637)	(460,436)
Bad debts and financing written off	92,531	6,236	93,665	41,407
Bad debts and financing recovered	(143,033)	(107,342)	(250,764)	(234,256)
Provision/(write back) for other debts	44,047	(41)	44,458	(6,299)
	<b>312,172</b>	<b>177,569</b>	<b>504,404</b>	<b>285,621</b>
<b><u>Bank</u></b>				
Allowance for bad and doubtful debts and financing:				
- general allowance made/(written back)	(83,585)	51,316	(57,296)	37,389
- specific allowance	372,311	337,928	722,851	745,807
- specific allowance written back	(76,279)	(122,525)	(205,087)	(333,625)
Bad debts and financing written off	1,105	6,157	2,072	41,317
Bad debts and financing recovered	(132,796)	(100,503)	(235,278)	(216,653)
Provision for other debts	47,792	-	47,792	-
	<b>128,548</b>	<b>172,373</b>	<b>275,054</b>	<b>274,235</b>

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**A20. SEGMENT INFORMATION ON REVENUES, RESULTS, ASSETS AND LIABILITIES**

**BUSINESS SEGMENT**

REVENUE AND EXPENSES	Banking and Finance		Investment Banking		Insurance and Takaful		Others		Eliminations		Consolidated	
	Dec 2008 RM'000	Dec 2007 RM'000	Dec 2008 RM'000	Dec 2007 RM'000	Dec 2008 RM'000	Dec 2007 RM'000	Dec 2008 RM'000	Dec 2007 RM'000	Dec 2008 RM'000	Dec 2007 RM'000	Dec 2008 RM'000	Dec 2007 RM'000
<b>Revenue</b>												
External revenue	7,953,955	7,341,538	178,298	222,362	321,792	341,485	8,303	18,490	-	-	8,462,348	7,923,875
Dividends from subsidiaries	1,800	-	-	-	-	-	1,042	-	(2,842)	-	-	-
Inter-segment revenue	123,287	49,631	20,723	18,707	15,347	127,344	1,112	2,311	(160,469)	(197,993)	-	-
Total inter-segment revenue	125,087	49,631	20,723	18,707	15,347	127,344	2,154	2,311	(163,311)	(197,993)	-	-
Total revenue	8,079,042	7,391,169	199,021	241,069	337,139	468,829	10,457	20,801	(163,311)	(197,993)	8,462,348	7,923,875
<b>Segment results</b>												
Operating profit	1,968,419	2,170,369	52,231	37,404	29,036	221,317	12,653	15,089	(2,842)	(110,721)	2,059,497	2,333,458
Loan loss and provision	(492,975)	(319,623)	(14,910)	34,029	(18)	(25)	3,499	(2)	-	-	(504,404)	(285,621)
Write-back of allowance for non-refundable deposit	483,824	-	-	-	-	-	-	-	-	-	483,824	-
Share of results of associates	45,462	-	-	-	-	-	(320)	(506)	-	-	45,142	(506)
Impairment losses in associates	(242,000)	-	-	-	-	-	-	-	-	-	(242,000)	-
Profit before taxation	1,762,730	1,850,746	37,321	71,433	29,018	221,292	15,832	14,581	(2,842)	(110,721)	1,842,059	2,047,331
Taxation & Zakat	(434,591)	(461,650)	(28,155)	(20,385)	(27,910)	(85,107)	(13,192)	(2,695)	(32,787)	648	(536,635)	(569,189)
Profit after taxation and zakat	1,328,139	1,389,096	9,166	51,048	1,108	136,185	2,640	11,886	(35,629)	(110,073)	1,305,424	1,478,142
Minority interest	-	-	-	-	-	-	-	-	-	-	1,309	(11,759)
Net profit for the period	1,328,139	1,389,096	9,166	51,048	1,108	136,185	2,640	11,886	(35,629)	(110,073)	1,306,733	1,466,383
<b>OTHER INFORMATION</b>												
Capital expenditure	131,123	105,296	518	2,843	2,656	11,081	454	15	-	-	134,751	119,235
Depreciation	65,459	59,527	1,333	1,217	3,012	5,092	372	374	-	-	70,176	66,210
Amortisation	22,941	20,110	223	657	1,380	359	48	118	-	-	24,592	21,244
Non-cash expenses/(income) other than depreciation	(474,156)	22,477	(16,243)	19,637	16,823	256	-	(175)	-	-	(473,576)	42,195

ASSETS AND LIABILITIES	Dec 2008	June 2008	Dec 2008	June 2008	Dec 2008	June 2008	Dec 2008	June 2008	Dec 2008	June 2008	Dec 2008	June 2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	304,973,153	255,433,080	8,246,866	9,124,230	20,831,227	20,503,181	12,390,852	4,554,556	(47,777,379)	(22,733,194)	298,664,719	266,881,853
Investments in associates	167,688	33,320	-	-	-	-	2,873,861	2,185,527	-	-	3,041,549	2,218,847
Total assets	305,140,841	255,466,400	8,246,866	9,124,230	20,831,227	20,503,181	15,264,713	6,740,083	(47,777,379)	(22,733,194)	301,706,268	269,100,700
Total segment liabilities	273,611,734	236,405,562	6,975,269	7,812,240	17,079,563	16,674,852	4,236,446	4,224,649	(21,272,795)	(16,108,365)	280,630,217	249,008,938

**GEOGRAPHICAL SEGMENT**

	External Revenue		Profit Before Tax & Zakat		Capital expenditure		Segment assets	
	Dec 2008 RM'000	Dec 2007 RM'000	Dec 2008 RM'000	Dec 2007 RM'000	Dec 2008 RM'000	Dec 2007 RM'000	Dec 2008 RM'000	June 2008 RM'000
Malaysia	6,440,213	6,381,600	1,764,208	1,849,270	71,105	93,609	243,271,670	221,821,839
Singapore	1,050,090	1,116,402	243,845	255,828	24,650	21,788	47,479,386	47,059,587
Other locations	1,135,356	623,866	(163,152)	52,954	38,996	3,838	58,732,591	22,952,468
	8,625,659	8,121,868	1,844,901	2,158,052	134,751	119,235	349,483,647	291,833,894
Eliminations	(163,311)	(197,993)	(2,842)	(110,721)	-	-	(47,777,379)	(22,733,194)
Group	8,462,348	7,923,875	1,842,059	2,047,331	134,751	119,235	301,706,268	269,100,700

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**A21. Carrying Amount of Revalued Assets**

The Group's and the Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property and equipment that were brought forward from the previous audited annual financial statements for the year ended 30 June 2008.

**A22. Subsequent Events**

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

**A23. Changes in the Composition of the Group**

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

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**A24. Commitments and Contingencies and Off-Balance Sheet Financial Instruments**

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

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

<b>Group</b>	<b>As at 31 December 2008</b>			<b>As at 30 June 2008</b>		
	<b>Notional Amount RM'000</b>	<b>Credit Equivalent Amount* RM'000</b>	<b>Risk Weighted Amount* RM'000</b>	<b>Notional Amount RM'000</b>	<b>Credit Equivalent Amount* RM'000</b>	<b>Risk Weighted Amount* RM'000</b>
Direct credit substitutes	5,751,477	5,751,477	5,271,203	5,374,494	5,374,494	4,926,774
Certain transaction-related contingent items	10,843,474	5,421,208	4,888,492	9,764,496	4,888,972	4,538,086
Short-term self-liquidating trade-related contingencies	3,532,609	705,565	548,571	5,030,235	1,000,050	616,592
Islamic housing and hire purchase loans sold to Cagamas Berhad	857,545	857,545	688,251	1,013,603	1,013,603	800,474
Obligations under underwriting agreements	1,676,967	19,483	19,483	377,364	91,182	73,182
Irrevocable commitments to extend credit:						
- maturity within one year	83,917,695	-	-	67,183,070	-	-
- maturity exceeding one year	12,015,582	6,007,790	5,790,847	9,993,821	4,996,911	4,829,304
Foreign exchange related contracts:						
- less than one year	39,488,021	901,846	256,961	55,082,330	668,355	281,824
- one year to less than five years	2,036,657	36,327	12,704	986,785	44,714	4,560
Interest rate related contracts:						
- less than one year	35,232,309	1,658,402	464,593	25,007,333	813,158	226,585
- one year to less than five years	17,664,439	409,699	205,202	16,760,168	431,902	295,928
- five years and above	3,145,676	597,228	161,989	2,679,826	175,229	125,918
Miscellaneous	4,755,398	-	-	4,963,237	-	-
	<b>220,917,849</b>	<b>22,366,570</b>	<b>18,308,296</b>	<b>204,216,762</b>	<b>19,498,570</b>	<b>16,719,227</b>

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**A24. Commitments and Contingencies and Off-Balance Sheet Financial Instruments (continued)**

<u>Bank</u>	As at 31 December 2008			As at 30 June 2008		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
Direct credit substitutes	4,306,995	4,306,995	3,961,008	4,488,159	4,488,159	4,152,957
Certain transaction-related contingent items	10,089,305	5,044,652	4,544,505	9,095,796	4,547,896	4,244,422
Short-term self-liquidating trade-related contingencies	3,383,248	676,650	528,387	4,661,882	932,376	561,818
Islamic housing and hire purchase loans sold to Cagamas Berhad	-	-	-	-	-	-
Obligations under underwriting agreements	38,967	19,483	19,483	182,364	91,182	73,182
Irrevocable commitments to extend credit:						
- maturity within one year	76,226,074	-	-	60,803,246	-	-
- maturity exceeding one year	11,358,484	5,679,242	5,621,683	9,558,044	4,779,022	4,724,882
Foreign exchange related contracts:						
- less than one year	39,289,531	901,846	256,961	55,082,330	667,830	281,824
- one year to less than five years	2,036,657	36,327	12,704	986,785	13,164	4,560
Interest rate related contracts:						
- less than one year	34,917,741	1,657,659	464,425	24,063,151	813,048	226,428
- one year to less than five years	14,747,988	331,547	187,356	15,728,681	404,554	265,918
- five years and above	2,926,891	582,888	154,819	2,571,142	161,917	119,261
Miscellaneous	4,681,529	-	-	4,857,813	-	-
	<b>204,003,410</b>	<b>19,237,289</b>	<b>15,751,331</b>	<b>192,079,393</b>	<b>16,899,148</b>	<b>14,655,252</b>

\* The credit equivalent amount and the risk-weighted amount are arrived at using the credit conversion factors and risk weights respectively, as specified by Bank Negara Malaysia.

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**A24. Commitments and Contingencies and Off-Balance Sheet Financial Instruments (contd.)**

**Market Risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2008, the amount of contracts that was not hedged in the Group and the Bank and, hence, exposed to market risk was RM294.8 million (30 June 2008: RM245.6 million).

**Credit Risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at 31 December 2008, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM665.3 million (30 June 2008: RM302.5 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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**A25. Interest Rate Risk**

Group As at 31 December 2008	← Non trading book →						Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>									
Cash and short-term funds	15,356,297	-	-	-	-	7,378,341	-	22,734,638	3.10
Deposits and placements with banks and other financial institutions	313,616	1,396,765	929,597	872,253	9,000	624,513	-	4,145,744	3.86
Securities held-for-trading							2,367,605	2,367,605	4.10
Securities available-for-sale	278,133	399,742	380,170	1,152,117	1,070,460	-	44,547,831	47,828,453	5.23
Securities held-to-maturity	3,650	1,464	78,996	875,939	300,296	606,672	-	1,867,017	2.56
Loans, advances and financing									
- performing	72,225,084	15,973,180	23,697,011	24,526,267	24,424,161	21,713,861	-	182,559,564	6.20
- non-performing*	-	-	-	-	-	15,803	-	15,803	-
Derivative assets							1,677,152	1,677,152	-
Other Assets	-	-	-	-	-	11,361,007	-	11,361,007	-
Other non-interest sensitive balances	-	-	-	-	-	11,050,638	-	11,050,638	-
Life, general takaful and family takaful fund assets	-	-	-	-	-	16,098,647	-	16,098,647	-
<b>TOTAL ASSETS</b>	<b>88,176,780</b>	<b>17,771,151</b>	<b>25,085,774</b>	<b>27,426,576</b>	<b>25,803,917</b>	<b>68,849,482</b>	<b>48,592,588</b>	<b>301,706,268</b>	

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**A25. Interest Rate Risk (contd)**

Group As at 31 December 2008	Non trading book						Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000					
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>										
Deposits from customers	82,245,843	27,581,943	48,742,244	14,510,392	31,340,013	2,172,443	-	206,592,878	1.67	
Deposits and placements of banks and other financial institutions	17,268,103	6,992,667	1,841,992	1,740,254	137,537	1,174,001	-	29,154,554	2.77	
Bills and acceptances payable	1,612,670	1,110,893	334,121	-	-	654,715	-	3,712,399	4.05	
Recourse obligations on loans sold to Cagamas	-	442,736	8,463	308,593	-	-	-	759,792	4.44	
Derivative liabilities	-	-	-	-	-	-	2,073,087	2,073,087	-	
Subordinated obligations	-	-	1,036,298	-	7,611,257	-	-	8,647,555	4.23	
Stapled Capital Securities	-	-	-	-	6,032,242	-	-	6,032,242	6.64	
Other liabilities	-	-	-	-	-	7,276,767	-	7,276,767	-	
Other non-interest sensitive balances	-	-	-	-	-	282,296	-	282,296	-	
Life, general takaful and family takaful fund liabilities	-	-	-	-	-	4,000,240	-	4,000,240	-	
Life, general takaful and family takaful policy holders' funds	-	-	-	-	-	12,098,407	-	12,098,407	-	
<b>Total Liabilities</b>	<b>101,126,616</b>	<b>36,128,239</b>	<b>51,963,118</b>	<b>16,559,239</b>	<b>45,121,049</b>	<b>27,658,869</b>	<b>2,073,087</b>	<b>280,630,217</b>		
Shareholders' equity	-	-	-	-	-	20,229,152	-	20,229,152		
Minority interests	-	-	-	-	-	846,899	-	846,899		
<b>Total Liabilities and Shareholders' Equity</b>	<b>101,126,616</b>	<b>36,128,239</b>	<b>51,963,118</b>	<b>16,559,239</b>	<b>45,121,049</b>	<b>48,734,920</b>	<b>2,073,087</b>	<b>301,706,268</b>		
On-balance sheet interest sensitivity gap	(12,949,836)	(18,357,088)	(26,877,344)	10,867,337	(19,317,132)	20,114,562	46,519,501			
Off-balance sheet interest sensitivity gap (interest rate swaps)	(476,469)	(352,609)	(697,319)	1,335,109	191,288	-	-			
<b>Total interest sensitivity gap</b>	<b>(13,426,305)</b>	<b>(18,709,697)</b>	<b>(27,574,663)</b>	<b>12,202,446</b>	<b>(19,125,844)</b>	<b>20,114,562</b>	<b>46,519,501</b>	<b>-</b>		
<b>Cumulative interest rate sensitivity gap</b>	<b>(13,426,305)</b>	<b>(32,136,002)</b>	<b>(59,710,665)</b>	<b>(47,508,219)</b>	<b>(66,634,063)</b>	<b>(46,519,501)</b>	<b>-</b>			

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



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**A25. Interest Rate Risk (contd)**

Group As at 30 June 2008	Non trading book						Trading books RM'000	Total RM'000	Effective interest rate %	
	←	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000				Non- interest sensitive RM'000
<b>ASSETS</b>										
Cash and short-term funds		24,159,124	-	-	-	-	3,485,235	-	27,644,359	3.52
Deposits and placements with banks and other financial institutions		142,323	5,855,128	2,889,216	-	19,000	50,848	-	8,956,515	3.21
Securities purchased under resale agreements		-	-	-	-	-	-	-	-	-
Securities held-for-trading								880,794	880,794	4.84
Securities available-for-sale		321,153	464,642	121,117	1,506,902	458,735	4,696	31,606,890	34,484,135	5.03
Securities held-to-maturity		3,993	15,481	117,081	657,625	191,299	200,748	-	1,186,227	6.40
Loans, advances and financing										
- performing		68,847,061	16,972,070	16,410,964	18,146,327	23,765,415	20,602,829	-	164,744,666	6.46
- non-performing*		-	-	-	-	-	55,000	-	55,000	-
Derivative assets								830,150	830,150	-
Other Assets		-	-	-	-	-	3,915,687	-	3,915,687	-
Other non-interest sensitive balances		-	-	-	-	-	10,713,198	-	10,713,198	-
Life, general takaful and family takaful fund assets		-	-	-	-	-	15,689,969	-	15,689,969	-
<b>TOTAL ASSETS</b>		<b>93,473,654</b>	<b>23,307,321</b>	<b>19,538,378</b>	<b>20,310,854</b>	<b>24,434,449</b>	<b>54,718,210</b>	<b>33,317,834</b>	<b>269,100,700</b>	

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**A25. Interest Rate Risk (contd)**

Group As at 30 June 2008	Non trading book						Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
	← Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000	→				
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>										
Deposits from customers	69,355,844	23,664,629	39,142,581	33,697,356	66,300	21,185,367	-	187,112,077	1.86	
Deposits and placements of banks and other financial institutions	17,290,526	4,291,998	1,039,876	1,349,196	249,727	332,783	-	24,554,106	3.02	
Obligations on securities sold under repurchase agreements	322,371	-	-	-	-	-	-	322,371	2.80	
Bills and acceptances payable	1,470,830	1,514,899	290,328	-	-	1,516,245	-	4,792,302	3.57	
Recourse obligations on loans sold to Cagamas	-	393,581	515,272	365,216	-	-	-	1,274,069	4.38	
Derivative liabilities	-	-	-	-	-	-	1,055,097	1,055,097	-	
Subordinated obligations	-	-	975,723	4,000,000	-	-	-	4,975,723	4.28	
Stapled Capital Securities	-	-	-	-	3,497,316	-	-	3,497,316	6.85	
Other liabilities	-	-	-	-	-	5,248,563	-	5,248,563	-	
Other non-interest sensitive balances	-	-	-	-	-	487,345	-	487,345	-	
Life, general takaful and family takaful fund liabilities	-	-	-	-	-	4,032,822	-	4,032,822	-	
Life, general takaful and family takaful policy holders' funds	-	-	-	-	-	11,657,147	-	11,657,147	-	
<b>Total Liabilities</b>	<b>88,439,571</b>	<b>29,865,107</b>	<b>41,963,780</b>	<b>39,411,768</b>	<b>3,813,343</b>	<b>44,460,272</b>	<b>1,055,097</b>	<b>249,008,938</b>		
Shareholders' equity	-	-	-	-	-	19,302,493	-	19,302,493		
Minority interests	-	-	-	-	-	789,269	-	789,269		
<b>Total Liabilities and Shareholders' Equity</b>	<b>88,439,571</b>	<b>29,865,107</b>	<b>41,963,780</b>	<b>39,411,768</b>	<b>3,813,343</b>	<b>64,552,034</b>	<b>1,055,097</b>	<b>269,100,700</b>		
On-balance sheet interest sensitivity gap	5,034,083	(6,557,786)	(22,425,402)	(19,100,914)	20,621,106	(9,833,824)	32,262,737			
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,340,624)	2,053,934	4,809,109	(4,048,764)	(1,473,655)	-	-			
<b>Total interest sensitivity gap</b>	<b>3,693,459</b>	<b>(4,503,852)</b>	<b>(17,616,293)</b>	<b>(23,149,678)</b>	<b>19,147,451</b>	<b>(9,833,824)</b>	<b>32,262,737</b>	<b>-</b>		
<b>Cumulative interest rate sensitivity gap</b>	<b>3,693,459</b>	<b>(810,393)</b>	<b>(18,426,686)</b>	<b>(41,576,364)</b>	<b>(22,428,913)</b>	<b>(32,262,737)</b>	<b>-</b>			

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

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**A25. Interest Rate Risk (contd)**

Bank As at 31 December 2008	Non trading book					Non interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %	
	←	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000					over 5 years RM'000
<b>ASSETS</b>										
Cash and short-term funds		12,661,298	-	-	-	-	4,430,018	-	17,091,316	2.54
Deposits and placements with banks and other financial institutions		149,973	2,708,677	654,437	862,253	-	552,731	-	4,928,071	2.91
Securities held-for-trading		-	-	-	-	-	-	1,506,811	1,506,811	3.85
Securities available-for-sale		-	-	-	-	-	-	38,938,331	38,938,331	3.73
Securities held-to-maturity		-	-	46,799	554,099	-	192,231	-	793,129	5.15
Loans, advances and financing										
- performing		70,530,095	14,552,327	20,156,411	16,481,888	21,878,045	-	-	143,598,766	6.15
- non-performing*		-	-	-	-	-	(145,253)	-	(145,253)	-
Derivative assets		-	-	-	-	-	-	1,617,040	1,617,040	-
Other assets		-	-	-	-	-	6,666,906	-	6,666,906	-
Other non-interest sensitive balances		-	-	-	-	-	20,973,302	-	20,973,302	-
<b>TOTAL ASSETS</b>		<b>83,341,366</b>	<b>17,261,004</b>	<b>20,857,647</b>	<b>17,898,240</b>	<b>21,878,045</b>	<b>32,669,935</b>	<b>42,062,182</b>	<b>235,968,419</b>	

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**A25. Interest Rate Risk (contd)**

**Non trading book**

<b>Bank</b>	←————— Non —————→						<b>Trading</b>	<b>Total</b>	<b>Effective</b>
<b>As at 31 December 2008</b>	<b>Up to</b>	<b>&gt;1 - 3</b>	<b>&gt;3 - 12</b>	<b>&gt;1 - 5</b>	<b>over 5</b>	<b>interest</b>	<b>books</b>	<b>RM'000</b>	<b>interest</b>
	<b>1 month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>sensitive</b>	<b>RM'000</b>	<b>RM'000</b>	<b>rate</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	61,408,456	23,502,850	36,697,120	6,607,310	31,236,442	2,603,600	-	162,055,778	1.64
Deposits and placements of banks and other financial institutions	20,749,602	6,132,810	1,166,316	1,557,566	130,507	821,636	-	30,558,437	2.36
Bills and acceptances payable	1,303,879	1,010,390	241,231	-	-	1,126,921	-	3,682,421	3.58
Recourse obligations on loans sold to Cagamas	-	442,736	8,463	308,593	-	-	-	759,792	4.44
Derivative liabilities	-	-	-	-	-	-	1,953,634	1,953,634	-
Subordinated obligations	-	-	1,036,298	-	7,100,000	-	-	8,136,298	4.23
Stapled Capital Securities	-	-	-	-	6,032,242	-	-	6,032,242	6.64
Other liabilities	-	-	-	-	-	4,480,675	-	4,480,675	-
Other non-interest sensitive balances	-	-	-	-	-	82,676	-	82,676	-
<b>Total Liabilities</b>	<b>83,461,937</b>	<b>31,088,786</b>	<b>39,149,428</b>	<b>8,473,469</b>	<b>44,499,191</b>	<b>9,115,508</b>	<b>1,953,634</b>	<b>217,741,953</b>	
Shareholders' equity	-	-	-	-	-	18,226,466	-	18,226,466	
<b>Total Liabilities and Shareholders' Equity</b>	<b>83,461,937</b>	<b>31,088,786</b>	<b>39,149,428</b>	<b>8,473,469</b>	<b>44,499,191</b>	<b>27,341,974</b>	<b>1,953,634</b>	<b>235,968,419</b>	
On-balance sheet interest sensitivity gap	(120,571)	(13,827,782)	(18,291,781)	9,424,771	(22,621,146)	5,327,961	40,108,548	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	1,478,381	2,517,627	1,381,389	(4,012,757)	(1,364,640)	-	-	-	
<b>Total interest sensitivity gap</b>	<b>1,357,810</b>	<b>(11,310,155)</b>	<b>(16,910,392)</b>	<b>5,412,014</b>	<b>(23,985,786)</b>	<b>5,327,961</b>	<b>40,108,548</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>	<b>1,357,810</b>	<b>(9,952,345)</b>	<b>(26,862,737)</b>	<b>(21,450,723)</b>	<b>(45,436,509)</b>	<b>(40,108,548)</b>	<b>-</b>		

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

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**A25. Interest Rate Risk (contd)**

Bank As at 30 June 2008	Non trading book					Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
	← Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000				
<b>ASSETS</b>									
Cash and short-term funds	20,419,009	-	-	-	-	3,650,608	-	24,069,617	2.92
Deposits and placements with banks and other financial institutions	142,323	5,591,067	2,840,871	-	-	221,231	-	8,795,492	3.11
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	-	418,170	418,170	4.67
Securities available-for-sale	-	-	-	-	-	-	28,620,398	28,620,398	4.33
Securities held-to-maturity	-	15,022	45,047	350,030	81,635	181,238	-	672,972	6.17
Loans, advances and financing									
- performing	67,055,417	15,800,249	15,254,020	17,518,425	23,446,221	-	-	139,074,332	6.38
- non-performing*	-	-	-	-	-	(88,611)	-	(88,611)	-
Derivative assets	-	-	-	-	-	-	828,182	828,182	-
Other assets	-	-	-	-	-	3,040,046	-	3,040,046	-
Other non-interest sensitive balances	-	-	-	-	-	13,741,887	-	13,741,887	-
<b>TOTAL ASSETS</b>	<b>87,616,749</b>	<b>21,406,338</b>	<b>18,139,938</b>	<b>17,868,455</b>	<b>23,527,856</b>	<b>20,746,399</b>	<b>29,866,750</b>	<b>219,172,485</b>	

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**A25. Interest Rate Risk (contd)**

**Non trading book**

Bank As at 30 June 2008	← Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	59,664,916	21,770,498	38,843,576	33,527,951	66,300	2,449,323	-	156,322,564	1.71
Deposits and placements of banks and other financial institutions	16,777,231	4,278,011	1,035,122	1,348,752	249,727	2,158,454	-	25,847,297	2.64
Obligations on securities sold under repurchase agreements	322,371	-	-	-	-	-	-	322,371	2.80
Bills and acceptances payable	1,470,830	1,514,899	290,328	-	-	1,120,324	-	4,396,381	3.58
Recourse obligations on loans sold to Cagamas	-	393,581	515,272	365,216	-	-	-	1,274,069	4.38
Derivative liabilities	-	-	-	-	-	-	1,027,048	1,027,048	-
Subordinated obligations	-	-	975,723	4,000,000	-	-	-	4,975,723	4.28
Stapled Capital securities	-	-	-	-	3,497,316	-	-	3,497,316	6.85
Other liabilities	-	-	-	-	-	3,919,074	-	3,919,074	-
Other non-interest sensitive balances	-	-	-	-	-	390,327	-	390,327	-
<b>Total Liabilities</b>	<b>78,235,348</b>	<b>27,956,989</b>	<b>41,660,021</b>	<b>39,241,919</b>	<b>3,813,343</b>	<b>10,037,502</b>	<b>1,027,048</b>	<b>201,972,170</b>	
Shareholders' equity	-	-	-	-	-	17,200,315	-	17,200,315	
<b>Total Liabilities and Shareholders' Equity</b>	<b>78,235,348</b>	<b>27,956,989</b>	<b>41,660,021</b>	<b>39,241,919</b>	<b>3,813,343</b>	<b>27,237,817</b>	<b>1,027,048</b>	<b>219,172,485</b>	
On-balance sheet interest sensitivity gap	9,381,401	(6,550,651)	(23,520,083)	(21,373,464)	19,714,513	(6,491,418)	28,839,702	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,135,864)	1,994,366	2,382,418	(1,851,109)	(1,389,811)	-	-	-	
<b>Total interest sensitivity gap</b>	<b>8,245,537</b>	<b>(4,556,285)</b>	<b>(21,137,665)</b>	<b>(23,224,573)</b>	<b>18,324,702</b>	<b>(6,491,418)</b>	<b>28,839,702</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>	<b>8,245,537</b>	<b>3,689,252</b>	<b>(17,448,413)</b>	<b>(40,672,986)</b>	<b>(22,348,284)</b>	<b>(28,839,702)</b>	<b>-</b>	<b>-</b>	

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

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**A26. Capital Adequacy**

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

	Group		Bank	
	31 December 2008 RM'000	30 June 2008 RM'000	31 December 2008 RM'000	30 June 2008 RM'000
<b>Before deducting proposed dividend:</b>				
Core capital ratio	<b>8.13%</b>	10.98%	<b>10.19%</b>	11.49%
Risk-weighted capital ratio	<b>13.54%</b>	14.87%	<b>10.19%</b>	12.73%
<b>After deducting proposed dividend:</b>				
Core capital ratio	<b>8.13%</b>	10.60%	<b>10.19%</b>	11.09%
Risk-weighted capital ratio	<b>13.54%</b>	14.49%	<b>10.19%</b>	12.32%
<b>Components of Tier I and Tier II capital:</b>				
<u>Tier I capital</u>				
Paid-up share capital	4,881,147	4,881,123	4,881,147	4,881,123
Share premium	2,097,165	2,097,011	2,097,165	2,097,011
Other reserves	10,758,105	11,480,514	10,616,704	11,339,114
Capital Securities	6,032,242	3,497,316	6,032,242	3,497,316
Tier I minority interest	461,930	362,087	-	-
Less: Deferred tax assets <sup>1</sup>	(1,217,490)	(1,217,490)	(1,122,138)	(1,122,138)
Less: Goodwill <sup>1</sup>	(6,082,776)	(81,015)	(81,015)	(81,015)
Total Tier I capital	<b>16,930,323</b>	21,019,546	<b>22,424,105</b>	20,611,411
<u>Tier II capital</u>				
Subordinated obligations	8,647,555	4,975,724	8,136,298	4,975,724
General allowance for bad and doubtful debts	3,336,819	3,187,611	2,738,092	2,800,684
Total Tier II capital	<b>11,984,374</b>	8,163,335	<b>10,874,390</b>	7,776,408
Total capital	<b>28,914,697</b>	29,182,881	<b>33,298,495</b>	28,387,819
Less: Investment in subsidiary companies <sup>2</sup>	(712,841)	(712,841)	(14,444,019)	(5,556,095)
Capital base	<b>28,201,856</b>	28,470,040	<b>18,854,476</b>	22,831,724

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

<sup>2</sup> Excludes the cost of investment in a subsidiary, Myfin Berhad of RM840.0 million, as its business, assets and liabilities have been transferred to the Bank. Under the BNM's Risk Weighted Capital Adequacy Framework (General Requirements and Capital Components), the risk-weighted assets of insurance companies were excluded from total risk-weighted assets but the cost of investments in insurance companies are deducted from capital base.

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**A26. Capital Adequacy (contd.)**

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

	31 December 2008		30 June 2008	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
<b>Group</b>				
0%	36,426,039	-	27,818,940	-
10%	71,039	7,104	385,512	38,551
20%	31,940,830	6,388,166	43,693,912	8,738,782
50%	33,310,704	16,655,352	31,768,097	15,884,049
100%	<u>159,706,691</u>	<u>159,706,691</u>	<u>144,371,762</u>	<u>144,371,762</u>
Total risk-weighted assets for credit risk		<u>182,757,313</u>		169,033,144
Total risk-weighted assets for market risk		<u>25,392,894</u>		<u>22,365,596</u>
Total risk-weighted assets for credit and market risks		<u>208,150,207</u>		<u>191,398,740</u>
<b>Bank</b>				
0%	22,374,126	-	19,006,042	-
10%	9,645	965	259,589	25,959
20%	23,609,945	4,721,989	36,482,606	7,296,521
50%	27,139,162	13,569,581	26,741,144	13,370,572
100%	<u>144,236,113</u>	<u>144,236,113</u>	<u>138,194,251</u>	<u>138,194,251</u>
Total risk-weighted assets for credit risk		<u>162,528,648</u>		158,887,303
Total risk-weighted assets for market risk		<u>22,327,031</u>		<u>20,430,101</u>
Total risk-weighted assets for credit and market risks		<u>184,855,679</u>		<u>179,317,404</u>



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**A27. Credit Exposure Arising From Credit Transactions With Connected Parties**

	<b>31 December</b>
Outstanding credit exposures with connected parties (RM'000)	<b><u>1,965,552</u></b>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<b><u>1.4%</u></b>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<b><u>0.0%</u></b>

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

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**A28. Operations of Islamic Banking**

**A28a. Unaudited Balance Sheets as at 31 Decemberr 2008**

	Group	
	31 December 2008 RM'000	30 June 2008 RM'000
<b>ASSETS</b>		
Cash and short-term funds	5,275,840	3,193,457
Deposits and placements with banks and other financial institutions	34,801	1,261
Securities portfolio	3,523,584	2,877,245
Loans and financing	22,450,918	21,057,888
Deferred tax assets	12,883	27,482
Derivative assets	27,217	45,185
Other assets	128,374	199,564
Statutory deposit with Bank Negara Malaysia	697,000	775,000
<b>Total Assets</b>	<b>32,150,617</b>	<b>28,177,082</b>
<b>LIABILITIES</b>		
Deposits from customers	18,791,929	19,803,980
Deposit and placements of banks and other financial institutions	9,277,525	5,589,635
Bills and acceptances payable	307,173	390,110
Derivatives Liabilities	34,019	45,200
Other liabilities	1,411,109	477,604
Provision for taxation and zakat	55,481	49,080
<b>Total Liabilities</b>	<b>29,877,236</b>	<b>26,355,609</b>
<b>ISLAMIC BANKING FUNDS</b>		
Islamic Banking Funds	184,741	111,980
Reserves	2,088,640	1,709,493
	<b>2,273,381</b>	<b>1,821,473</b>
<b>Total Liabilities and Islamic Banking Funds</b>	<b>32,150,617</b>	<b>28,177,082</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>9,825,672</b>	<b>8,728,220</b>

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**A28. Operations of Islamic Banking (contd)**

**A28b. Unaudited Income Statements for the Second Financial Quarter Ended 31 December 2008**

	2nd Quarter Ended		Cumulative 6 Months Ended	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
<b>Group</b>				
Income derived from investment of depositors' funds	375,369	360,124	749,035	725,769
Expenses directly attributable to depositors and Islamic Banking Funds	(10,237)	(21,905)	(12,416)	(33,855)
Transfer from/(to) profit equalisation reserve	12,234	1,531	13,413	(11,338)
Gross attributable income	<u>377,366</u>	339,750	<u>750,032</u>	680,576
Allowance for losses on financing, advances and other loans	(43,515)	(65,516)	(76,934)	(108,154)
<b>Total attributable income</b>	<b>333,851</b>	274,234	<b>673,098</b>	572,422
Income attributable to the depositors	<u>(176,336)</u>	(135,615)	<u>(344,826)</u>	(262,960)
<b>Income attributable to the Group</b>	<b>157,515</b>	138,619	<b>328,272</b>	309,462
Income derived from investment of Islamic Banking Funds				
Gross investment income	41,691	25,066	72,688	45,659
Finance cost	-	(15,045)	-	(39,569)
Net (expense)/income from investment of Islamic Banking Funds	<u>41,691</u>	10,021	<u>72,688</u>	6,090
Overhead expenses	199,206	148,640	400,960	315,552
<b>Profit before zakat and tax expense</b>	<b>(77,434)</b>	(110,985)	<b>(144,446)</b>	(202,516)
Taxation	121,772	37,655	256,514	113,036
Zakat	(26,887)	(6,103)	(60,019)	(32,626)
Zakat	(2,994)	(932)	(7,256)	(1,510)
<b>Profit after taxation</b>	<b>91,891</b>	30,620	<b>189,239</b>	78,900

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**A28b. Unaudited Income Statements for the Second Financial Quarter Ended 31 December 2008**

Reconciliation of net income amalgamated with the conventional banking operations:

	Group	
	31 December 2008 RM'000	31 December 2007 RM'000
Gross attributable income	750,032	680,576
Net income from investment of Islamic Banking Funds	72,688	6,090
Total income before allowances for loan losses and overheads	822,720	686,666
Income attributable to the depositors	<u>(344,826)</u>	<u>(262,960)</u>
	477,894	423,706
Net of Intercompany Income & Expenses Income from Islamic Banking scheme	<u>105,754</u>	<u>-</u>
	<u><b>583,648</b></u>	<u><b>423,706</b></u>

**A28c. Loans and Financing**

	Group	
	31 December 2008 RM'000	30 June 2008 RM'000
Overdrafts	1,933,197	1,997,952
Term financing		
- House financing	4,986,930	4,671,245
- Syndicated financing	131,719	159,073
- Hire purchase receivables	10,335,918	8,670,953
- Other term financing	11,063,614	10,498,294
Bills Receivable	55,559	71,263
Trust receipts	121,578	152,488
Claims on customers under acceptance credits	3,733,442	4,064,557
Staff financing	224,991	201,894
Credit card receivables	4,534	-
Revolving credits	57,000	-
	<u>32,648,482</u>	<u>30,487,719</u>
Unearned income	<u>(9,292,136)</u>	<u>(8,546,218)</u>
Gross loans and financing	23,356,346	21,941,501
Allowance for bad and doubtful debts and financing:		
- specific	(548,286)	(549,632)
- general	<u>(357,142)</u>	<u>(333,981)</u>
Net loans and financing	<u><b>22,450,918</b></u>	<u><b>21,057,888</b></u>

**A28d.** (i) Movements in non-performing loans and financing ("NPL") are as follows:

	Group	
	31 December 2008 RM'000	30 June 2008 RM'000
Balance at beginning of the year	1,106,390	1,306,138
Non-performing during the year	209,005	621,839
NPL of subsidiary acquired		-
Recovered/regularized during the year	(176,385)	(614,967)
Amount written off	(67,980)	(143,660)
Sale of NPL, reported under Head Office	-	(69,448)
Amount transfer to Maybank Islamic Berhad	-	-
Expenses debited to customers' accounts	2,555	6,488
Balance at end of the period	<u>1,073,585</u>	<u>1,106,390</u>
Specific allowance	<u>(548,286)</u>	<u>(549,632)</u>
Net non-performing loans and financing	<u><b>525,299</b></u>	<u><b>556,758</b></u>
Net NPL as % of gross loans and financing less specific allowance	<u><b>2.30%</b></u>	<u><b>2.60%</b></u>

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**A28. Operations of Islamic Banking (contd)**

**A28d.** (ii) Movements in the allowance for bad and doubtful debts and financing accounts are as follows:

	Group	
	31 December 2008 RM'000	30 June 2008 RM'000
<u>General allowance</u>		
At beginning of the year	333,981	664,196
Allowance made during the year	31,514	35,144
Allowance written back	(8,352)	(743)
Excess of general allowance transferred to Head Office	-	(367,233)
Transfer from specific allowance	-	2,617
At end of the period	<u>357,142</u>	<u>333,981</u>
As % gross loans and financing less specific allowance	<u>1.57%</u>	<u>1.56%</u>
<u>Specific allowance</u>		
At beginning of the year	549,632	536,572
Allowance made during the year	103,649	299,749
Amount written back	(37,016)	(96,318)
Amount written off	(67,979)	(143,660)
Transfer to general allowance	-	(2,617)
Sale of NPL, subsequently transferred to Head Office	-	(44,094)
At end of the year	<u>548,286</u>	<u>549,632</u>

**A28e. Deposits from Customers**

**(i) By type of deposit**

	Group	
	31 December 2008 RM'000	30 June 2008 RM'000
<u>Mudharabah Fund</u>		
Demand deposits	2,294,823	2,179,605
Savings deposits	120,369	108,793
General investment deposits	5,167,264	6,313,712
Special investment deposits	-	-
	<u>7,582,456</u>	<u>8,602,110</u>
<u>Non-Mudharabah Fund</u>		
Demand deposits	4,000,684	3,675,392
Savings deposits	4,245,518	3,959,324
Structured deposits	512,881	345,330
Negotiable instruments of deposits	2,450,390	3,221,824
	<u>11,209,473</u>	<u>11,201,870</u>
Deposit from Customers	<u>18,791,929</u>	<u>19,803,980</u>

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**A29. Intangible Assets**

Included in total intangible assets of the Group is the estimated goodwill and intangible assets arising from the acquisition of Bank Internasional Indonesia Tbk (BII) on 30 September 2008. The effects of the acquisition of BII are summarised below:

	<b>Group</b> <b>31 December</b> <b>2008</b> <b>RM'000</b>
Share of net assets acquired	1,903,688
Purchase consideration, net of exchange gains	<u>(7,902,915)</u>
Estimated goodwill/intangible assets	<u>(5,999,227)</u>

The goodwill and intangible assets of RM5.999 billion above represents the excess of the purchase consideration over the book values of BII at the date of acquisition.

The Group is currently in the midst of carrying out a Purchase Price Allocation (PPA) exercise in accordance with FRS 3 - Business Combinations, to allocate fair values to the tangible assets, liabilities, contingent liabilities and identifiable intangible assets of BII. Subject to the results of the PPA exercise, the final value of the goodwill of BII may vary from the value disclosed above. The PPA exercise will provide indications of the recoverable value of the investment. Should the recoverable value of the investments be less than their carrying value, the investment will be written down to its recoverable value. The Group expects to finalise its goodwill impairment analysis during the fourth quarter of financial year period ("FQP") ending 30 June 2009 and anticipates that the results on the full impairment charge will be announced in the FQP ending 30 June 2009.

**A30. Impairment Loss on Interest in an Associate**

The Group holds a 20% equity stake in a listed associated company in Pakistan, MCB Bank Ltd ("MCB"), as at 31 December 2008. The recent global financial crisis has impacted the economic situation in Pakistan, leading to growing inflation rate and a downtrend in the global stock exchanges, including the Karachi stock exchange. This has resulted in substantial decline in the market capitalization of MCB. These are indications that the Group's investment in MCB may be impaired.

**Impairment Testing**

In accordance with FRS 136: Impairment of Assets, the Group treats MCB as a Cash Generating Unit ("CGU") for impairment testing.

**Key Assumptions Used In Value-In-Use Calculations**

The recoverable amount of the CGU has been determined based on the value-in-use calculation, using cash flow projections prepared by management, covering a 10-year period. Cash flows beyond the 10-year period are extrapolated at 6%. The calculation for value-in-use is most sensitive to the following assumptions:

- 1) The growth rates used, which are based on the long-term expectation and have been adjusted to take into account the current economic situation.
- 2) The discount rate applied at 21.5%, which reflect the current specific country risks.

The equity stake in MCB is held via Maybank International Trust (Labuan) Berhad, a wholly-owned subsidiary of the Bank.

### A31. Restatement of Comparatives

- (a) The following comparative amounts have been restated as a result of the transfer of the Islamic Banking operations to its subsidiary, Maybank Islamic Berhad:

<b>As at 31 December 2007</b>	<b>Previously Stated RM'000</b>	<b>Transfer of Islamic Banking operations RM'000</b>	<b>Restated RM'000</b>
<b>Bank</b>			
Interest income	5,547,750	24,773	5,572,523
Interest Expense	(2,986,712)	(19,058)	(3,005,770)
Net Interest Income	2,561,038	5,715	2,566,753
Income from Islamic Banking operations	417,987	(417,987)	-
Operating income	2,979,025	(412,272)	1,229,962
Total non-interest income	864,247	-	864,247
Overhead expenses	(1,725,151)	200,493	(1,524,658)
Operating profit	2,118,121	(211,779)	1,906,342
Allowance for losses on loans, advances	(383,132)	108,897	(274,235)
Profit before taxation and zakat	1,734,989	(102,882)	1,632,107
Taxation and zakat	(457,847)	33,695	(424,152)
Profit for the year from continuing operations	1,277,142	(69,187)	1,207,955
Profit for the year from transfer of Islamic Banking operations	-	69,187	69,187

- (b) The following comparative amounts have been restated as a result of impairment made for an investment in an associate:

<b>As at 30 September 2008</b>	<b>Previously Stated RM'000</b>	<b>Impairment Loss RM'000</b>	<b>Restated RM'000</b>
<b>Bank</b>			
Profit before taxation	892,004	(242,000)	650,004
Profit for the period	683,121	(242,000)	441,121
Investment in subsidiary	11,205,848	(242,000)	10,963,848

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

**B1. Performance Review of the First Half of the Financial Year 2009**

The Group's net interest income for the half year ended 31 December 2008 increased by RM86.2 million or 3.2% over that of the corresponding period to RM2,812 million. The higher net interest income came mainly from growth in loans, advances and financing, and improved lending margins contributed by the recent acquisition of PT Bank Internasional Indonesia Tbk (BII). The Group's loans, advances and financing registered an increase of RM33,954 million or 22.8% when compared to the previous corresponding period in 2007.

Non interest income (including marked to market gain/loss on derivatives and securities held for trading) for the half year ended 31 December 2008 was higher by RM41.8 million or 3.4% compared to that of the previous corresponding period. The higher non interest income came mainly from higher contribution from fee income which was higher by RM71.9 million or 8.5%, and lower marked to market gain/loss on derivatives and securities held for trading, and impairment losses in securities by RM39.4 million or 20.9%.

Overheads increased by RM561.9 million or 27.2% over that of the corresponding period as a result of consolidation of BII overhead costs. Personnel costs increased by RM277.2 million or 30.3%, partly due to finalisation of salary revisions, including adjustments for previous quarters, for officers and clericals under the respective collective agreements concluded during the period.

Establishment costs increased by RM83.2 million or 23.3% as a result of higher Information Technology expenses and rental of premises.

Administration and General Expenses increased by RM187.0 million or 32.2%, from RM581.0 million to RM768.0 million, mainly due to increase in insurance claims incurred and other administrative and general expenses such as cash processing fees, royalties paid for the increased cards businesses and higher utility bills due to increase in tariff rates.

As a result, the Group's operating profit for the period decreased from RM2,333.5 million to RM2,059.5 million, or a reduction of 11.7%.

In the period under review, the Group's profit before tax was impacted by impairment losses in an associated company of RM242 million and higher loan loss provision of RM218.8 million due mainly to the lower specific allowance written back. However, this was partly offset by the write-back of allowance for non-refundable deposit of RM483.8 million in the financial statements arising from the reinstatement of approval by Bank Negara Malaysia, and the subsequent completion of the proposed acquisition of Sorak Financial Holdings Pte Ltd, the controlling shareholder of BII.

As a result of the above, the Group's profit before tax profit for the half year ended 31 December 2008 registered a decrease of 10.0% or RM205.3 million to RM1,842.1 million compared to the corresponding period in the previous financial year. Net Profit attributable to equity holders was lower by 10.9% or RM159.7 million to RM1,306.7 million compared to the previous corresponding period.



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**B2. Variation of Current Quarter Results Against Preceding Quarter**

The Group's net interest income for the quarter ended 31 December 2008 increased by RM282.4 million or 22.3% over that of the preceding quarter to RM1,547.4 million. The higher net interest income was mainly due to post acquisition income contribution from BII in the current quarter. This came mainly from the increase of RM546.4 million or 28.8% in interest income from loans, advances and financing on the back of higher loans growth and interest income from securities portfolio which improved by RM167.1 million being partly offset by declines in interest income from deposits placed with financial institutions, which was lower by RM67.3 million (22.5%).

Non-interest income (including marked to market gain/loss of derivatives and securities held for trading) for the quarter ended 31 December 2008 was higher by RM330.9 million or an increase of 69.1% compared to that of the preceding quarter. The significant variance in the current quarter was mainly attributable to the foreign exchange gain of RM214.3 million reported in the current quarter, as against a loss of RM125.2 million in the preceding quarter. However this was partly offset by higher marked to market losses on derivatives and securities held for trading and impairment losses in securities of RM133.6 million as against losses of RM15.1 million in the preceding quarter.

Overheads for the quarter increased by RM192.1 million or 15.8% over that of the preceding quarter mainly due to higher personnel costs and administrative and general expenses which were higher by RM71.3 million and RM73.1 million respectively.

As a result, operating profit for the quarter increased from RM809.3 million to RM1,250.1 million, or an increase of 54.5%.

In the current quarter under review, the Group's profit before tax was also impacted by higher loan loss provision of RM119.9 million but was offset by preceding quarter's impairment losses in an associated company of RM242 million and the write-back of allowance for non-refundable deposit of RM483.8 million in the financial statements arising from the reinstatement of approval by Bank Negara Malaysia, and the subsequent completion of the proposed acquisition of Sorak Financial Holdings Pte Ltd, the controlling shareholder of BII.

As a result of the above, the Group's profit before tax profit for the current quarter ended 31 December 2008 registered an increase of 8.9% or RM78.5 million to RM960.3 million compared to the preceding quarter. Net Profit attributable to equity holders was higher by 28.4% or RM162.4 million to RM734.6 million compared to the preceding quarter.

**B3. Prospects**

Malaysia's economic growth is expected to decelerate in 2009 as regional economies begin to suffer from the effects of recession in the major industrialised economies. The worsening contraction in Malaysia's industrial and export data suggest that GDP growth in 2009 could be slower than the current government forecast of 3.5% and has thus heightened the risk of a recession in 2009. As such, the operating environment for the banking industry is expected to become more challenging due to slower consumer spending and reduced corporate capital expenditure, leading to prospects for slower loans growth and deterioration in asset quality, with margins also expected to be under pressure due to continued intense competition. Prospects for capital markets and insurance business will be similarly challenging.

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**B3. Prospects (contd.)**

Maybank will continue to focus on growing its market share through improvement in retail banking operations through continued upgrading and expansion of its network franchise, sales, branding, and competitive product offerings as well as leveraging on its recently revamped internet banking platform. With its recent key management appointments and progress of the LEAP 30 performance improvement programme, the Group expects improved execution of business, enabling and talent initiatives to enable Maybank to better compete in the tougher operating environment.

The Group will continue to focus on prudent risk management practices and asset quality management to contain risk of deterioration in asset quality in the economic downturn. Maybank will also continue to increase contribution from the Group's overseas operations with particular focus on integrating BII into the Group to extract value from synergies.

Against a backdrop of the weakening economic and operating environment and with the recent acquisitions yet to be earnings accretive, the Group expects net profit for the current financial year ending 30 June 2009 to be lower than the previous financial year.

Maybank completed its acquisition of a 20% equity stake in MCB in August 2008, a 15% equity stake in ABBank in September 2008 and a 97.5% equity interest in BII in December 2008. For the quarter ended 31 December 2008, the results of BII are consolidated into the Group accounts of Maybank and similarly, the results of MCB are equity accounted into the Group accounts.

The significant deterioration in the share price of BII and MCB and the current difficult economic environment globally, including in the countries where these investments are, have given an indication of impairment in these investments. Accordingly we have undertaken the process of determining the recoverable amount based on FRS136 requirements. Maybank is committed to completing this process in the financial year ending 30 June 2009 and subsequently determining any potential impairment charge relating to the acquisition in accordance with FRS 136: Impairment of Assets. The process for determining impairment for BII involves the computation of future earnings cash flows on a long term basis, discounted at long term rates to arrive at a value-in-use determination. Such a computation is necessarily protracted as it involves the stabilisation of earnings potential which requires a detailed review and assessment by the management team which is still being assembled at BII, and the stabilisation of the interest rate term structure for discounting purposes.

A similar review of the carrying value of our 20% equity stake in MCB and our 15% equity stake in ABBank is being undertaken the same methodology as described above.

Notwithstanding the above and based on current available information, Maybank is confident that any impairment charge on the above investments would not lead to a loss in net earnings (profit after tax and MI) of the Group for the financial year ending 30 June 2009. This view is based on Management's current outlook on Maybank and its affiliates, based on their current earnings trajectory and a set of assumptions in the discount rates and earnings growth potential specific to the respective countries these investments are in. However, should the economic environment deteriorate beyond our current expectations or that there are unforeseen changes in circumstances, the abovementioned statement on full year profitability may be different.

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**B3. Prospects (contd.)**

We would like to emphasize that the impairment charge is a non-cash charge and does not affect the capital position of Maybank because of the manner in which the Risk Weighted Capital Ratio is calculated, which has already negated any effect of impairment. The current capital position of Maybank Group remains strong with the Core and Total Capital Ratio of 8.13% and 13.54% as of 31 December 2008, respectively.

In summary, Maybank continues to meet the challenges associated with the current environment and is proactively addressing them. We believe that together with the transformation effort under the Strategic Transformation Plan, we can achieve our goal of enhancing long-term shareholder value.

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**B4. Profit Forecast or Profit Guarantee**

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

**B5. Tax Expense and Zakat**

The analysis of the tax expense for the second financial quarter ended 31 December 2008 are as follows:

<b>Group</b>	<b>2nd Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>31 December 2008</b>	<b>31 December 2007</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax	<b>279,417</b>	320,767	<b>476,893</b>	520,810
Foreign income tax	<b>(51,977)</b>	52,470	<b>11,777</b>	55,377
	<b>227,440</b>	373,237	<b>488,670</b>	576,187
Under/(over) provision in prior periods	<b>(5)</b>	(47,642)	<b>(18)</b>	(95,283)
Deferred tax expense				
- Origination and reversal of temporary differences	<b>(9,296)</b>	(19,690)	<b>(2,177)</b>	46,015
Due to reduction in statutory rate	<b>895</b>	(489)	<b>39,314</b>	39,323
	<b>(8,401)</b>	(20,179)	<b>37,137</b>	85,338
Tax expense for the period	<b>219,034</b>	305,416	<b>525,789</b>	566,242
Zakat	<b>6,583</b>	1,632	<b>10,846</b>	2,947
	<b>225,617</b>	307,048	<b>536,635</b>	569,189

<b>Bank</b>	<b>2nd Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>31 December 2008</b>	<b>31 December 2007</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax	<b>140,231</b>	241,276	<b>308,781</b>	382,155
Foreign income tax	<b>(219)</b>	50,652	<b>817</b>	51,637
	<b>140,012</b>	291,928	<b>309,598</b>	433,792
Under/ (over) provision in prior periods	-	(47,642)	-	(95,283)
Deferred tax expense				
- Origination and reversal of temporary differences	<b>4,266</b>	(19,282)	<b>5,819</b>	46,995
Due to reduction in statutory rate	-	(478)	<b>37,744</b>	38,648
	<b>4,266</b>	(19,760)	<b>43,563</b>	85,643
Tax expense for the period	<b>144,278</b>	224,526	<b>353,161</b>	424,152

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

**B6. Sale of Unquoted Investments and Properties**

The gain from the sale of unquoted investments of the Group and the Bank amounted to RM56.34 million and RM53.32 million respectively, while the profit from sale of properties of the Group and the Bank amounted to RM9.32 million and RM345,600 respectively.

**B7. Quoted Securities**

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

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**B8. Status of Corporate Proposals Announced but Not Completed**

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

On 24 September 2008, Maybank had successfully completed the acquisition of 15% of the total Charter Capital of ABBank pursuant to the Subscription Agreement dated 21 March 2008 and Supplemental Agreement dated 9 September 2008.

Further, subject to the approval of the relevant authorities, Maybank will also subscribe for an additional 5% of the total Charter Capital of ABBank. Pursuant thereto, Maybank will eventually hold 20% of the total Charter Capital of ABBank.

**(b) Proposed Acquisition of up to 100% of the Issued and Paid-up Share Capital of Sorak Financial Holdings Pte. Ltd. ("Sorak") which owns approximately 55.7% equity interest in PT Bank Internasional Indonesia Tbk ("BII") for a Total Cash Consideration of Approximately Indonesian Rupiah ("Rp") 13.9 Trillion (or the Equivalent of Approximately RM4.8 Billion)**

On 21 October 2008, Maybank through its wholly owned subsidiary, Mayban Offshore Corporate Services (Labuan) Sdn Bhd ("Mayban Offshore") announced a tender offer to acquire all the remaining shares of BII, being owned by the public shareholders, which are not sold by the public shareholders through open market, and any new ordinary shares in BII that may be issued pursuant to the exercise of options under BII's Employee Share Option Plan, at a tender offer price of Rp.510 per share (the "Offer"). The Tender Offer closed on 19 November 2008 and payment for the BII shares which were validly accepted pursuant to the Tender Offer, was completed on 1 December 2008.

Further to the above, Mayban Offshore, received 3,423 valid acceptances from the public shareholders of BII which resulted in Maybank successfully completing the acquisition of approximately 12.6 billion shares in BII, representing approximately 25.3% of the equity interest in BII.

The total cost of acquisition for the 25.3% equity interest in BII is approximately Rp6.44 trillion or approximately RM1.95 billion (at the exchange rate of Rp3,311: RM1.00, as at 2 December 2008).

With the completion of the Tender Offer, the Proposal is therefore now completed. Maybank now effectively holds approximately 97.5% of the equity interest in BII. The remaining 2.5% of the equity interest in BII is currently held by the public shareholders of BII and BII will continue to be listed on the Jakarta Stock Exchange.

**(c) Memorandum of Understanding ("MOU") in relation to Global Takaful Business between Maybank and the Islamic Corporation for the Development of the Private Sector ("ICD")**

On 7 May 2008, Maybank and ICD signed a MOU to jointly explore the feasibility of establishing an international takaful holding company with the vision to create a global leader in the takaful business. ICD is the commercial arm of the Islamic Development Bank.

Under the MOU, the proposed holding company to be set up aims to explore opportunities with the aim of creating takaful companies in both ICD member and non-member countries. The consultant, which is appointed by both parties, is still conducting a feasibility study which upon completion will be presented back to both parties for review and concurrence.

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

**(d) Family Takaful Business Joint Venture in Pakistan**

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

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

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

All parties are currently negotiating and finalizing the terms of the joint venture.

**(e) Acquisition of New Subsidiary – BinaFikir Sdn Bhd (“BinaFikir”)**

On 27 August 2008, Maybank Investment Bank Berhad (formerly known as Aseambankers Malaysia Berhad) entered into a share sale agreement (“Share Sale Agreement”) with En Mohammed Rashdan Mohd Yusof and En Amirul Feisal Wan Zahir for the purchase of the entire issued and paid-up capital of BinaFikir (“Proposed Acquisition”).

The Proposed Acquisition shall be executed at an initial purchase consideration based on net book value and an additional final purchase consideration dependent on net earnings of BinaFikir from their existing mandates as at 31 August 2008, to be determined based on actual results as at 30 June 2009.

BinaFikir is holder of a Capital Markets Services Licence and is licensed to conduct investment advisory business. It has an authorised share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each and issued and paid-up share capital of RM650,000 comprising 650,000 ordinary shares of RM1.00 each.

On 11 November 2008, Maybank Investment Bank Berhad completed the acquisition of the entire issued and paid up capital of Binafikir for a provisional consideration of RM3,637,011.

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

- (f) Proposed Issuance of, Offer for Subscription or Purchase of, or Invitation to Subscribe for, or Purchase of Innovative Tier 1 Capital Securities (“IT1CS”) Programme of up to RM4.0 Billion and/or its Foreign Currency Equivalent in Nominal Value (“IT1CS Programme”) by Maybank.**

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

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

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

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

- (g) Proposed Issuance of Tier 2 Subordinated Bonds of up to USD1.0 Billion and/or its Equivalent in Other Foreign Currencies in Nominal Value (the “Subordinated Bonds”)**

The Subordinated Bonds will constitute direct and unsecured obligations of the Bank, subordinated in right and priority of payment to all deposit liabilities and other liabilities except present and future unsecured and subordinated obligations which by their terms rank pari-passu in right of payment with or which are subordinated to the Subordinated Bonds.

The Subordinated Bonds issuance has been approved by Bank Negara Malaysia on 27 June 2008 to qualify as Tier 2 capital for purposes of Malaysian capital adequacy regulation.

The Subordinated Bonds issuance has also been approved by the Securities Commission on 9 July 2008.

- (h) Capital Reduction in Sri MTB Bhd, a wholly owned subsidiary company of Mayban Fortis Holdings Berhad (“MFHB”)**

On 11 December 2008, the issued & paid up capital of Sri MTB Bhd was reduced from RM100,000,000 divided into 100,000,000 ordinary shares of RM1.00 each to RM12,000,000 divided into 12,000,000 ordinary shares of RM1.00 each. The reduction was effected by repayment of the issued & paid up capital, which is in excess of the needs of Sri MTB Bhd, by the cancellation of 88,000,000 ordinary shares of RM1.00 each and returning RM88,000,000 to MFHB. MFHB is a subsidiary company of Maybank.

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

**(i) Disposal of Peram Ranum Bhd (“PRB”) from Double Care Sdn Bhd (“DCSB”) to MFHB**

On 31 December 2008, DCSB had completed the disposal of 100% of the issued & paid up share capital in PRB to MFHB for a cash consideration of RM1.00. Upon the completion of the disposal, DCSB had also waived the entire inter-company balances due from PRB amounting to RM17.3 million.

**B9. Deposits and Placements of Financial Institutions and Debt Securities**

Please refer to note A12 and A13.

**B10. Off-Balance Sheet Financial Instruments**

Please refer to note A24.

**B11. Changes in Material Litigation**

- (a) In 2005, a subsidiary, Mayban Trustees Berhad (“MTB”) and eleven other defendants were served with a writ of summons by ten plaintiffs / bondholders for an amount of approximately RM157.8 million. MTB was alleged to have acted in breach of trust and negligently in its capacity as Trustee for the bonds issued. MTB does not admit any liability to the claim and is defending the suit. The suit is pending determination at trial.

On 7 July 2008, the plaintiffs entered judgement by consent against the 1st, 4th and 6th to 12th defendants for the sum of RM149,315,000.00 as well as withdrew the claim against the 5th defendant. The entering of the said judgement by consent is not in any way an implication of liability on the part of MTB and MTB shall continue to defend the suit.

The above contingent liability is covered by an existing Banker Blanket Bond Policy between the Bank and a subsidiary, Mayban General Assurance Berhad (“MGAB”), which had entered into a facultative reinsurance contract for an insured sum of RM150 million with three other reinsurers

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

The 1st Defendant has on 4 August 2008 served a counterclaim on MTB for almost RM535 million being loss of profit, expenses and damages stated to have been incurred by it which allegedly arises as a result of MTB unlawfully declaring an Event Of Default (“EOD”) on the bonds. MTB’s solicitors shall defend the Counterclaim and their opinion is that the Counterclaim is without merit as the 1st Defendant had failed to perform their obligations under the bonds. Further, the 1st Defendant had on 7 July 2008 consented to judgement, thereby admitting the EOD and liability for the sum of RM149,315,000. MTB is of the view that the EOD was declared lawfully and MTB is in any event entitled under the trust deed to be indemnified by the bondholders for the Counterclaim. The trial for the suit is fixed for 2 to 5 March 2009.



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**B11. Changes in Material Litigation (contd)**

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

The 1st Defendant counter-claimed for loss and damage amounting to approximately RM284 million as a result of ETB's failure to release the balance of the facility of RM7.5 million. It is alleged that the 1st Defendant was unable to carry on its project and therefore suffered loss and damage, ETB are proceeding with their claim and are resisting the 1st Defendant's counter-claim. ETB have filed its defence to the counterclaim and an application to strike out the counterclaim as well.

ETB are of the view that they have a good chance of succeeding in the action and in securing a dismissal of the 1st Defendant's counterclaim. The Court has postponed the matter to 11 March 2009 for decision.

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

The credit facilities consist of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million which were granted by MIBB and three other financial institutions as the syndicated lenders. The loan was restructured in 2002 to RM38 million with terms for repayment. In 2006, MIBB and three other syndicated lenders filed a suit against the corporate borrower for the recovery of the loan. The two suits were then ordered by the court to be heard together.

Out of the estimated claim of RM450.0 million, MIBB's exposure is RM189.0 million. (inclusive of the assets and liabilities of KBB (one of the syndicated lenders) and from MIBB which had been vested to the Bank in respective of this account pursuant to a vesting order dated 28 September 2006 and 21 May 2007 respectively).

Based on advice from its solicitors, MIBB are of the view that it has a more than even chance of succeeding in defending the corporate borrower's claim.

Other than that stated above, the Group and the Bank do not have any other material litigation that would materially and adversely affect the financial position of the Group and the Bank.

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**B12. Earning Per Share (EPS)**

**Basic**

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

	<b>2nd Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>31 December 2008</b>	<b>31 December 2007</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
Net profit for the period (RM'000)	<b>734,560</b>	<b>730,954</b>	<b>1,306,733</b>	1,466,383
Weighted average number of ordinary shares in issue ('000)	<b>4,881,147</b>	4,870,128 <sup>1</sup>	<b>4,881,143</b>	4,867,259 <sup>1</sup>
Basic earnings per share ('000)	<b>15.05 sen</b>	15.01 sen <sup>1</sup>	<b>26.77 sen</b>	30.13 sen <sup>1</sup>

**Diluted**

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

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

	<b>2nd Quarter Ended</b>		<b>Cumulative 6 Months Ended</b>	
	<b>31 December 2008</b>	<b>31 December 2007</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
Net profit for the period (RM'000)	<b>734,560</b>	730,954	<b>1,306,733</b>	1,466,383
Weighted average number of ordinary shares in issue ('000)	<b>4,881,147</b>	4,870,128	<b>4,881,143</b>	4,867,259
Effects of share option ('000)	-	4,481	-	5,079
Adjusted weighted average number of ordinary shares in issue ('000)	<b>4,881,147</b>	4,874,609 <sup>1</sup>	<b>4,881,143</b>	4,872,338 <sup>1</sup>
Diluted earnings per share ('000)	<b>15.05 sen</b>	15.00 sen <sup>1</sup>	<b>26.77 sen</b>	30.10 sen <sup>1</sup>

<sup>1</sup> Adjusted for bonus issue of 1:4

By Order of the Board

**Mohd Nazlan Mohd Ghazali**  
LS0008977  
Company Secretary  
27 February 2009