

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

CONDENSED FINANCIAL STATEMENTS
AUDITED INCOME STATEMENTS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2012

<u>Group</u>	Note	Quarter Ended		Cumulative 12 Months Ended*	
		31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Interest income	A17	3,797,173	3,651,685	14,847,018	13,143,978
Interest expense	A18	(1,602,314)	(1,499,018)	(6,366,301)	(5,519,537)
Net interest income		2,194,859	2,152,667	8,480,717	7,624,441
Income from Islamic Banking					
Scheme operations:					
Gross operating income		526,455	491,707	2,196,259	1,881,098
Profit equalisation reserves		-	-	-	(42,267)
	A31a	526,455	491,707	2,196,259	1,838,831
		2,721,314	2,644,374	10,676,976	9,463,272
Net income from insurance and takaful business:					
Income from insurance and takaful business		388,050	575,499	1,161,344	1,421,383
Claims incurred and expense liability		(83,895)	(325,915)	(508,899)	(565,344)
		304,155	249,584	652,445	856,039
		3,025,469	2,893,958	11,329,421	10,319,311
Non-interest income	A19	1,205,353	1,151,478	5,273,749	4,499,684
Net income		4,230,822	4,045,436	16,603,170	14,818,995
Overhead expenses	A20	(2,137,012)	(2,053,954)	(8,158,120)	(7,457,910)
Operating profit before impairment losses		2,093,810	1,991,482	8,445,050	7,361,085
Allowances for impairment losses on loans, advances and financing, net	A21	(159,983)	(230,333)	(642,711)	(448,998)
Impairment losses on financial investments, net		(18,560)	(68,255)	(60,216)	(176,970)
Operating Profit		1,915,267	1,692,894	7,742,123	6,735,117
Share of profits of associates		34,058	37,713	152,476	140,077
Profit before taxation and zakat		1,949,325	1,730,607	7,894,599	6,875,194
Taxation & Zakat	B5	(411,812)	(414,698)	(1,977,306)	(1,753,611)
Profit for the period/year		1,537,513	1,315,909	5,917,293	5,121,583
Attributable to:					
Equity holders of the Bank		1,459,585	1,259,005	5,744,696	4,883,968
Non-controlling interest		77,928	56,904	172,597	237,615
		1,537,513	1,315,909	5,917,293	5,121,583
Earnings per share attributable to equity holders of the Bank	B12				
Basic		17.29 sen	16.72 sen	72.68 sen	65.08 sen
Fully diluted		17.29 sen	16.72 sen	72.67 sen	65.07 sen

(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

*(The Group has changed its financial year-end from 30 June to 31 December. Comparatives for cumulative quarters consist of 12 months results beginning 1 January 2011 to 31 December 2011. The figures have not been audited)

MALAYAN BANKING BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2012

<u>Group</u>	Quarter Ended		Cumulative 12 Months Ended*	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Profit for the period/year	1,537,513	1,315,909	5,917,293	5,121,583
Other comprehensive income/(loss):				
Net gain on financial investments available-for-sale	128,313	84,274	52,715	363,653
Income tax relating to components of other comprehensive income	(22,796)	(23,070)	(2,522)	(125,252)
Foreign currency translation	(99,891)	(448,638)	(933,136)	312,924
Changes in other reserves	(799)	(101)	(547)	(220)
Other comprehensive income/(loss) for the period/year, net of tax	4,827	(387,535)	(883,490)	551,105
Total comprehensive income for the period/year	1,542,340	928,374	5,033,803	5,672,688
Total comprehensive income for the period/year attributable to:				
Equity holders of the Bank	1,457,117	862,375	4,847,663	5,433,659
Non-controlling interest	85,223	65,999	186,140	239,029
	1,542,340	928,374	5,033,803	5,672,688

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CONDENSED FINANCIAL STATEMENTS
AUDITED INCOME STATEMENTS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2012

<u>Bank</u>	Note	Quarter Ended		Cumulative 12 Months Ended*	
		31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Interest income	A17	2,848,429	2,809,550	11,194,494	10,012,556
Interest expense	A18	(1,225,660)	(1,148,252)	(4,959,002)	(4,163,954)
Net interest income		1,622,769	1,661,298	6,235,492	5,848,602
Non-interest income	A19	1,263,523	800,055	3,932,215	3,382,459
Net income		2,886,292	2,461,353	10,167,707	9,231,061
Overhead expenses	A20	(1,104,302)	(1,052,675)	(4,403,790)	(4,113,276)
Operating profit before impairment losses		1,781,990	1,408,678	5,763,917	5,117,785
Allowances for impairment losses on loans, advances and financing, net	A21	(70,643)	(123,448)	(268,844)	(29,459)
Impairment losses on financial investments, net		(1,405)	(63,122)	3,085	(162,888)
Profit before taxation and zakat		1,709,942	1,222,108	5,498,158	4,925,438
Taxation & Zakat	B5	(267,649)	(312,973)	(1,192,254)	(1,229,661)
Profit for the period/year		1,442,293	909,135	4,305,904	3,695,777

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FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2012

<u>Bank</u>	Quarter Ended		Cumulative 12 Months Ended*	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Profit for the period/year	1,442,293	909,135	4,305,904	3,695,777
Other comprehensive income/(loss):				
Net gain/(loss) on financial investments available-for-sale	85,492	(7,324)	(31,892)	391,098
Income tax relating to components of other comprehensive income	(21,373)	1,355	7,973	(107,241)
Foreign currency translation	3,781	(23,012)	85,996	114,247
Other comprehensive income/(loss) for the period/year, net of tax	67,900	(28,981)	62,077	398,104
Total comprehensive income for the period/year	1,510,193	880,154	4,367,981	4,093,881

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MALAYAN BANKING BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	Group			Bank		
		31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
ASSETS							
Cash and short-term funds		40,018,633	49,387,882	39,481,871	23,153,242	35,966,579	25,803,796
Deposits and placements with financial institutions		11,949,150	7,161,651	10,423,251	10,039,999	6,246,093	7,644,471
Financial assets purchased under resale agreements		798,180	1,397,235	-	650,314	1,397,235	-
Financial assets at fair value through profit or loss	A10(i)	29,156,692	18,393,752	12,665,824	10,719,937	7,325,466	2,884,895
Financial investments available-for-sale	A10(ii)	60,792,374	63,585,045	61,767,912	47,366,309	46,514,200	47,100,880
Financial investments held-to-maturity	A10(iii)	2,870,768	2,689,806	2,437,441	2,556,849	2,115,933	1,638,070
Loans, advances and financing	A11	311,824,735	276,252,853	255,017,693	214,852,046	194,174,085	181,572,844
Derivative assets	A28	2,880,492	1,987,502	1,693,964	2,812,148	1,949,344	1,626,415
Reinsurance/retakaful assets and other insurance receivables		2,555,727	2,173,794	2,107,340	-	-	-
Other assets	A12	6,680,257	4,749,820	4,898,654	2,713,063	2,240,433	1,420,365
Investment properties		572,662	542,477	525,521	-	-	-
Statutory deposits with central banks		12,298,362	10,577,416	7,698,425	6,888,916	6,095,129	4,313,116
Investment in subsidiaries		-	-	-	17,634,469	17,230,202	17,070,392
Interest in associates		2,235,233	2,406,462	2,439,654	456,512	456,512	454,412
Property, plant and equipment		2,402,821	2,217,483	2,125,217	1,205,788	1,083,279	1,044,934
Intangible assets		6,531,336	6,748,053	6,637,954	697,066	389,545	302,519
Deferred tax assets		1,298,871	1,323,606	1,333,696	810,015	815,573	886,484
TOTAL ASSETS		494,866,293	451,594,837	411,254,417	342,556,673	323,999,608	293,763,593
LIABILITIES							
Deposits from customers	A13	347,155,510	314,692,245	282,797,134	237,402,079	222,895,293	201,465,408
Deposits and placements from financial institutions	A14	33,887,376	36,760,978	33,303,655	29,198,776	35,555,592	31,441,675
Obligations on financial assets sold under repurchase agreements		-	267,652	373,562	-	267,652	373,562
Bills and acceptances payable		2,269,513	4,472,872	8,513,401	1,553,312	3,610,141	7,115,673
Derivative liabilities	A28	2,376,979	2,162,709	1,533,935	2,243,617	2,072,731	1,446,311
Insurance/takaful contract liabilities and other insurance payables		21,928,872	20,090,908	19,313,540	-	-	-
Other liabilities	A16	9,597,742	6,407,906	7,266,361	8,645,423	6,351,178	4,240,156
Recourse obligation on loans and financing sold to Cagamas		1,592,974	2,214,873	1,210,964	687,793	715,603	528,285
Provision for taxation and zakat		1,051,798	382,562	182,759	758,446	-	-
Deferred tax liabilities		676,514	672,025	658,582	-	-	-
Borrowings	A15(i)	10,714,266	7,185,230	5,447,120	7,382,719	4,208,282	3,420,499
Subordinated obligations	A15(ii)	13,510,041	14,160,553	10,800,539	11,638,850	12,574,919	9,509,786
Capital securities	A15(iii)	6,150,351	6,113,761	6,120,774	6,150,351	6,113,761	6,120,774
TOTAL LIABILITIES		450,911,936	415,584,274	377,522,326	305,661,366	294,365,152	265,662,129

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AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	Group			Bank		
		31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
SHAREHOLDERS' EQUITY							
Share capital		8,440,046	7,639,437	7,478,206	8,440,046	7,639,437	7,478,206
Share premium		15,639,646	9,598,847	8,583,711	15,639,646	9,598,847	8,583,711
Shares-held-in-trust		(102,405)	-	-	(102,405)	-	-
Retained profits		11,115,006	10,393,767	10,167,728	4,179,482	4,895,012	5,140,905
Other reserves		7,136,600	6,824,192	6,165,573	8,738,538	7,501,160	6,898,642
		42,228,893	34,456,243	32,395,218	36,895,307	29,634,456	28,101,464
Non-controlling interests		1,725,464	1,554,320	1,336,873	-	-	-
Total equity		43,954,357	36,010,563	33,732,091	36,895,307	29,634,456	28,101,464
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		494,866,293	451,594,837	411,254,417	342,556,673	323,999,608	293,763,593
COMMITMENTS AND CONTINGENCIES		A26 379,695,035	369,791,836	292,109,263	338,799,380	336,480,160	265,846,025
CAPITAL ADEQUACY		A27					
Based on credit, market and operational risk:							
Basel II							
Before deducting proposed dividend*:							
Core capital ratio		13.66%	11.74%	11.93%	17.43%	15.80%	13.44%
Risk-weighted capital ratio		17.47%	16.46%	15.45%	17.43%	15.80%	13.44%
After deducting proposed dividend:							
Core capital ratio, assuming:							
- full electable portion paid in cash		12.81%	10.95%	11.21%	16.27%	14.73%	12.49%
- full electable portion reinvested		13.54%	11.65%	11.84%	17.27%	15.68%	13.32%
Risk-weighted capital ratio, assuming:							
- full electable portion paid in cash		16.62%	15.66%	14.72%	16.27%	14.73%	12.49%
- full electable portion reinvested		17.35%	16.37%	15.36%	17.27%	15.68%	13.32%
* In arriving at the capital based used in the ratio calculations of the Group and the Bank, the proposed dividends were not deducted.							
Net assets per share attributable to equity holders of the Bank		RM5.00	RM4.51	RM4.33	RM4.37	RM3.88	RM3.76

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

Group	Share Capital RM'000	Share Premium RM'000	Shares- held-in-trust RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unrealised Holding Reserve RM'000	Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000	ESS Reserve RM'000	Profit Equalisation Reserve RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 January 2012														
- as reported under FRS	7,639,437	9,598,847	-	6,926,383	15,250	350,981	(969,382)	8,817	127,317	34,456	9,713,321	33,445,427	1,230,563	34,675,990
- effect of adoption of MFRS														
- as described in Note 29 (i)	-	-	-	-	-	296,832	-	-	-	-	-	296,832	3,730	300,562
- as described in Note 29 (ii)	-	-	-	-	-	33,538	-	-	-	-	680,446	713,984	320,027	1,034,011
At 1 January 2012, under MFRS	7,639,437	9,598,847	-	6,926,383	15,250	681,351	(969,382)	8,817	127,317	34,456	10,393,767	34,456,243	1,554,320	36,010,563
Profit for the year	-	-	-	-	-	-	-	-	-	-	5,744,696	5,744,696	172,597	5,917,293
Other comprehensive (loss)/income	-	-	-	(445)	(673)	26,339	(921,423)	(831)	-	-	-	(897,033)	13,543	(883,490)
Total comprehensive (loss)/income for the year	-	-	-	(445)	(673)	26,339	(921,423)	(831)	-	-	5,744,696	4,847,663	186,140	5,033,803
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	-	-	-	99,763	-	-	99,763	-	99,763
Effect of net acquisition from/disposal to non-controlling interests	-	-	-	-	(323)	-	13,165	-	-	-	19,275	32,117	27,524	59,641
Transfer to statutory reserves	-	-	-	1,097,774	-	-	-	-	-	-	(1,097,774)	-	-	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note A8(A)(a)(i)&(ii))	375,998	2,696,035	(2,405)	-	-	-	-	-	-	-	-	3,069,628	-	3,069,628
Issue of shares pursuant to ESS (Note A8(A)(a)(iii)&(vi))	1,156	9,659	-	-	-	-	-	-	(938)	-	-	9,877	-	9,877
Issue of shares pursuant to ESOS Transfer Fund ("ETF") (Note A8(A)(a)(iv))	11,455	88,545	(100,000)	-	-	-	-	-	-	-	-	-	-	-
Issue of shares pursuant to Private Placement (Note A8(A)(a)(v))	412,000	3,246,560	-	-	-	-	-	-	-	-	-	3,658,560	-	3,658,560
Dividends (Note A9)	-	-	-	-	-	-	-	-	-	-	(3,944,958)	(3,944,958)	(42,520)	(3,987,478)
Total transactions with shareholders	800,609	6,040,799	(102,405)	1,097,774	(323)	-	13,165	-	98,825	-	(5,023,457)	2,924,987	(14,996)	2,909,991
At 31 December 2012	8,440,046	15,639,646	(102,405)	8,023,712	14,254	707,690	(1,877,640)	7,986	226,142	34,456	11,115,006	42,228,893	1,725,464	43,954,357

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¹ The retained profits of the Group include the non-distributable non-par surplus from an insurance subsidiary, net of tax at 25% which amounted to RM698.1 million. This non-distributable non-par surplus is only available for distribution to shareholder on the amount recommended by the Appointed Actuary in accordance with the Insurance Act,1996.

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AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

<u>Group</u>	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unrealised Holding Reserve RM'000	Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000	ESS Reserve RM'000	Profit Equalisation Reserve RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 January 2011	7,322,240	7,539,398	5,986,099	15,250	184,549	(1,279,747)	9,057	-	-	9,149,737	28,926,583	763,786	29,690,369
Profit for the period	-	-	-	-	-	-	-	-	-	2,296,916	2,296,916	142,568	2,439,484
Other comprehensive income/(loss)	-	-	-	-	232,516	271,770	-	-	-	-	504,286	(5,188)	499,098
Total comprehensive income/(loss) for the period	-	-	-	-	232,516	271,770	-	-	-	2,296,916	2,801,202	137,380	2,938,582
Effect of net acquisition from/disposal to non-controlling interests	-	-	-	-	-	-	-	-	-	6,105	6,105	69	6,174
Net effect of acquisition/disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	112,741	112,741
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	-	-	65,000	-	-	65,000	-	65,000
Transfer to statutory reserves	-	-	423,823	-	-	-	-	-	-	(423,823)	-	-	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	155,966	1,044,313	-	-	-	-	-	-	-	-	1,200,279	-	1,200,279
Dividends	-	-	-	-	-	-	-	-	-	(1,537,670)	(1,537,670)	(5,210)	(1,542,880)
Total transactions with shareholders	155,966	1,044,313	423,823	-	-	-	-	65,000	-	(1,955,388)	(266,286)	107,600	(158,686)
At 30 June 2011/1 July 2011	7,478,206	8,583,711	6,409,922	15,250	417,065	(1,007,977)	9,057	65,000	-	9,491,265	31,461,499	1,008,766	32,470,265
- as reported under FRS	-	-	-	-	207,875	-	-	-	-	-	207,875	2,765	210,640
- effect of adoption of MFRS	-	-	-	-	49,381	-	-	-	-	676,463	725,844	325,342	1,051,186
- as described in Note 29 (i)	-	-	-	-	-	-	-	-	-	-	-	-	-
- as described in Note 29 (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2011/1 July 2011, under MFRS	7,478,206	8,583,711	6,409,922	15,250	674,321	(1,007,977)	9,057	65,000	-	10,167,728	32,395,218	1,336,873	33,732,091
Profit for the period	-	-	-	-	-	-	-	-	-	2,587,052	2,587,052	95,047	2,682,099
Other comprehensive income/(loss)	-	-	20	-	7,030	38,595	(240)	-	-	-	45,405	6,602	52,007
Total comprehensive income/(loss) for the period	-	-	20	-	7,030	38,595	(240)	-	-	2,587,052	2,632,457	101,649	2,734,106
Net effect of acquisition from/disposal to non-controlling interests	-	-	-	-	-	-	-	-	-	(49,800)	(49,800)	120,262	70,462
Effect of disposal of indirect subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,132)	(1,132)
Effect of adopting BNM's Revised Guidelines for Profit Equalisation Reserve ("PER")	-	-	-	-	-	-	-	-	-	34,456	34,456	-	34,456
Transfer to PER	-	-	-	-	-	-	-	-	34,456	(34,456)	-	-	-
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	-	-	62,323	-	-	62,323	-	62,323
Transfer to statutory reserves	-	-	516,441	-	-	-	-	-	-	(516,441)	-	-	-
Issue of shares pursuant to ESS	10	84	-	-	-	-	-	(6)	-	-	88	-	88
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	161,221	1,015,052	-	-	-	-	-	-	-	-	1,176,273	-	1,176,273
Dividends	-	-	-	-	-	-	-	-	-	(1,794,772)	(1,794,772)	(3,332)	(1,798,104)
Total transactions with shareholders	161,231	1,015,136	516,441	-	-	-	-	62,317	34,456	(2,361,013)	(571,432)	115,798	(455,634)
At 31 December 2011	7,639,437	9,598,847	6,926,383	15,250	681,351	(969,382)	8,817	127,317	34,456	10,393,767	34,456,243	1,554,320	36,010,563

(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

¹The retained profits of the Group include the non-distributable non-par surplus from an insurance subsidiary, net of tax at 25% which amounted to RM680.9 million. This non-distributable non-par surplus is only available for distribution to shareholder on the amount recommended by the Appointed Actuary in accordance with the Insurance Act, 1996.

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
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	<===== Non-Distributable =====>							Distributable Retained Profits RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Shares- held-in-trust RM'000	Statutory Reserve RM'000	Unrealised Holding Reserve/(Deficit) RM'000	Exchange Fluctuation Reserve RM'000	ESS Reserve RM'000		
Bank									
At 1 January 2012									
- as reported under FRS	7,639,437	9,598,847	-	6,728,866	262,434	227,772	127,317	4,895,012	29,479,685
- effect of adoption of MFRS as described in Note 29 (i)	-	-	-	-	154,771	-	-	-	154,771
At 1 January 2012, under MFRS	7,639,437	9,598,847	-	6,728,866	417,205	227,772	127,317	4,895,012	29,634,456
Profit for the year	-	-	-	-	-	-	-	4,305,904	4,305,904
Other comprehensive (loss)/income	-	-	-	-	(23,919)	85,996	-	-	62,077
Total comprehensive (loss)/income for the year	-	-	-	-	(23,919)	85,996	-	4,305,904	4,367,981
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	-	99,763	-	99,763
Transfer to statutory reserve	-	-	-	1,076,476	-	-	-	(1,076,476)	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note A8(A)(i)&(ii))	375,998	2,696,035	(2,405)	-	-	-	-	-	3,069,628
Issue of shares pursuant to ESS (Note A8(A)(iii)&(vi))	1,156	9,659	-	-	-	-	(938)	-	9,877
Issue of shares pursuant to ESOS transfer Fund ("ETF") (Note A8(A)(iv))	11,455	88,545	(100,000)	-	-	-	-	-	-
Issue of shares pursuant to Private Placement (Note A8(A)(v))	412,000	3,246,560	-	-	-	-	-	-	3,658,560
Dividends (Note A9)	-	-	-	-	-	-	-	(3,944,958)	(3,944,958)
Total transactions with shareholders	800,609	6,040,799	(102,405)	1,076,476	-	-	98,825	(5,021,434)	2,892,870
At 31 December 2012	8,440,046	15,639,646	(102,405)	7,805,342	393,286	313,768	226,142	4,179,482	36,895,307

(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

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<u>Bank</u>	<===== Non-Distributable =====>							Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Unrealised Holding Reserve RM'000	Exchange Fluctuation Reserve RM'000	ESS Reserve RM'000	Distributable Retained Profits RM'000	
At 1 January 2011	7,322,240	7,539,398	5,804,870	30,287	113,525	-	5,455,673	26,265,993
Profit for the period	-	-	-	-	-	-	1,630,492	1,630,492
Other comprehensive income	-	-	-	248,573	125,736	-	-	374,309
Total comprehensive income for the period	-	-	-	248,573	125,736	-	1,630,492	2,004,801
Transfer to statutory reserves	-	-	407,590	-	-	-	(407,590)	-
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	65,000	-	65,000
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	155,966	1,044,313	-	-	-	-	-	1,200,279
Dividend paid	-	-	-	-	-	-	(1,537,670)	(1,537,670)
Total transactions with shareholders	155,966	1,044,313	407,590	-	-	65,000	(1,945,260)	(272,391)
At 30 June 2011/1 July 2011								
- as reported under FRS	7,478,206	8,583,711	6,212,460	278,860	239,261	65,000	5,140,905	27,998,403
- effect of adoption of MFRS as described in Note 29 (i)	-	-	-	103,061	-	-	-	103,061
At 30 June 2011/1 July 2011, under MFRS	7,478,206	8,583,711	6,212,460	381,921	239,261	65,000	5,140,905	28,101,464
Profit for the period	-	-	-	-	-	-	2,065,285	2,065,285
Other comprehensive income/(loss)	-	-	-	35,284	(11,489)	-	-	23,795
Total comprehensive income/(loss) for the period	-	-	-	35,284	(11,489)	-	2,065,285	2,089,080
Transfer to statutory reserves	-	-	516,406	-	-	-	(516,406)	-
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	62,323	-	62,323
Issue of shares pursuant to ESS	10	84	-	-	-	(6)	-	88
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	161,221	1,015,052	-	-	-	-	-	1,176,273
Dividends	-	-	-	-	-	-	(1,794,772)	(1,794,772)
Total transactions with shareholders	161,231	1,015,136	516,406	-	-	62,317	(2,311,178)	(556,088)
At 31 December 2011	7,639,437	9,598,847	6,728,866	417,205	227,772	127,317	4,895,012	29,634,456

(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED FINANCIAL STATEMENTS
AUDITED CASH FLOW STATEMENTS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Bank	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	7,894,599	6,875,194	5,498,158	4,925,438
Adjustments for non-operating and non-cash items:				
Depreciation of property, plant and equipment	223,646	196,328	119,155	117,062
Share of associates' profit	(152,476)	(140,077)	-	-
Amortisation of intangible assets	146,221	123,062	47,629	46,655
Net gain on disposal of financial assets at fair value through profit or loss	(150,241)	2,493	(135,607)	(17,802)
Net gain on disposal of financial investments available-for-sale	(438,523)	(359,890)	(372,298)	(310,973)
Net (gain)/loss on redemption of financial investments held-to-maturity	62	(110)	62	(110)
Unrealised (gain)/loss on revaluation of financial assets held-for-trading and derivatives	(85,580)	258,217	(31,100)	122,342
Allowances for losses on loans, advances and financing, net	1,482,738	1,207,723	926,589	539,840
Allowance made for other debts	11,695	50,909	2,646	13,832
Dividend income	(34,606)	(37,821)	(867,714)	(545,771)
Share options granted under ESS	96,187	121,848	79,274	106,765
Impairment losses/(writeback of impairment losses) on financial investments, net	60,216	176,970	(3,085)	162,888
Other adjustments for non-operating and non-cash items:	(146,788)	(14,023)	(133,692)	(38,516)
Operating profit before working capital changes	8,907,150	8,460,823	5,130,017	5,121,650
Change in deposits and placements with financial institutions	(4,261,093)	4,636,788	(2,378,057)	2,962,817
Change in financial investments portfolio	(7,405,651)	(6,004,700)	(4,058,243)	(369,863)
Change in loans, advances and financing	(37,054,619)	(55,571,074)	(21,604,550)	(35,310,647)
Change in statutory deposits with central banks	(1,720,946)	(6,364,943)	(793,787)	(3,852,738)
Change in deposits from customer	32,463,265	65,733,736	14,506,786	40,022,793
Change in deposits and placements from financial institutions	(2,873,602)	7,915,554	(6,356,816)	6,014,863
Change in reinsurance/retakaful assets and other insurance receivables	(381,933)	(614,882)	-	-
Change in insurance/takaful contract liabilities and other related liabilities	1,799,908	252,026	-	-
Change in other operating activities	(1,183,112)	(2,165,210)	(473,557)	2,184,254
Exchange fluctuation	(227,458)	413,518	450,393	(8,535)
Cash (used in)/generated from operations	(11,938,091)	16,691,636	(15,577,814)	16,764,594
Taxes and zakat paid	(1,297,403)	(2,278,647)	(323,965)	(1,815,887)
Net cash (used in)/generated from operating activities	(13,235,494)	14,412,989	(15,901,779)	14,948,707

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	Group		Bank	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Cash flows from investing activities				
Dividend received				
- from securities	34,606	37,821	11,665	17,371
- from associates	7,106	-	7,106	5,231
- from subsidiaries	-	-	848,943	523,169
Purchase of property, plant and equipment	(439,635)	(513,339)	(247,028)	(66,801)
Proceeds from disposal of property, plant and equipment	18,625	51,742	8,830	15,296
Purchase of intangible assets	(391,668)	(4,453)	(354,487)	(3,364)
Acquisition of subsidiaries	(47,676)	(2,155,896)	-	-
Proceeds from disposal of subsidiaries	24,905	-	-	-
Subscription to additional ordinary shares and private debt securities in associates	-	(3,100)	(403,927)	(4,532,701)
Proceeds from transaction with non-controlling interests	67,834	77,556	-	-
Net cash used in investing activities	(725,903)	(2,509,669)	(128,898)	(4,041,799)
Cash flows from financing activities				
Proceeds from share issuance	6,738,065	2,376,640	6,738,065	2,376,640
Drawdown of borrowings	4,308,732	3,741,937	3,343,593	1,751,964
Redemption of subordinated obligations	(5,517,550)	-	(5,517,550)	-
Issuance of subordinated obligations	4,832,966	7,007,949	4,551,634	5,444,500
Loans sold to Cagamas, net	(621,899)	982,254	(27,810)	165,663
Dividends paid	(3,944,958)	(3,332,442)	(3,944,958)	(3,332,442)
Dividends paid to non-controlling interests	(42,520)	(8,542)	-	-
Net cash generated from financing activities	5,752,836	10,767,796	5,142,974	6,406,325

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AUDITED CASH FLOW STATEMENTS
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	Group		Bank	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Net change in cash and cash equivalents	(8,208,561)	22,671,116	(10,887,703)	17,313,233
Cash and cash equivalents at beginning of period *	50,388,584	28,351,750	36,522,118	19,718,670
Cash and cash equivalents at end of year	42,180,023	51,022,866	25,634,415	37,031,903

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

	Group		Bank	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Cash and short-term funds	40,018,633	49,387,882	23,153,242	35,966,579
Deposits with financial institution maturing within 1 month	2,161,390	1,634,984	2,481,173	1,065,324
	42,180,023	51,022,866	25,634,415	37,031,903

* Cash and cash equivalents at beginning of year

Cash and short term funds as previously reported	51,022,866	27,617,817	37,031,903	19,079,259
Effects of foreign exchange rate changes	(634,282)	733,933	(509,785)	639,411
As restated	50,388,584	28,351,750	36,522,118	19,718,670

(These audited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements)

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Part A: Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 (“MFRS 134”) Interim Financial Reporting

A1. Basis of Preparation

The audited condensed interim financial statements for the Group and 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, financial assets designated at fair value through profit or loss, derivative financial instruments and investment properties.

The audited condensed interim financial statements have been prepared in accordance with the requirements of Chapter 9, part K of the Listing Requirements of Bursa Malaysia Securities Berhad, MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB"). For the periods up to and including the six-month financial period ended 31 December 2011, the Group and the Bank prepared its financial statements in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines ("FRS").

The audited condensed interim financial statements should be read in conjunction with the audited financial statements for six-month financial period ended 31 December 2011. 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 financial period ended 31 December 2011.

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

First-time adoption of Malaysian Financial Reporting Standards

These are the Group's and the Bank's audited condensed interim financial statements for part of the period covered by first MFRS Framework annual financial statements of the Group and the Bank for the year ended 31 December 2012 and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

Subject to certain exemptions elected as disclosed below, the Group and the Bank have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 July 2011 (transition date) and throughout all periods presented, as if these policies had always been in effect. Comparative figures for year 2011 in these audited condensed interim financial statements have been restated to give effect to these changes. The impact of the transition to MFRS on the Group's and the Bank's reported financial position and financial performance are disclosed in Note A29. The transition from FRSs to MFRSs does not have any material impact to the statement of cash flows.

Exemptions applied

MFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain MFRS. The Group and the Bank have applied the following exemptions:-

(i) Designation of previously recognised financial instruments

MFRS 1 allows a first-time adopter to designate eligible financial assets as available-for-sale at the date of transition.

The Group and the Bank have opted for this exemption and redesignated certain previously recognised financial investments held-to-maturity as available-for-sale at 1 July 2011 (i.e. the transition date to MFRS).

The financial impact of the adoption of the abovementioned exemption on the financial statements of the Group and the Bank are disclosed in Note A29.

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A1. Basis of Preparation (cont'd.)

(ii) Business combinations

MFRS 1 indicates that a first-time adopter may elect not to apply MFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to MFRS.

The Group and the Bank will take advantage of this election and have elected not to restate business combinations that took place prior to the 1 July 2011 (i.e. the transition date to MFRS). In respect of acquisitions prior to the date of transition;

- (a) The classification of former business combinations under FRS is maintained;
- (b) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (c) The carrying amount of goodwill recognised under FRS is not adjusted.

(iii) Investments in subsidiaries, jointly controlled entities and associates

MFRS 1 allows the first-time adopter (a parent entity or investor) to measure its subsidiaries, jointly controlled entities and associates in its separate financial statements at one of the following amounts on date of transition: a) cost, in accordance with MFRS 127 *Consolidated and Separate Financial Statements*; or b) deemed cost. The deemed cost of such an investment shall be either: i) fair value at the entity's date of transition to MFRS in its separate financial statements; or ii) the previous GAAP carrying amount at that date.

The Bank has elected to measure all its investments in subsidiaries and associates in its separate financial statements at their FRS carrying amounts at 1 July 2011 (i.e. the transition date to MFRS).

(iv) Leases

MFRS 1 permits a first-time adopter to not reassess the determination of whether an arrangement contains a lease in accordance with IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease* when the determination made under FRS produced the same results.

The Group and the Bank apply the abovementioned exemption and rely on the assessment made under FRS for existing information technology outsourcing arrangement so long as the assessment provides the same outcome as applying IC 4 and MFRS 117 *Leases*.

Other optional exemptions available under MFRS 1, which are not discussed here, are not applicable to the Group and the Bank.

Estimates

The estimates at 1 July 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with FRS. The estimates used by the Group and the Bank to present these amounts in accordance with MFRS reflect conditions at 1 July 2011, the date transition to MFRS and as of 31 December 2011.

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A1. Basis of Preparation (cont'd.)

Revised Financial Reporting Guidelines ("FRG") for Insurers issued by BNM

As at 31 December 2011, the life insurance contract liabilities of the insurance subsidiary, Etiqa Insurance Berhad ("EIB"), included the accumulated surpluses less estimated actuarial liabilities (collectively referred to as "unallocated surplus") and unrealised holding reserves of all life insurance contracts including those with discretionary participating features (referred to as "Par") and those without (referred to as "Non Par").

In accordance with MFRS 4 *Insurance Contracts* and the Framework for Preparation and Presentation of Financial Statements, the Non Par unallocated surplus does not meet the definition of a liability, as the Non Par unallocated surplus represents the residual interest in the assets of the Non Par Fund after consideration of all liabilities. In addition, in accordance to MFRS 139, the Non Par unrealised holding reserves should be accounted for as equity of the Group.

The previous classification of the Non Par unallocated surplus and unrealised holding reserves of EIB as a liability was made in accordance with the Guidelines issued by BNM and was a modification to FRS in Malaysia which had been approved by BNM under Section 90 of the Insurance Act, 1996 in Malaysia.

In line with the adoption of MFRS, the Non Par unallocated surplus and unrealised reserves have been reclassified from liabilities to equity. The revised Guidelines issued by BNM arising from the adoption of MFRS Framework by the Group took effect from 1 January 2012, and hence the retrospective adjustments were made are required against the Group's opening MFRS statement of financial position.

The financial effects of the adoption of the above revised BNM's Guidelines issued by BNM on the Group's financial statements are disclosed in Note A29.

Change in the presentation of "Life, general takaful and family takaful fund assets", "Life, general takaful and family takaful fund liabilities" and "Life, general takaful and family takaful policy holders' funds" on the consolidated statement of financial position

MFRS 127 requires an entity that prepares consolidated financial statements to combine the financial statements of the parent and its subsidiaries line-by-line by adding together like items of assets, liabilities, equity, income and expenses.

Prior to this, the Group has been presenting the assets and liabilities that belong to life and takaful funds in the consolidated statement of financial position on an aggregated basis as "Life, general takaful and family takaful fund assets", "Life, general takaful and family takaful fund liabilities" and "Life, general takaful and family takaful policy holders' funds" respectively.

With the adoption of MFRS Framework, the Group has decided to change the presentation of assets and liabilities that form part of life and takaful funds in the consolidated statement of financial position at 1 July 2011. The effects of the change in the presentation are detailed as follows:

- 1) Removal of line items namely "Life, general takaful and family takaful fund assets", "Life, general takaful and family takaful fund liabilities" and "Life, general takaful and family takaful policy holders' funds" from the consolidated statement of financial position.
- 2) Addition of two new line items, namely "Reinsurance/retakaful assets and other insurance receivables" and "Insurance/takaful contract liabilities and other insurance payables" on the consolidated statement of financial position.
- 3) Consolidation of the other assets and liabilities of life and takaful funds within the consolidated statement of financial position on a line-by-line basis.

The financial effects of the change in the presentation of the life and takaful fund assets and liabilities to the financial statements of the Group are disclosed in Note A29.

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A1. Basis of Preparation (cont'd.)

Change in accounting policies and reclassification of comparative to conform with current year presentation

- a) Adoption of Financial Reporting Standards Implementation Committee Consensus 18 Monies Held in Trust by Participating Organisation at Bursa Malaysia Securities Berhad ("FRSIC Consensus 18")

FRSIC Consensus 18 was developed by the Financial Reporting Standards Implementation Committee ("FRSIC") and issued by the Malaysian Institute of Accountants ("MIA" or "Institute") on 18 September 2012.

In accordance with FRSIC Consensus 18, it was suggested that the recognition of the trust monies as assets of the participating organisation with corresponding liabilities may not be appropriate from the context of the MFRS due to following reasons:

An asset is defined as "a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity". A participating organisation is prohibited under the provisions contained in Section 113 of Capital Markets and Services Act, 2007 ("CMSA 2007") to utilise the monies either for its own economic benefits or settlement of its own liability.

A liability is defined as "a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of the resources embodying economic benefits". Although a participating organisation is required by CMSA 2007 and Bursa Securities Rules to maintain the trust account, it does not have any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources embodying economic benefits from the participating organisation.

This change due to FRSIC Consensus 18 has been accounted for retrospectively and has resulted in a decrease in the opening cash and short term funds and deposits and placements with financial institutions and other liabilities respectively in the consolidated statement of financial position as at 1 July 2011 and 31 December 2011.

The financial effects of the adoption of FRSIC Consensus 18 to the Group's financial statements are disclosed in Note A29.

- b) Reclassification of "Software development-in-progress" from Property, Plant and Equipment to Intangible Assets.

Software development-in-progress of the Group and the Bank were previously presented in property, plant and equipment until its development has been completed where the total cost will be transferred to intangible assets. However, in the current year presentation, the Group's and the Bank's software development-in-progress have been reclassified to intangible assets.

- c) Financing sold to Cagamas

In prior years, balances relating to Islamic financing sold to Cagamas were excluded from total loans, financing and advances in the consolidated statement of financial position. This treatment is in accordance with BNM Guidelines, whereby these balances were disclosed and included as part of commitments and contingencies.

Following the adoption of MFRS during the financial year, the balances relating to financing sold to Cagamas have been included in total loans, financing and advances in the consolidated statement of financial position in accordance with MFRS 139. The Group has an obligation to replace those financing sold which are regarded as defective based on pre-determined and agreed-upon prudential criteria, and thus retains credit risk of the financing. Accordingly, the balances relating to the financing sold are not derecognised, and the proceeds received from Cagamas are recorded as a financial liability in the consolidated statement of financial position as recourse obligation on financing sold to Cagamas. This change in accounting policy has been applied retrospectively as part of the effects of the MFRS adoption. The financial effects of the adoption of MFRS on the Group's financial statements, including the operations of IBS are disclosed in Note A29.

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A1. Basis of Preparation (cont'd.)

Standards issued but not yet effective

The following are standards and interpretations issued by MASB, but not yet effective, up to the date of issuance of the Group's and the Bank's financial statements. The Group and the Bank intend to adopt these standards and interpretations, if applicable, when they become effective:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards - Government Loans (Amendments to MFRS 1)*
- MFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)*
- MFRS 9 *Financial Instruments*
- MFRS 10 *Consolidated Financial Statements*
- MFRS 11 *Joint Arrangements*
- MFRS 12 *Disclosure of Interests in Other Entities*
- MFRS 13 *Fair Value Measurement*
- MFRS 101 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)*
- MFRS 119 *Employee Benefits (IAS 19 as amended by IASB in June 2011)*
- MFRS 127 *Separate Financial Statements (IAS 27 as amended by IASB in May 2011)*
- MFRS 128 *Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)*
- MFRS 132 *Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)*
- IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

Annual improvements 2009-2011 Cycle:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards - Repeated application of MFRS 1 and borrowing costs*
- MFRS 101 *Presentation of Financial Statements - Clarification of the requirements for comparative information*
- MFRS 116 *Property, Plant and Equipment - Classification of servicing equipment*
- MFRS 132 *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- MFRS 134 *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards - Government Loans (Amendments to MFRS 1)*

These amendments require first-time adopters to apply the requirements of MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to MFRS. Entities may choose to apply the requirements of MFRS 9 (or MFRS 139, as applicable) and MFRS 120 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. These amendments have no impact on the Group or the Bank.

MFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with MFRS 132 *Financial Instruments: Presentation* ("MFRS 132"). The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with MFRS 132. These amendments will not impact the Group's and the Bank's financial position or performance.

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A1. Basis of Preparation (cont'd.)

Standards issued but not yet effective (cont'd.)

MFRS 9 *Financial Instruments* ("MFRS 9")

MFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of MFRS 139 and applies to classification and measurement of financial assets and liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9 Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address impairment and hedge accounting. The Group and the Bank will assess the effect of the adoption of the first phase of MFRS 9 in conjunction with the other phases, when issued, to determine the financial implications upon adoption of this standard.

MFRS 10 *Consolidated Financial Statements* ("MFRS 10")

MFRS 10 replaces the requirements of MFRS 127 *Consolidated and Separate Financial Statements* ("MFRS 127") that address the accounting for consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities. What remains in MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Group and the Bank are currently assessing the impact of adopting MFRS 10, of which the Group's and the Bank's financial position and performances may be affected upon adoption of this new standard.

MFRS 11 *Joint Arrangements* ("MFRS 11")

MFRS 11 replaces MFRS 131 *Interests in Joint Ventures* and IC Interpretation 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. Because MFRS 11 uses the principle of control in MFRS 10 to define control, the determination of whether joint control exists may change. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of this standard.

MFRS 12 *Disclosure of Interests in Other Entities* ("MFRS 12")

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by MFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. Many of these changes for additional disclosures were introduced by the IASB in response to the financial crisis.

Hence, the Group and the Bank will need to disclose more information about the consolidated and unconsolidated structured entities with which it is involved or has sponsored. The standard will affect the disclosures only and will not have any impact on the financial position or performance of the Group and the Bank.

MFRS 13 *Fair Value Measurement* ("MFRS 13")

MFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by MFRS. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of this standard, except for the additional disclosure requirements.

MFRS 101 *Presentation of Financial Statements - Presentation of items of Other Comprehensive Income (Amendments to MFRS 101)*

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on financial investments available-for-sale) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendment affects presentation only and has no impact on the Group's and Bank's financial position or performance.

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A1. Basis of Preparation (cont'd.)

Standards issued but not yet effective (cont'd.)

MFRS 119 *Employee Benefits (IAS 19 as amended by IASB in June 2011)*

The amendments to MFRS 119 remove the option to defer the recognition of actuarial gains and losses, i.e. the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income.

The adoption of these amendments will require the Group and the Bank to recognise :

- 1) A service cost and a net interest income or expense in profit or loss
- 2) The re-measurements of the pension assets and liabilities, i.e., actuarial gains and losses in the other comprehensive income.

The effect of the first item above will be to replace the expected return on plan assets in the income statements with a return determined using the discount rate used to discount the defined benefit obligation. At 31 December 2012, the unrecognised losses amount to approximately RM174 million which will be recorded as an adjustment to other comprehensive income.

MFRS 127 *Separate Financial Statements (IAS 27 as amended by IASB in May 2011)*

As a consequence of the new MFRS 10 and MFRS 12, what remains in MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Bank prepares separate financial statements but does not anticipate significant impact to the financial statements upon adoption of this amendment.

MFRS 128 *Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)*

As a consequence of the new MFRS 11, and MFRS 12, MFRS 128 is renamed as MFRS 128 *Investments in Associates and Joint Ventures*. This new standard describes the application of the equity method to investments in joint ventures in addition to associates. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of this amendment.

MFRS 132 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Group and the Bank by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

The amendments also clarify the application of the MFRS 132 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Offsetting on the grounds of simultaneous settlement is particularly relevant for the Group and the Bank as to where it engages in large numbers of sale and repurchase transactions. Currently, transactions settled through clearing systems are, in most cases, deemed to achieve simultaneous settlement. While many settlement systems are expected to meet the new criteria, some may not. Any changes in offsetting are expected to impact leverage ratios, regulatory capital requirements, etc. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of this amendment.

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A1. Basis of Preparation (cont'd.)

Standards issued but not yet effective (cont'd.)

IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The new interpretation is not relevant to the Group or the Bank.

Annual improvements 2009-2011 Cycle:

These improvements will not have an impact on the Group's and the Bank's financial position or performance, but include:

MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* - Repeated application of MFRS 1 and borrowing costs

This improvement clarifies that an entity that stopped applying MFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply MFRS 1. If MFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying MFRS.

MFRS 101 *Presentation of Financial Statements* - Clarification of the requirements for comparative information

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

MFRS 116 *Property, Plant and Equipment* - Classification of servicing equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

MFRS 132 *Financial Instruments: Presentation* - Tax effect of distribution to holders of equity instruments

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with MFRS 112 *Income Taxes*.

MFRS 134 *Interim Financial Reporting* - Interim financial reporting and segment information for total assets and liabilities

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

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A2. Significant accounting policies

The audited financial statements of the Group and the Bank for the six-month financial period ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial period ended 31 December 2011 except for those exemptions elected and revised BNM guidelines as disclosed in Note A1 above.

A3. Significant Accounting Estimates and Judgements

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

(i) Fair Value Estimation of Financial Assets at Fair Value Through Profit or Loss (Note A10(i)), Financial Investments Available-For-Sale (Note A10(ii)) and Derivative Financial Instruments (Note A28)

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

(ii) Valuation of Investment Properties

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties and is performed by independent valuers who hold a recognised and relevant professional qualification and recent experience in the locations and category of the properties being valued.

(iii) Impairment of Goodwill

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

(iv) Amortisation 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 management's judgement which includes analysing the circumstances, the industry and market practice.

(v) Liabilities of Insurance and Takaful Business

(a) Life insurance business

There are several sources of uncertainty that need to be considered in the estimation of life insurance liabilities. The main assumptions used relate to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates. These estimates, adjusted when appropriate to reflect the subsidiary's unique risk exposure, provide the basis for the valuation of future policy benefits payable.

(b) Family takaful business

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns in accordance with the subsidiary's experience. The family takaful fund bases the estimate of expected number of deaths on applied mortality tables, adjusted where appropriate to reflect the fund's unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions.

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A3. Significant Accounting Estimates and Judgements (cont'd.)

(v) Liabilities of Insurance and Takaful Business (cont'd.)

(b) Family takaful business (cont'd.)

For those certificates that cover risks related to disability, estimates are made based on recent past experience and emerging trends.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

(c) General insurance and general takaful businesses

The principal uncertainty in the general business and general takaful business arises from the technical provisions which include the premium/ contribution liabilities and claim liabilities. Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves for all lines of business or the best estimate value of the reinsurer's unexpired risk reserves at the end of the financial year and a provision of risk margin for adverse deviation ("PRAD") calculated at the overall subsidiary level. While contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves for all line of business or the total fund's unexpired risk reserves at 75% confidence level at the end of the financial year.

Generally, claim liabilities are determined based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. It is certain that actual, future contribution and claim liabilities will not exactly develop as projected and they vary from the projections.

(vi) Deferred Tax and Income Taxes

The Group and the Bank are 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 advice on the tax treatment 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.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

(vii) Impairment Losses on Loans, Advances and Financing

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

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

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A3. Significant Accounting Estimates and Judgements (cont'd.)

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

The Group assesses whether there is any indication that an investment in subsidiaries and interest in associates may be impaired at each reporting date.

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

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

- (i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment; and
- (ii) Depending on their nature and the location in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

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

Sensitivity to changes in assumptions

Management believes that no reasonably expected possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amounts.

(ix) Impairment of Financial Assets Portfolio

The Group and the Bank review the financial asset portfolio of financial assets at FVTPL, financial investments AFS and financial investments HTM at each reporting date to assess whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the investments are subject to impairment review.

In carrying out the impairment review, the following management's judgement is required :

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

A4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial period ended 31 December 2011 was not qualified.

A5. Seasonal or Cyclical Factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the fourth quarter and financial year ended 31 December 2012.

A6. Unusual Items Due to Their Nature, Size or Incidence

During the fourth quarter and financial year ended 31 December 2012, save as disclosed in Note A8 below, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank.

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A7. Changes in Estimates

There were no material changes in estimates during the fourth quarter and financial year ended 31 December 2012.

A8. Changes in Debt and Equity Securities

(A) The following are the changes in debt and equity securities that were issued and redeemed by the Group and the Bank during the twelve-month ended 31 December 2012:

(a) Issuance of Shares

The issued and paid-up share capital of the Bank increased from RM7,639,437,483 as at 31 December 2011 to RM8,440,046,735 as at 31 December 2012 via:

- (i) issuance of 202,854,119 new ordinary shares of RM1 each arising from the Dividend Reinvestment Plan ("DRP") relating to electable portion of the final dividend of 24 sen (net) in respect of financial period ended 31 December 2011.
- (ii) issuance of 173,144,233 new ordinary shares (including 286,367 new ordinary shares issued to ESOS Trust Fund ("ETF") Pool) of RM1 each arising from the Dividend Reinvestment Plan ("DRP") relating to the interim dividend of 21 sen (net) in respect of financial year ended 31 December 2012.
- (iii) issuance of 1,118,700 new ordinary shares of RM1 each, to eligible employees who exercised their options under the current Maybank Group Employees' Share Scheme ("ESS") which commenced on 23 June 2011, for a period of 7 years.
- (iv) issuance of 11,454,700 new ordinary shares of RM1 each to be held in the ESOS Trust Fund ("ETF") Pool pursuant to the current ESS.
- (v) issuance of 412,000,000 new ordinary shares of RM1 each arising from the Private Placement, further details of the Private Placement.
- (vi) issuance of 37,500 new ordinary shares of RM1 each to eligible employees under the Supplemental Restricted Share Unit ("SRSU") which is part of the current Maybank Group ESS.

(b) Issuance of USD400.0 million Senior Notes under the USD2.0 billion Multicurrency Medium Term Note Programme

Maybank had on 10 February 2012 issued USD400.0 million of Senior Notes under the USD2.0 billion Multicurrency Medium Term Note Programme.

(c) Issuance of HKD700.0 million Senior Notes under the USD2.0 billion Multicurrency Medium Term Note Programme

On 1 March 2012, Maybank issued HKD700.0 million Senior Notes under the USD2.0 billion Multicurrency Medium Term Note Programme.

(d) Redemption of Subordinated Bonds of RM1.5 billion with a tenure of 10 years from issue date on a 10 non-callable 5 basis

On 13 April 2012, Maybank had fully redeemed the Subordinated Bonds of RM1.5 billion. The Subordinated Bonds were issued on 13 April 2007.

(e) Redemption of Subordinated Sukuk of USD300.0 million with a tenure of 10 years from issue date on a 10 non-callable 5 basis

On 25 April 2012, Maybank had fully redeemed the Subordinated Sukuk of USD300.0 million. The Subordinated Sukuk was issued on 25 April 2007 via MBB Sukuk, Inc., a special purpose vehicle incorporated in Labuan.

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A8. Changes in Debt and Equity Securities (cont'd.)

(A) The following are the changes in debt and equity securities that were issued and redeemed by the Group and the Bank during the twelve-month ended 31 December 2012 (cont'd.):

(f) Issuance of USD500.0 million Senior Notes under the USD2.0 billion Multicurrency Medium Term Note Programme

On 8 May 2012, Maybank issued USD500.0 million Senior Notes in nominal value under the USD2.0 billion Multicurrency Medium Term Note Programme.

(g) Issuance of RM2.1 billion Subordinated Notes under the RM7.0 billion Subordinated Note Programme

On 10 May 2012, Maybank issued RM2.1 billion Subordinated Notes in nominal value from the Bank's RM7.0 billion Subordinated Note Programme which are payable semi-annually in arrears in May and November each year and are due in 2024. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Subordinated Notes, in whole but not in part, on 10 May 2019 (first Call Date) and on each semi-annual interest payment date thereafter at their principal amount together with accrued but unpaid coupon.

(h) Issuance of JPY5.0 billion Senior Notes under USD5.0 billion Multicurrency Medium Term Note Programme

On 30 May 2012, Maybank issued JPY5.0 billion Senior Notes in nominal value under the USD5.0 billion Multicurrency Medium Term Note Programme.

(i) Redemption of Subordinated Term Loan of RM3.1 billion

On 2 July 2012, Maybank had fully redeemed the Subordinated Term Loan of RM3.1 billion.

(j) Issuance of HKD600.0 million Senior Notes under USD5.0 billion Multicurrency Medium Term Note Programme

On 20 July 2012, Maybank issued HKD600.0 million Senior Notes in nominal value under the USD5.0 billion Multicurrency Medium Term Note Programme.

(k) Issuance of USD800.0 million Regulation S Tier 2 Capital Subordinated Notes under USD5.0 billion Multicurrency Medium Term Note Programme

On 20 September 2012, Maybank issued USD800.0 million Subordinated Notes in nominal value from its USD5.0 billion Multicurrency Medium Term Note Programme.

(l) Private Placement of 412,000,000 New Ordinary Shares of RM1.00 Each in Maybank ("Maybank Shares") at an Issue Price of RM8.88 ("Private Placement")

Maybank had on 12 October 2012 announced the completion of the Private Placement pursuant to the shareholders' mandate obtained under Section 132D of the Companies Act, 1965 at the Maybank's Annual General Meeting held on 29 March 2012, following the listing and quotation of the 412,000,000 new Maybank Shares representing approximately 4.98% of the enlarged issued and paid-up share capital of Maybank as at 30 September 2012 on the Main Market of Bursa Malaysia Securities Berhad. The issue price was fixed at RM8.88 per new Maybank Share, representing a discount of approximately 2.1% to the weighted average market price of Maybank Shares for the 5 market days up to and including 5 October 2012 of RM9.07, and a discount of approximately 1.2% to the closing price on 5 October 2012 of RM8.99. The Private Placement attracted demand from both domestic and foreign institutional investors. The gross proceeds from the Private Placement are approximately RM3.66 billion.

(m) Issuance of bonds, medium term notes and borrowings by PT Bank Internasional Indonesia Tbk and its subsidiaries

During the twelve-month ended 31 December 2012, PT Bank Internasional Indonesia Tbk ("BII") and its subsidiaries, the subsidiaries of Maybank, had issued bonds, medium term notes and borrowings amounting to approximately RM1.15 billion.

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A8. Changes in Debt and Equity Securities (cont'd.)

(A) The following are the changes in debt and equity securities that were issued and redeemed by the Group and the Bank during the twelve-month ended 31 December 2012 (cont'd.):

(n) **Issuance of medium term notes and borrowings by Maybank Kim Eng Holdings Ltd.**

During the twelve-month ended 31 December 2012, Maybank Kim Eng Holdings Ltd., the subsidiary of Maybank, had issued medium term notes amounting to approximately RM375.3 million under the SGD800 million Multicurrency Medium Term Note Programme.

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

A9. Dividends Paid

Dividends paid during the financial year ended 31 December 2012 are as follows:

(a) During the Annual General Meeting held on 29 March 2012, a final dividend in respect of the financial period ended 31 December 2011 of 36 sen per share less 25% taxation on 7,639,437,483 ordinary shares, amounting to net dividend paid of RM2,062,651,198 (net 27 sen per ordinary share) was approved by the shareholders.

The dividend consists of cash portion of 4 sen (net 3 sen) per ordinary share paid in cash amounting to RM439,818,246 and an electable portion of 32 sen (net 24 sen) per ordinary share amounting to RM1,622,832,952 which could be elected to be reinvested in new Maybank shares in accordance with the Dividend Reinvestment Plan ("DRP").

The payment date for cash dividends and crediting of shares under the DRP was completed on 4 June 2012.

(b) A first interim dividend in respect of the financial year ended 31 December 2012 of 32 sen per share less 25% taxation, was declared by the Bank on 16 August 2012.

The dividend consists of 4 sen (net 3 sen) per ordinary share paid in cash amounting to RM430,643,915 and an electable portion of 28 sen (21 sen net per ordinary share) amounting to RM1,454,411,557 which elected to be reinvested in new ordinary shares in accordance with the DRP.

The payment date for cash dividends and crediting of shares under the DRP was completed on 25 October 2012.

(c) Dividends paid by Maybank's subsidiaries to non-controlling interests amounted to RM42,520,000 during the financial year ended 31 December 2012.

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A10. Financial Assets Portfolio

Group	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Financial assets at fair value through profit or loss	(i)	29,156,692	18,393,752	12,665,824
Financial investments available-for-sale	(ii)	60,792,374	63,585,045	61,767,912
Financial investments held-to-maturity	(iii)	2,870,768	2,689,806	2,437,441
		92,819,834	84,668,603	76,871,177

Bank	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Financial assets at fair value through profit or loss	(i)	10,719,937	7,325,466	2,884,895
Financial investments available-for-sale	(ii)	47,366,309	46,514,200	47,100,880
Financial investments held-to-maturity	(iii)	2,556,849	2,115,933	1,638,070
		60,643,095	55,955,599	51,623,845

(i) Financial assets at fair value through profit or loss

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
(a) Designated upon initial recognition	12,436,881	7,599,874	7,397,031
(b) Financial assets held-for-trading	16,719,811	10,793,878	5,268,793
	29,156,692	18,393,752	12,665,824

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
(a) Designated upon initial recognition	-	-	-
(b) Financial assets held-for-trading	10,719,937	7,325,466	2,884,895
	10,719,937	7,325,466	2,884,895

(a) Designated upon initial recognition

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
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At Fair value

Money market instruments:

Malaysian Government Securities	383,210	413,847	413,657
Cagamas Bonds	-	-	5,028
Malaysian Government Investment Issues	1,015,317	114,537	105,188
Negotiable Instruments of Deposits	409,798	312,345	407,035
	1,808,325	840,729	930,908

Quoted securities:

In Malaysia:

Shares, Warrants, Trust Units and Loan Stocks	33,024	15,474	756
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Outside Malaysia:

Shares, Warrants, Trust Units and Loan Stocks	57,783	22,428	8,493
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	90,807	37,902	9,249
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A10. Financial Assets Portfolio (cont'd.)

(i) Financial assets at fair value through profit or loss (cont'd.)

(a) Designated upon initial recognition (cont'd.)	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Unquoted securities:			
Shares, trust units and loan stocks in Malaysia	53,683	3,683	3,683
Shares, trust units and loan stocks outside Malaysia	-	3,561	10,902
Private and Islamic Debt Securities in Malaysia	10,309,201	6,467,059	6,201,630
Structured Deposits	174,865	246,940	240,659
	<u>10,537,749</u>	<u>6,721,243</u>	<u>6,456,874</u>
Total designated upon initial recognition	<u>12,436,881</u>	<u>7,599,874</u>	<u>7,397,031</u>

(b) Financial assets held-for-trading

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
At Fair value			
Money market instruments:			
Malaysian Government Securities	273,752	572,088	311,479
Malaysian Government Treasury Bills	-	24,109	111,888
Malaysian Government Investment Issues	86,256	280,016	56,609
Bank Negara Malaysia Bills and Notes	5,945,044	1,476,873	3,658
Khazanah Bonds	50,399	407,614	59,953
Bank Negara Malaysia Monetary Notes	6,945,597	4,351,525	251,412
Foreign Government Treasury Bills	-	23,738	155,361
Foreign Government Securities	196,235	313,489	315,915
Foreign Certificates of Deposits	132,982	145,985	240,590
Sukuk Bank Negara Malaysia Ijarah	-	116,331	-
Cagamas Bonds	43,781	20,146	-
Negotiable Instruments of Deposits	15,389	23,565	57,771
	<u>13,689,435</u>	<u>7,755,479</u>	<u>1,564,636</u>
Quoted securities:			
In Malaysia:			
Shares, Warrants, Trust Units and Loan Stocks	412,620	358,429	361,829
Outside Malaysia:			
Shares, Warrants, Trust Units and Loan Stocks	165,125	237,289	380,896
	<u>577,745</u>	<u>595,718</u>	<u>742,725</u>
Unquoted securities:			
Private and Islamic Debt Securities in Malaysia	1,474,973	1,866,378	1,568,262
Foreign Private Debt Securities	696,590	554,940	1,382,032
Foreign Government Bonds	-	3,239	-
Malaysia Government Bonds	3,235	9,619	-
Credit Linked Note	261,960	-	11,138
Equity-Linked Note	7,731	8,505	-
Mutual Fund	8,142	-	-
	<u>2,452,631</u>	<u>2,442,681</u>	<u>2,961,432</u>
Total financial assets held-for-trading	<u>16,719,811</u>	<u>10,793,878</u>	<u>5,268,793</u>

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A10. Financial Assets Portfolio (cont'd.)

(i) Financial assets at fair value through profit or loss (cont'd.)

(b) Financial assets held-for-trading (cont'd.)

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
At Fair value			
Money market instruments:			
Malaysian Government Securities	273,752	572,088	311,479
Malaysian Government Treasury Bills	-	24,109	111,888
Malaysian Government Investment Issues	10,098	51,160	20,256
Bank Negara Malaysia Bills and Notes	5,945,044	1,476,873	3,658
Khazanah Bonds	50,399	407,614	59,953
Bank Negara Malaysia Monetary Notes	2,897,212	2,468,677	9,060
Foreign Government Treasury Bills	-	-	155,360
Cagamas Bonds	43,781	20,146	-
Negotiable Instruments of Deposits	-	610,093	-
	9,220,286	5,630,760	671,654
Quoted securities:			
Outside Malaysia:			
Shares, Warrants, Trust Units and Loan Stocks	4,269	4,815	12,104
	4,269	4,815	12,104
Unquoted securities:			
Private and Islamic Debt Securities in Malaysia	952,615	1,384,432	1,109,414
Foreign Private Debt Securities	539,532	295,840	1,091,723
Malaysia Government Bonds	3,235	9,619	-
	1,495,382	1,689,891	2,201,137
Total financial assets held-for-trading	10,719,937	7,325,466	2,884,895

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A10. Financial Assets Portfolio (cont'd.)

(ii) Financial investments Available-for-sale

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
At Fair value, or at cost less impairment losses for certain unquoted equity instruments			
Money market instruments:			
Malaysian Government Securities	5,121,448	8,553,027	10,014,493
Sukuk Bank Negara Malaysia Ijarah	7,013	11,132	11,104
Cagamas Bonds	323,934	1,588,212	1,526,312
Foreign Government Securities	8,294,004	8,315,176	9,574,286
Malaysian Government Investment Issues	3,783,570	6,383,666	8,426,579
Foreign Government Treasury Bills	5,170,641	4,092,851	1,157,497
Negotiable Instruments of Deposits	1,441,463	1,707,870	917,440
Bankers' Acceptances and Islamic Accepted Bills	1,930,357	1,502,726	588,285
Khazanah Bonds	1,710,195	1,550,824	1,191,607
Bank Negara Malaysia Monetary Notes	771,005	-	-
Malaysian Government Treasury Bills	65,113	-	-
Foreign Certificates of Deposits	69,762	-	-
	28,688,505	33,705,484	33,407,603
Quoted Securities:			
In Malaysia:			
Shares, Warrants, Trust Units and Loan Stocks	2,470,261	2,023,264	2,097,297
Outside Malaysia:			
Shares, Warrants, Trust Units and Loan Stocks	267,440	321,925	311,845
	2,737,701	2,345,189	2,409,142
Unquoted Securities:			
Shares, trust units and loan stocks in Malaysia	636,886	706,211	643,074
Shares, trust units and loan stocks outside Malaysia	15,703	35,055	41,190
Private and Islamic Debt Securities in Malaysia	14,216,359	15,003,494	14,233,764
Malaysian Government Bonds	387,805	312,718	297,821
Foreign Government Bonds	1,263,050	880,538	1,329,748
Foreign Private and Islamic Debt Securities	12,818,785	10,549,662	9,284,751
Credit Linked Notes	-	-	75,439
Structured Deposits	27,580	46,694	45,380
	29,366,168	27,534,372	25,951,167
Total financial investments available-for-sale	60,792,374	63,585,045	61,767,912

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A10. Financial Assets Portfolio (cont'd.)

(ii) Financial investments Available-for-sale (cont'd.)

	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Bank			
At Fair value, or at cost less impairment losses for certain unquoted equity instruments			
Money market instruments:			
Malaysian Government Securities	5,095,673	8,479,620	9,942,157
Sukuk Bank Negara Malaysia Ijarah	7,013	-	-
Cagamas Bonds	293,349	1,438,321	1,342,316
Foreign Government Securities	5,602,205	5,414,453	6,751,494
Malaysian Government Investment Issues	1,453,972	2,035,481	3,431,541
Foreign Government Treasury Bills	4,735,477	3,720,121	842,567
Negotiable Instruments of Deposits	4,557,768	3,907,136	4,798,186
Bankers' Acceptances and Islamic Accepted Bills	1,409,568	1,498,610	367,352
Khazanah Bonds	1,530,073	1,230,932	885,185
Bank Negara Malaysia Monetary Notes	503,994	-	-
Malaysian Government Treasury Bills	65,113	-	-
Foreign Certificates of Deposits	69,762	-	-
	25,323,967	27,724,674	28,360,798
Quoted Securities:			
In Malaysia:			
Shares, Warrants, Trust Units and Loan Stocks	77,318	84,100	104,814
Outside Malaysia:			
Shares, Warrants, Trust Units and Loan Stocks	15,045	18,766	18,722
	92,363	102,866	123,536
Unquoted Securities:			
Shares, trust units and loan stocks in Malaysia	382,884	369,359	376,358
Shares, trust units and loan stocks outside Malaysia	5,711	13,599	13,908
Private and Islamic Debt Securities in Malaysia	8,343,202	7,707,209	8,108,995
Malaysian Government Bonds	202,172	126,014	180,521
Foreign Government Bonds	1,181,207	786,558	1,248,718
Foreign Private and Islamic Debt Securities	11,834,803	9,683,921	8,612,607
Credit Linked Notes	-	-	75,439
	21,949,979	18,686,660	18,616,546
Total financial investments available-for-sale	47,366,309	46,514,200	47,100,880

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A10. Financial Assets Portfolio (cont'd.)

(iii) Financial investments Held-To-Maturity

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
At Amortised cost less impairment losses			
Money market instruments:			
Malaysian Government Securities	101,423	101,357	126,692
Cagamas Bonds	-	-	11,738
Foreign Government Securities	303,894	414,344	423,272
Malaysian Government Investment Issues	40,907	323,113	323,332
Khazanah Bonds	784,033	178,326	-
	<u>1,230,257</u>	<u>1,017,140</u>	<u>885,034</u>
Unquoted Securities:			
Private and Islamic Debt Securities in Malaysia	1,578,372	1,155,914	967,400
Malaysian Government Bonds	-	-	6,056
Foreign Government Bonds	70,246	176,222	49,438
Foreign Islamic Private Debt Securities	12,843	354,624	558,851
Others	2,044	2,044	2,044
	<u>1,663,505</u>	<u>1,688,804</u>	<u>1,583,789</u>
Accumulated impairment losses	(22,994)	(16,138)	(31,382)
Total financial investments held-to-maturity	<u>2,870,768</u>	<u>2,689,806</u>	<u>2,437,441</u>

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
At Amortised cost less impairment losses			
Money market instruments:			
Malaysian Government Securities	101,314	101,249	126,584
Cagamas Bonds	-	-	11,738
Malaysian Government Investment Issues	40,907	272,688	272,790
Khazanah Bonds	784,033	178,326	-
	<u>926,254</u>	<u>552,263</u>	<u>411,112</u>
Unquoted Securities:			
Private and Islamic Debt Securities in Malaysia	1,578,338	1,155,880	967,367
Malaysian Government Bonds	-	-	6,056
Foreign Government Bonds	69,993	175,929	49,162
Foreign Islamic Private Debt Securities	-	245,859	233,616
Others	2,044	2,044	2,044
	<u>1,650,375</u>	<u>1,579,712</u>	<u>1,258,245</u>
Accumulated impairment losses	(19,780)	(16,042)	(31,287)
Total financial investments held-to-maturity	<u>2,556,849</u>	<u>2,115,933</u>	<u>1,638,070</u>

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A11. Loans, Advances and Financing

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Overdrafts	16,805,906	15,951,027	15,602,979
Term loans			
- Housing loans/financing	50,522,923	46,883,191	42,591,007
- Syndicated loan/financing	23,784,574	19,776,938	16,219,370
- Hire purchase receivables	53,237,139	49,598,332	47,530,244
- Lease receivables	18,952	3,819	4,495
- Other loans/financing	157,176,667	120,420,515	107,624,728
Credit card receivables	6,384,428	6,214,321	5,773,326
Bills receivable	5,239,068	5,370,780	4,069,296
Trust receipts	3,025,183	2,556,915	2,394,297
Claims on customers under acceptance credits	11,591,582	11,367,524	12,201,913
Loans/financing to banks and other financial institutions	3,498,525	6,329,311	6,714,543
Revolving credits	27,321,888	27,084,954	25,876,169
Staff loans	2,265,706	1,624,277	2,012,257
Loans to			
- Executive directors of subsidiaries	3,633	2,957	3,416
Others	2,384,062	1,824,246	1,779,951
	363,260,236	315,009,107	290,397,991
Unearned interest and income	(45,461,972)	(31,773,173)	(28,176,468)
Gross loans, advances and financing	317,798,264	283,235,934	262,221,523
Allowances for impaired loans and financing			
- Individual allowance	(2,228,535)	(2,813,107)	(2,932,622)
- Collective allowance	(3,744,994)	(4,169,974)	(4,271,208)
Net loans, advances and financing	311,824,735	276,252,853	255,017,693
	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Bank			
Overdrafts	10,846,799	11,081,901	11,130,114
Term loans			
- Housing loans/financing	36,797,266	36,584,592	33,710,861
- Syndicated loan/financing	20,055,951	16,120,492	13,020,361
- Hire purchase receivables	27,241,916	23,931,788	23,088,371
- Lease receivables	3,272	3,270	3,264
- Other loans/financing	85,667,989	69,411,142	62,659,172
Credit card receivables	5,401,470	5,296,328	4,863,738
Bills receivable	5,123,928	5,343,156	4,038,085
Trust receipts	2,457,392	2,092,697	1,976,949
Claims on customers under acceptance credits	7,885,049	7,859,708	8,554,699
Loans/financing to banks and other financial institutions	3,137,467	6,183,626	7,255,622
Revolving credits	16,902,982	17,379,831	18,392,134
Staff loans	965,668	957,077	1,001,750
Loans to			
- Executive directors of subsidiaries	89	159	123
	222,487,238	202,245,767	189,695,243
Unearned interest and income	(3,188,888)	(2,871,895)	(2,826,729)
Gross loans, advances and financing	219,298,350	199,373,872	186,868,514

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A11. Loans, Advances and Financing (cont'd.)

Bank (cont'd.)	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Allowances for impaired loans and financing			
- Individual allowance	(1,719,455)	(2,102,421)	(2,115,897)
- Collective allowance	(2,726,849)	(3,097,366)	(3,179,773)
Net loans, advances and financing	214,852,046	194,174,085	181,572,844
 (i) By type of customer			
Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Domestic banking institutions	32,783	57,323	55,754
Domestic non-bank financial institutions			
- Stockbroking companies	328	815	662
- Others	17,738,858	18,949,977	17,649,116
Domestic business enterprise			
- Small and medium enterprise	60,719,447	39,788,821	33,332,758
- Others	68,664,118	69,723,196	69,568,397
Government and statutory bodies	3,351,642	2,890,246	2,973,103
Individuals	140,275,982	127,229,009	120,695,124
Other domestic entities	2,690,875	1,810,116	1,840,440
Foreign entities	24,324,231	22,786,431	16,106,169
Gross loans, advances and financing	317,798,264	283,235,934	262,221,523
 Bank			
Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Domestic banking institutions	32,783	57,323	55,896
Domestic non-bank financial institutions			
- Stockbroking companies	328	815	664
- Others	11,984,198	13,350,685	13,026,400
Domestic business enterprise			
- Small and medium enterprise	44,736,984	30,986,477	27,153,210
- Others	50,738,758	50,679,132	51,206,767
Government and statutory bodies	2,541,100	2,525,386	2,638,335
Individuals	89,603,634	83,227,586	79,854,546
Other domestic entities	240,043	504,713	497,646
Foreign entities	19,420,522	18,041,755	12,435,050
Gross loans, advances and financing	219,298,350	199,373,872	186,868,514

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A11. Loans, Advances and Financing (cont'd.)

(ii) By geographical distribution

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Malaysia	201,304,578	179,656,458	170,815,304
Singapore	68,857,389	60,758,571	54,830,450
Indonesia	26,319,888	24,027,545	21,328,288
Hong Kong SAR	7,130,389	6,507,669	4,471,402
Labuan offshore	5,157,739	4,486,178	3,875,185
Philippines	2,396,795	1,856,284	1,419,000
United Kingdom	1,315,839	1,364,150	1,357,952
United States of America	1,014,176	1,105,244	1,176,644
People's Republic of China	1,448,137	1,209,861	986,362
Vietnam	409,880	556,362	524,916
Cambodia	732,966	534,861	425,790
Bahrain	307,445	346,415	226,106
Brunei	288,102	165,396	159,334
Papua New Guinea	152,330	128,380	115,297
Thailand	934,561	502,706	466,214
Others	28,050	29,854	43,279
Gross loans, advances and financing	317,798,264	283,235,934	262,221,523

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Malaysia	139,271,620	127,349,799	123,380,078
Singapore	68,234,190	60,335,903	54,283,692
Hong Kong SAR	7,039,787	6,405,881	4,347,640
United Kingdom	1,315,781	1,364,150	1,357,952
United States of America	1,013,744	1,105,244	1,176,644
People's Republic of China	1,448,137	1,209,861	986,362
Vietnam	379,544	556,362	524,916
Cambodia	-	534,861	425,790
Bahrain	307,445	346,415	226,106
Brunei	288,102	165,396	159,334
Gross loans, advances and financing	219,298,350	199,373,872	186,868,514

(iii) By interest/profit rate sensitivity

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Fixed rate			
- Housing loans/financing	11,752,382	12,165,813	11,870,836
- Hire purchase receivables	43,062,478	38,162,218	36,274,306
- Other fixed rate loans/financing	50,705,753	50,171,148	45,700,739
Variable rate			
- Base lending rate plus	113,308,022	100,064,634	94,310,265
- Cost plus	42,241,585	34,915,664	31,832,925
- Other variable rates	56,728,044	47,756,457	42,232,452
Gross loans, advances and financing	317,798,264	283,235,934	262,221,523

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A11. Loans, Advances and Financing (cont'd.)

(iii) By interest/profit rate sensitivity (cont'd.)

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Fixed rate			
- Housing loans/financing	8,777,190	9,183,813	9,147,350
- Hire purchase receivables	23,746,588	20,769,134	19,968,614
- Other fixed rate loans/financing	34,011,928	35,089,279	35,226,310
Variable rate			
- Base lending rate plus	87,141,642	81,819,101	78,337,866
- Cost plus	37,316,635	31,101,405	27,507,286
- Other variable rates	28,304,367	21,411,140	16,681,088
Gross loans, advances and financing	219,298,350	199,373,872	186,868,514

(iv) Total loans by economic purpose

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Purchase of securities	25,836,149	21,804,074	20,743,919
Purchase of transport vehicles	44,535,008	41,514,322	39,690,502
Purchase of landed properties			
- Residential	57,852,853	51,432,896	46,636,854
- Non-residential	23,967,058	17,541,624	14,678,606
Purchase of fixed assets (excluding landed properties)	4,348,868	4,005,398	2,966,538
Personal use	7,802,384	7,182,915	6,362,067
Credit card	6,434,284	6,261,455	5,772,335
Purchase of consumer durables	316,346	286,319	254,744
Construction	14,089,293	13,626,454	13,861,422
Merger and acquisition	3,989,396	72,367	52,405
Working capital	111,403,485	104,214,753	96,753,084
Others	17,223,140	15,293,357	14,449,047
Gross loans, advances and financing	317,798,264	283,235,934	262,221,523

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Purchase of securities	13,308,681	12,548,429	11,575,901
Purchase of transport vehicles	23,287,778	20,508,025	19,967,508
Purchase of landed properties			
- Residential	44,803,229	41,539,480	38,190,785
- Non-residential	20,748,526	15,777,574	13,435,251
Purchase of fixed assets (excluding landed properties)	4,298,286	3,994,116	2,963,248
Personal use	6,334,909	6,093,855	5,456,581
Credit card	5,450,367	5,339,988	4,874,082
Purchase of consumer durables	316,338	286,316	254,744
Construction	10,878,595	10,687,729	11,526,219
Merger and acquisition	3,989,396	72,367	52,405
Working capital	75,121,156	74,583,152	71,342,270
Others	10,761,089	7,942,841	7,229,520
Gross loans, advances and financing	219,298,350	199,373,872	186,868,514

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A11. Loans, Advances and Financing (cont'd.)

(v) The maturity structure of loans, advances and financing are as follows:

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Maturing within one year	87,158,292	79,680,703	75,441,813
One year to three years	44,301,625	34,853,077	27,663,389
Three years to five years	44,782,443	37,822,064	35,889,576
After five years	141,555,904	130,880,090	123,226,745
Gross loans, advances and financing	<u>317,798,264</u>	<u>283,235,934</u>	<u>262,221,523</u>

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Maturing within one year	66,393,924	60,875,951	58,385,457
One year to three years	32,875,684	23,473,618	17,817,419
Three years to five years	28,706,237	23,458,349	22,244,753
After five years	91,322,505	91,565,954	88,420,885
Gross loans, advances and financing	<u>219,298,350</u>	<u>199,373,872</u>	<u>186,868,514</u>

(vi) Movements in impaired loans, advances and financing ("impaired loans") are as follows:

Group	31 December 2012 RM'000	31 December 2011 RM'000
At beginning of the year	8,036,844	8,757,356
Impaired during the year	4,154,947	2,628,619
Reclassified as non-impaired	(2,144,303)	(1,087,435)
Recovered during the year	(2,106,649)	(1,383,831)
Amount written off	(2,291,938)	(997,037)
Converted to securities	(13,792)	(9,327)
Exchange differences and expenses debited (Disposal)/Acquisition of subsidiaries	21,457	106,025
	<u>(2,214)</u>	<u>22,474</u>
At end of the year	5,654,352	8,036,844
Less: Individual allowance	(2,228,535)	(2,813,107)
Net impaired loans, advances and financing	<u>3,425,817</u>	<u>5,223,737</u>
Ratio of net impaired loans	<u>1.09%</u>	<u>1.86%</u>

Bank	31 December 2012 RM'000	31 December 2011 RM'000
At beginning of the year	6,245,836	6,377,496
Impaired during the year	2,651,324	1,647,483
Reclassified as non-impaired	(1,509,585)	(657,256)
Recovered during the year	(1,691,603)	(635,858)
Amount written off	(1,533,675)	(560,393)
Converted to securities	(13,792)	(9,327)
Exchange differences and expenses debited	53,289	83,691
Transferred to newly incorporated subsidiary	(39,493)	-
At end of the year	4,162,301	6,245,836
Less: Individual allowance	(1,719,455)	(2,102,421)
Net impaired loans, advances and financing	<u>2,442,846</u>	<u>4,143,415</u>
Ratio of net impaired loans	<u>1.12%</u>	<u>2.10%</u>

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A11. Loans, Advances and Financing (cont'd.)

(vii) Impaired loans, advances and financing by economic purpose are as follows:

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Purchase of securities	69,999	101,559	116,667
Purchase of transport vehicles	228,932	231,073	276,619
Purchase of landed properties			
- Residential	566,412	1,038,759	1,278,323
- Non-residential	139,013	201,064	290,538
Personal use	121,789	114,208	126,271
Credit card	77,528	90,160	77,764
Purchase of consumer durables	232	1,165	1,163
Construction	227,472	540,445	523,361
Working capital	3,504,561	4,794,683	5,575,238
Others	718,414	923,728	491,412
	5,654,352	8,036,844	8,757,356

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Purchase of securities	39,201	67,796	82,257
Purchase of transport vehicles	88,835	112,702	111,271
Purchase of landed properties			
- Residential	464,062	869,346	1,058,965
- Non-residential	86,285	181,813	264,828
Personal use	76,925	97,976	111,542
Credit card	58,058	64,708	53,642
Purchase of consumer durables	230	1,162	1,159
Construction	136,180	428,638	433,545
Working capital	2,697,689	3,889,018	3,996,647
Others	514,836	532,677	263,640
	4,162,301	6,245,836	6,377,496

(viii) Impaired loans, advances and financing by geographical distribution are as follows:

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Malaysia	4,007,515	6,308,840	6,713,064
Singapore	363,344	379,834	330,730
Indonesia	572,768	538,420	874,375
Labuan Offshore	138,160	230,647	351,094
Hong Kong SAR	16,367	72,093	85,675
Brunei	2,107	768	2,613
Vietnam	19,051	80,335	75,692
United Kingdom	277,477	215,719	141,478
People's Republic of China	-	5,932	-
Cambodia	31,653	18,602	12,499
Philippines	83,971	73,677	50,733
United States of America	431	-	-
Bahrain	89,577	58,618	48,708
Thailand	25,486	25,672	28,953
Others	26,445	27,687	41,742
	5,654,352	8,036,844	8,757,356

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A11. Loans, Advances and Financing (cont'd.)

(viii) Impaired loans, advances and financing by geographical distribution are as follows: (cont'd.)

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Malaysia	3,469,194	5,482,340	5,769,484
Singapore	289,364	312,294	242,169
Hong Kong SAR	15,531	71,228	84,853
Brunei	2,107	768	2,613
Vietnam	19,051	80,335	75,692
United Kingdom	277,477	215,719	141,478
People's Republic of China	-	5,932	-
Cambodia	-	18,602	12,499
Bahrain	89,577	58,618	48,708
	4,162,301	6,245,836	6,377,496

(ix) Movements in the allowances for impaired loans, advances and financing are as follows:

Group	31 December 2012 RM'000	31 December 2011 RM'000
<u>Individual Allowance</u>		
At beginning of the year	2,813,107	2,932,622
Allowance made during the year	1,172,015	535,890
Amount written back	(437,932)	(296,458)
Amount written off	(1,222,716)	(364,074)
Transferred to impairment losses in securities	-	(9,327)
Transferred to collective allowance	(60,216)	(15,628)
(Disposal)/Acquisition of subsidiaries	(2,720)	20,553
Exchange differences	(33,003)	9,529
At end of the year	2,228,535	2,813,107
<u>Collective Allowance</u>		
At beginning of the year	4,169,974	4,271,208
Allowance made during the year	628,222	504,176
Amount written back	-	(306)
Amount written off	(1,069,222)	(632,964)
Transferred from individual allowance	60,216	15,628
Exchange differences	(44,196)	12,232
At end of the year	3,744,994	4,169,974
As a percentage of total loans less individual allowance	1.19%	1.49%

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A11. Loans, Advances and Financing (cont'd.)

(ix) **Movements in the allowances for impaired loans, advances and financing are as follows: (cont'd.)**

Bank	31 December 2012 RM'000	31 December 2011 RM'000
<u>Individual Allowance</u>		
At beginning of the year	2,102,421	2,115,897
Allowance made during the year	985,402	464,602
Amount written back	(368,351)	(192,817)
Amount written off	(904,764)	(269,614)
Transferred to impairment losses in securities	-	(9,327)
Transferred to collective allowance	(57,882)	(14,411)
Transferred to newly incorporated subsidiary	(36,822)	-
Exchange differences	(549)	8,091
At end of the year	<u>1,719,455</u>	<u>2,102,421</u>
<u>Collective Allowance</u>		
At beginning of the year	3,097,366	3,179,773
Allowance made during the year	205,091	187,383
Amount written off	(628,911)	(290,779)
Transferred from individual allowance	57,882	14,411
Transferred to newly incorporated subsidiary	(5,488)	-
Exchange differences	909	6,578
At end of the year	<u>2,726,849</u>	<u>3,097,366</u>
As a percentage of total loans less individual allowance	<u>1.25%</u>	<u>1.57%</u>

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A12. Other Assets

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Other debtors	4,038,562	2,378,055	1,788,091
Amount due from brokers and clients	2,001,113	1,131,928	2,016,672
Development properties	60,287	448,015	345,616
Prepayments and deposits	469,615	464,025	335,218
Tax recoverable	1,070	214,147	288,098
Foreclosed properties	109,610	113,650	124,959
	6,680,257	4,749,820	4,898,654

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Other debtors	2,528,814	2,015,839	1,146,591
Prepayments and deposits	148,248	87,130	71,098
Tax recoverable	-	97,337	159,874
Foreclosed properties	36,001	40,127	42,802
	2,713,063	2,240,433	1,420,365

A13. Deposits from Customers

(i) By type of deposit

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Fixed deposits and negotiable instruments of deposits			
- One year or less	196,782,059	174,473,295	147,574,497
- More than one year	8,647,667	8,019,570	5,301,028
	205,429,726	182,492,865	152,875,525
Money market deposits	16,650,666	24,001,969	24,614,815
Savings deposits	50,360,812	47,084,107	44,128,596
Demand deposits	71,743,387	59,023,307	58,517,473
Structured deposits *	2,970,919	2,089,997	2,660,725
	347,155,510	314,692,245	282,797,134

Bank	2012 RM'000	2011 RM'000	2011 RM'000
Fixed deposits and negotiable instruments of deposits			
- One year or less	125,296,329	110,905,963	94,306,204
- More than one year	7,880,567	7,405,262	4,547,863
	133,176,896	118,311,225	98,854,067
Money market deposits	16,650,666	24,001,969	24,614,815
Savings deposits	35,261,690	33,362,552	32,024,849
Demand deposits	49,689,559	45,329,984	43,853,536
Structured deposits *	2,623,268	1,889,563	2,118,141
	237,402,079	222,895,293	201,465,408

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

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A13. Deposits from Customers (cont'd.)

(ii) By type of customer

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Business enterprises	157,471,152	146,908,275	126,292,155
Individuals	151,607,808	134,090,970	123,589,127
Government and statutory bodies	5,575,973	11,079,037	10,418,229
Others	22,500,577	22,613,963	22,497,623
	347,155,510	314,692,245	282,797,134

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Business enterprises	106,585,963	102,072,245	88,232,244
Individuals	114,881,786	104,366,059	96,557,071
Government and statutory bodies	5,596,117	3,605,807	3,464,642
Others	10,338,213	12,851,182	13,211,451
	237,402,079	222,895,293	201,465,408

(iii) The maturity structure of fixed deposits and negotiable instruments of deposits are as follows:

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Due within six months	164,637,372	146,608,734	121,381,269
Six months to one year	32,144,687	27,864,561	26,193,228
One year to three years	8,111,389	7,561,996	4,876,438
Three years to five years	536,278	457,574	424,590
	205,429,726	182,492,865	152,875,525

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Due within six months	100,671,865	88,693,115	70,896,420
Six months to one year	24,624,463	22,212,848	23,409,784
One year to three years	7,733,734	7,252,759	4,414,265
Three years to five years	146,834	152,503	133,598
	133,176,896	118,311,225	98,854,067

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**A14. Deposits and Placements from
Financial Institutions**

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Licensed banks	30,144,507	33,009,801	23,712,986
Licensed finance companies	383,162	219,805	41,326
Licensed investment banks	236,162	527,377	429,662
Other financial institutions	3,123,545	3,003,995	9,119,681
	33,887,376	36,760,978	33,303,655
Maturity structure of deposits and placements of banks and other financial institutions			
- One year or less	32,037,435	35,088,093	27,731,454
- More than one year	1,849,941	1,672,885	5,572,201
	33,887,376	36,760,978	33,303,655
	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Bank			
Licensed banks	26,106,904	32,320,588	24,816,195
Licensed finance companies	337,539	181,228	30,652
Licensed investment banks	218,162	527,377	429,663
Other financial institutions	2,536,171	2,526,399	6,165,165
	29,198,776	35,555,592	31,441,675
Maturity structure of deposits and placements of banks and other financial institutions			
- One year or less	27,524,525	34,036,472	26,060,606
- More than one year	1,674,251	1,519,120	5,381,069
	29,198,776	35,555,592	31,441,675

**A15. Borrowings, Subordinated Obligations and
Capital Securities**

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
(i) Borrowings			
Secured			
- Less than one year	440,727	599,246	727,523
- More than one year	902,832	959,559	666,667
	1,343,559	1,558,805	1,394,190
Unsecured			
- Less than one year	1,093,098	812,876	630,446
- More than one year	8,277,609	4,813,549	3,422,484
	9,370,707	5,626,425	4,052,930
	10,714,266	7,185,230	5,447,120
(ii) Subordinated obligations			
Unsecured			
- More than one year	13,510,041	14,160,553	10,800,539
	13,510,041	14,160,553	10,800,539
(iii) Capital Securities			
Unsecured			
- More than one year	6,150,351	6,113,761	6,120,774
	6,150,351	6,113,761	6,120,774

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**A15. Borrowings, Subordinated Obligations and
Capital Securities (cont'd.)**

	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Bank			
(i) Borrowings			
Unsecured			
- Less than one year	168,248	95,501	120,920
- More than one year	7,214,471	4,112,781	3,299,579
	<u>7,382,719</u>	<u>4,208,282</u>	<u>3,420,499</u>
(ii) Subordinated obligations			
Unsecured			
- More than one year	11,638,850	12,574,919	9,509,786
	<u>11,638,850</u>	<u>12,574,919</u>	<u>9,509,786</u>
(iii) Capital Securities			
Unsecured			
- More than one year	6,150,351	6,113,761	6,120,774
	<u>6,150,351</u>	<u>6,113,761</u>	<u>6,120,774</u>

A16. Other Liabilities

	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Group			
Due to brokers and clients	1,841,282	1,216,056	1,782,280
Deposits and other creditors	4,720,114	2,674,582	2,985,548
Provisions and accruals	2,976,494	2,457,416	2,403,286
Profit equalisation reserves	59,852	59,852	95,247
	<u>9,597,742</u>	<u>6,407,906</u>	<u>7,266,361</u>
Bank			
Deposits and other creditors	6,988,101	4,958,097	2,631,835
Provisions and accruals	1,657,322	1,393,081	1,608,321
	<u>8,645,423</u>	<u>6,351,178</u>	<u>4,240,156</u>

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A17. Interest Income

	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
<u>Group</u>				
Loans, advances and financing	3,184,872	2,946,476	12,263,433	10,476,234
Money at call and deposit placements with financial institutions	100,647	174,201	541,204	553,825
Financial assets purchased under resale agreements	1,060	1,189	3,835	8,594
Financial assets at FVTPL	18,236	31,894	99,396	111,820
Financial investments available-for-sale	449,823	360,837	1,528,244	1,548,418
Financial investments held-to-maturity	36,657	115,340	294,653	440,462
	3,791,295	3,629,937	14,730,765	13,139,353
Amortisation of premium less accretion of discounts,net	5,878	21,748	116,253	4,625
	3,797,173	3,651,685	14,847,018	13,143,978
<u>Bank</u>				
Loans, advances and financing	2,319,026	2,209,454	8,888,091	7,739,790
Money at call and deposit placements with financial institutions	100,095	130,469	540,712	415,577
Financial assets purchased under resale agreements	584	78	1,508	198
Financial assets at FVTPL	11,943	33,665	89,337	107,908
Financial investments available-for-sale	388,045	314,366	1,305,724	1,368,738
Financial investments held-to-maturity	22,998	101,135	240,699	380,897
	2,842,691	2,789,167	11,066,071	10,013,108
Amortisation of premium less accretion of discounts,net	5,738	20,383	128,423	(552)
	2,848,429	2,809,550	11,194,494	10,012,556

Included in interest income for the 12 months financial year ended 31 December 2012 was interest on impaired assets amounting to approximately RM137,657,000 (31.12.2011: RM225,133,000) for the Group and RM103,623,000 (31.12.2011: RM183,463,000) for the Bank.

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A18. Interest Expense

<u>Group</u>	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Deposits and placements from financial institutions	96,691	113,617	511,490	421,730
Deposits from customers	1,163,897	1,088,026	4,549,003	4,004,027
Floating rate certificates of deposits	3,880	807	9,477	2,706
Borrowings	98,855	78,977	389,155	263,732
Subordinated notes	121,980	78,839	429,075	229,007
Subordinated bonds	18,909	34,481	91,374	132,596
Capital Securities	101,165	100,832	401,286	398,962
Net interest on derivatives	(3,063)	3,439	(14,559)	66,777
	1,602,314	1,499,018	6,366,301	5,519,537

Bank

Deposits and placements from financial institutions	98,263	110,951	505,239	426,975
Deposits from customers	874,146	813,326	3,494,521	2,894,747
Floating rate certificates of deposits	3,880	807	9,477	2,706
Borrowings	35,519	13,178	134,435	40,405
Subordinated notes	100,079	78,839	355,246	229,007
Subordinated bonds	18,909	33,979	91,374	134,947
Capital Securities	101,165	100,832	401,286	398,962
Net interest on derivatives	(6,301)	(3,660)	(32,576)	36,205
	1,225,660	1,148,252	4,959,002	4,163,954

A19. Non-interest Income

<u>Group</u>	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
(a) Fee income:				
Commission	219,022	204,910	820,154	758,434
Service charges and fees	450,218	244,202	1,620,216	1,226,659
Underwriting fees	23,490	9,558	90,642	60,421
Brokerage income	134,550	116,580	539,826	433,412
Fees on loans, advances and financing	124,479	132,261	513,694	528,509
	951,759	707,511	3,584,532	3,007,435
(b) Investment income:				
Net gain on disposal of financial assets at FVTPL	69,316	(4,982)	150,241	(2,493)
Net gain on disposal of financial investments available-for-sale	54,827	70,499	438,523	359,890
Net (loss)/gain on redemption of financial investments held-to-maturity	(16,615)	133	(62)	110
Gain on disposal of associates	34	30,274	8,989	30,274
Gain on disposal/liquidation of subsidiaries	(7,864)	(7)	806	2,052
	99,698	95,917	598,497	389,833
(c) Gross dividend from financial assets portfolio	11,180	11,157	34,606	37,821
(d) Unrealised gain/(loss) on revaluation of:				
Financial assets at FVTPL	33,747	22,039	56,273	(62,557)
Derivatives	(72,839)	(13,188)	29,307	(195,660)
	(39,092)	8,851	85,580	(258,217)
(e) Other income:				
Foreign exchange gain	70,733	230,374	576,152	910,907
Rental income	6,329	4,987	24,559	21,632
Gain on disposal of property, plant and equipment	774	(542)	7,638	16,810
Gain on disposal of foreclosed properties	2,286	373	2,747	3,417
Sale of development properties	4,124	11,805	20,347	91,489
Others	97,562	81,045	339,091	278,557
	181,808	328,042	970,534	1,322,812
Total non-interest income	1,205,353	1,151,478	5,273,749	4,499,684

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A19. Non-interest Income (cont'd.)

Bank	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
(a) Fee income:				
Commission	191,518	176,825	717,311	666,191
Service charges and fees	265,917	150,985	990,463	844,732
Underwriting fees	9,020	7,773	50,105	30,380
Brokerage income	548	3	1,725	675
Fees on loans, advances and financing	49,249	50,383	182,084	162,955
	516,252	385,969	1,941,688	1,704,933
(b) Investment income:				
Net gain on disposal of financial assets at FVTPL	70,548	(661)	135,607	17,802
Net gain on disposal of financial investments available-for-sale	43,487	71,550	372,298	310,973
Gain on disposal/liquidation of subsidiaries	341	210	341	210
Net (loss)/gain on redemption of financial investments held-to-maturity	(16,615)	133	(62)	110
	97,761	71,232	508,184	329,095
(c) Gross dividend income from:				
Financial assets portfolio	4,979	7,610	11,665	17,371
Subsidiary companies	596,002	46,134	848,943	523,169
Associated companies	654	-	7,106	5,231
	601,635	53,744	867,714	545,771
(d) Unrealised gain/(loss) on revaluation of:				
Financial assets at FVTPL	5,126	75,167	21,794	66,343
Derivatives	(73,690)	(20,705)	9,306	(188,685)
	(68,564)	54,462	31,100	(122,342)
(e) Other income:				
Foreign exchange gain	50,568	203,925	445,441	813,737
Rental income	5,741	4,914	23,067	20,783
Gain on disposal of property, plant and equipment	66	119	4,928	16,896
Gain on disposal of foreclosed properties	-	-	85	93
Others	60,064	25,690	110,008	73,493
	116,439	234,648	583,529	925,002
Total non-interest income	1,263,523	800,055	3,932,215	3,382,459

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A20. Overhead Expenses

Group	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
(a) Personnel expenses				
Salaries, allowances and bonuses	835,271	824,909	3,506,393	3,002,110
Pension costs-defined contribution plan	93,726	83,350	390,142	316,446
Shares/options granted under ESS	20,555	20,089	96,187	121,848
Others	153,020	143,228	596,651	553,204
	1,102,572	1,071,576	4,589,373	3,993,608
(b) Establishment costs				
Depreciation of property, plant and equipment	61,075	53,207	223,646	196,328
Amortisation of intangible assets	40,213	37,492	146,221	123,062
Rental of leasehold land and premises	66,429	60,317	245,261	206,303
Repairs and maintenance of property, plant and equipment	41,994	39,401	140,952	144,927
Information technology expenses	162,632	141,070	559,397	549,650
Others	(15,664)	20,025	(90)	34,246
	356,679	351,512	1,315,387	1,254,516
(c) Marketing expenses				
Advertisement and publicity	144,648	112,271	387,500	387,185
Others	82,201	30,647	187,277	120,064
	226,849	142,918	574,777	507,249
(d) Administration and general expenses				
Fees and brokerage	134,173	157,570	527,638	598,383
Administrative expenses	155,517	165,108	564,595	547,381
General expenses	153,477	156,515	583,886	451,829
Cost of development properties	3,202	(2,440)	13,924	66,997
Others	4,543	11,195	(11,460)	37,947
	450,912	487,948	1,678,583	1,702,537
Total overhead expenses	2,137,012	2,053,954	8,158,120	7,457,910

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A20. Overhead Expenses (cont'd.)

	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
<u>Bank</u>				
(a) Personnel expenses				
Salaries, allowances and bonuses	503,784	506,706	2,237,359	1,958,930
Pension costs-defined contribution plan	73,995	70,196	322,647	269,774
Shares/options granted under ESS	16,660	10,852	79,274	106,765
Others	86,659	73,488	355,384	339,410
	681,098	661,242	2,994,664	2,674,879
(b) Establishment costs				
Depreciation of property, plant and equipment	31,872	28,228	119,155	117,062
Amortisation of computer software	16,009	10,530	47,629	46,655
Rental of leasehold land and premises	27,442	27,602	104,742	97,355
Repairs and maintenance of property, plant and equipment	22,439	16,308	68,714	65,777
Information technology expenses	124,447	116,665	453,575	481,074
Others	1,484	1,857	6,152	11,552
	223,693	201,190	799,967	819,475
(c) Marketing expenses				
Advertisement and publicity	92,851	63,510	222,810	236,858
Others	76,778	25,581	168,990	106,154
	169,629	89,091	391,800	343,012
(d) Administration and general expenses				
Fees and brokerage	117,778	127,655	436,067	446,148
Administrative expenses	70,767	66,674	244,838	258,456
General expenses	16,315	33,047	126,386	82,850
Others	(2,389)	340	1,505	7,112
	202,471	227,716	808,796	794,566
(e) Overhead expenses allocated to subsidiaries	(172,589)	(126,564)	(591,437)	(518,656)
Total overhead expenses	1,104,302	1,052,675	4,403,790	4,113,276

A21. Allowances for impairment losses on loans, advances and financing, net

	Quarter Ended		Cumulative 12 Months Ended	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
<u>Group</u>				
Allowances for loans, advances and financing:				
- collective allowance made	43,858	213,563	628,222	1,021,914
- individual allowance made	380,789	284,956	1,172,015	552,685
- individual allowance written back	(72,695)	(92,192)	(437,932)	(418,137)
Bad debts and financing written off	35,492	22,002	120,433	51,261
Bad debts and financing recovered	(238,172)	(211,076)	(851,722)	(809,634)
Allowance for other debts	10,711	13,080	11,695	50,909
	159,983	230,333	642,711	448,998
<u>Bank</u>				
Allowances for loans, advances and financing:				
- collective allowance made/(written back)	(51,259)	63,514	205,091	140,648
- individual allowance made	347,424	254,340	985,402	636,481
- individual allowance written back	(57,721)	(73,134)	(368,351)	(283,392)
Bad debts and financing written off	25,332	21,114	104,447	46,103
Bad debts and financing recovered	(195,025)	(143,179)	(660,391)	(524,213)
Allowance for other debts	1,892	793	2,646	13,832
	70,643	123,448	268,844	29,459

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A22. Segment Information

By business segments

The Group determines and presents operating segments based on information provided to the Board and senior management of the Group.

The Group is organised into four (4) segments based on services and products available within the group as follows:

(a) Community Financial Services ("CFS")

(i) Consumer Banking

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

(ii) Small, Medium Enterprise ("SME") Banking

Small, Medium Enterprise banking comprises the full range of products and services offered to small and medium enterprises in Malaysia. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(iii) Business Banking

Business banking comprises the full range of products and services offered to commercial enterprises in Malaysia. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(b) Global Wholesale Banking ("GWB")

(i) Corporate Banking Malaysia

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

(ii) Global Markets Malaysia

Global markets comprise the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market.

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A22. Segment Information (cont'd.)

(b) Global Wholesale Banking ("GWB") (cont'd.)

(iii) Investment Banking (Maybank IB and Maybank Kim Eng Group)

Investment banking comprises the investment banking and securities broking business. This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include corporate advisory services, bond issuance, equity issuance, syndicated acquisition advisory services, debt restructuring advisory services, and share and futures dealings.

(c) Insurance, Takaful and Asset Management

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

(d) International banking

On the international front, the domestic CFS business is driven in-country whilst the wholesale banking for each country has a reporting line to the Global Wholesale Banking ("GWB"). For purpose of management information reporting, the GWB performance is shown separately and comprises Corporate Banking and Global Markets in Malaysia as well as the investment banking business, whilst the international banking performance comprises both the wholesale banking and CFS banking outside of Malaysia for example, Singapore and Indonesia.

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A22. Segment Information (cont'd.)

By Business Segments

	<===== Business Segments =====>							Total RM'000
	<===== GWB =====>							
Twelve Months Ended 31 December 2012	Community Financial Services RM'000	Corporate Banking RM'000	Global Markets RM'000	Investment Banking RM'000	International Banking RM'000	Insurance, Takaful and Asset Management RM'000	Head Office and Others RM'000	
Net interest income and Islamic banking income								
- External	5,385,159	1,624,966	731,744	261,965	3,488,586	87,217	(902,661)	10,676,976
- Inter-segment	-	-	-	2,508	(25,897)	23,049	340	-
	5,385,159	1,624,966	731,744	264,473	3,462,689	110,266	(902,321)	10,676,976
Net interest income and Islamic banking income	5,385,159	1,624,966	731,744	264,473	3,462,689	110,266	(902,321)	10,676,976
Net income from insurance and takaful business	-	-	-	-	-	652,445	-	652,445
Non-interest income	1,485,365	676,051	979,720	1,014,562	1,709,710	434,309	(1,025,968)	5,273,749
Net income	6,870,524	2,301,017	1,711,464	1,279,035	5,172,399	1,197,020	(1,928,289)	16,603,170
Overhead expenses	(3,546,727)	(403,703)	(232,825)	(929,614)	(2,559,158)	(486,093)	-	(8,158,120)
Operating profit before impairment losses	3,323,797	1,897,314	1,478,639	349,421	2,613,241	710,927	(1,928,289)	8,445,050
Allowance for losses on loans, advances and financing	(299,559)	92,066	-	3,860	(430,798)	(8,280)	-	(642,711)
Impairment losses on financial investments, net	-	-	(5,092)	(9,757)	(39,805)	(5,562)	-	(60,216)
Operating Profit	3,024,238	1,989,380	1,473,547	343,524	2,142,638	697,085	(1,928,289)	7,742,123
Share of profits in associates	-	-	-	1,684	150,275	517	-	152,476
Profit before taxation and zakat	3,024,238	1,989,380	1,473,547	345,208	2,292,913	697,602	(1,928,289)	7,894,599
Taxation and zakat								(1,977,306)
Profit after taxation and zakat								5,917,293
Non-controlling interests								(172,597)
Profit for the year								5,744,696
Included in overhead expenses are:								
Depreciation of property, plant and equipment	(85,071)	(6,640)	(3,181)	(39,163)	(83,787)	(5,804)	-	(223,646)
Amortisation of intangible assets	(27,369)	(5,855)	(5,415)	(44,523)	(57,833)	(5,226)	-	(146,221)

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A22. Segment Information (cont'd.)

By Business Segments

Twelve Months Ended 31 December 2011	←===== Business Segments =====→							Total RM'000
	Community Financial Services RM'000	Corporate Banking RM'000	Global Markets RM'000	Investment Banking RM'000	International Banking RM'000	Insurance, Takaful and Asset Management RM'000	Head Office and Others RM'000	
Net interest income and Islamic banking income								
- External	5,216,023	1,055,574	741,161	305,344	2,984,664	62,274	(901,768)	9,463,272
- Inter-segment	-	-	-	1,143	(7,038)	20,791	(14,896)	-
	<u>5,216,023</u>	<u>1,055,574</u>	<u>741,161</u>	<u>306,487</u>	<u>2,977,626</u>	<u>83,065</u>	<u>(916,664)</u>	<u>9,463,272</u>
Net interest income and Islamic banking income	5,216,023	1,055,574	741,161	306,487	2,977,626	83,065	(916,664)	9,463,272
Net income from insurance and takaful business	-	-	-	-	-	856,039	-	856,039
Non-interest income	1,410,181	435,996	804,894	581,619	1,499,166	293,046	(525,218)	4,499,684
Net income	<u>6,626,204</u>	<u>1,491,570</u>	<u>1,546,055</u>	<u>888,106</u>	<u>4,476,792</u>	<u>1,232,150</u>	<u>(1,441,882)</u>	<u>14,818,995</u>
Overhead expenses	<u>(3,373,144)</u>	<u>(309,600)</u>	<u>(198,701)</u>	<u>(746,456)</u>	<u>(2,406,323)</u>	<u>(423,686)</u>	<u>-</u>	<u>(7,457,910)</u>
Operating profit before impairment losses	3,253,060	1,181,970	1,347,354	141,650	2,070,469	808,464	(1,441,882)	7,361,085
Allowance for losses on loans, advances and financing	(5,963)	58,718	71,600	(7,289)	(551,569)	(14,495)	-	(448,998)
Impairment losses on financial investments, net	-	-	(154,461)	(10,586)	(7,775)	(4,148)	-	(176,970)
Operating Profit	<u>3,247,097</u>	<u>1,240,688</u>	<u>1,264,493</u>	<u>123,775</u>	<u>1,511,125</u>	<u>789,821</u>	<u>(1,441,882)</u>	<u>6,735,117</u>
Share of profits in associates	-	-	-	2,619	137,458	-	-	140,077
Profit before taxation and zakat	<u>3,247,097</u>	<u>1,240,688</u>	<u>1,264,493</u>	<u>126,394</u>	<u>1,648,583</u>	<u>789,821</u>	<u>(1,441,882)</u>	<u>6,875,194</u>
Taxation and zakat								<u>(1,753,611)</u>
Profit after taxation and zakat								<u>5,121,583</u>
Non-controlling interests								<u>(237,615)</u>
Profit for the year								<u>4,883,968</u>
Included in overhead expenses are:								
Depreciation of property, plant and equipment	(86,710)	(5,168)	(1,767)	(21,439)	(72,129)	(9,115)	-	(196,328)
Amortisation of intangible assets	(30,648)	(4,852)	(2,999)	(27,267)	(52,236)	(5,060)	-	(123,062)

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A23. 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 financial period ended 31 December 2011.

A24. Subsequent Events

There were no material events subsequent to the reporting date, other than as disclosed in Note B6.

A25. Changes in the Composition of the Group

The changes to the composition of the Group during the fourth quarter and financial year ended 31 December 2012 are further elaborated in Note B6.

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A26. Commitments and Contingencies

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

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

<u>Group</u>	As at 31 December 2012			As at 31 December 2011			As at 1 July 2011		
	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
<u>Credit-related</u>									
Direct credit substitutes	9,835,215	9,330,230	5,923,432	8,260,162	7,864,786	5,463,701	6,752,978	6,227,511	4,099,984
Certain transaction-related contingent items	12,386,664	6,086,424	4,548,217	13,333,375	5,797,032	4,339,391	11,877,557	5,432,538	4,249,138
Short-term self-liquidating trade-related contingencies	4,149,665	968,455	702,003	3,316,365	1,243,447	704,094	2,568,575	823,220	466,841
Obligations under underwriting agreements	30,000	15,000	3,000	30,000	15,000	15,000	-	-	-
Irrevocable commitments to extend credit:									
- Maturity within one year	92,616,125	15,352,562	9,652,404	96,902,460	3,398,686	2,109,787	90,585,383	3,377,523	1,577,558
- Maturity exceeding one year	34,602,180	20,418,739	8,169,932	19,584,365	11,669,069	4,829,809	17,429,274	6,027,366	2,818,245
Miscellaneous commitments and contingencies	9,773,807	798,322	201,617	8,782,439	97,824	73,043	9,605,986	95,365	71,442
Total credit-related commitment and contingencies	163,393,656	52,969,732	29,200,605	150,209,166	30,085,844	17,534,825	138,819,753	21,983,523	13,283,208

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A26. Commitments and Contingencies (cont'd.)

Group (cont'd.)

	As at 31 December 2012			As at 31 December 2011			As at 1 July 2011		
	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
<u>Derivative Financial Instruments</u>									
Foreign exchange related contracts:									
- Less than one year	95,679,030	1,897,261	520,511	89,398,924	1,697,361	589,459	73,859,524	999,219	341,316
- One year to less than five years	18,646,950	3,391,757	1,444,007	16,659,300	61,824	52,846	12,415,335	98,952	65,569
- Five years and above	1,780,543	1,780,543	891,778	827,609	45,053	44,520	605,885	54,096	52,937
	116,106,523	7,069,561	2,856,296	106,885,833	1,804,238	686,825	86,880,744	1,152,267	459,822
Interest rate related contracts:									
- Less than one year	19,401,506	550,359	199,287	52,227,798	515,281	420,674	42,098,665	625,318	389,499
- One year to less than five years	63,714,009	1,824,999	569,365	50,556,677	3,275,364	1,408,777	17,922,122	2,944,133	1,495,547
- Five years and above	16,401,202	9,974	2,286	9,176,736	1,133,644	528,435	5,120,193	733,014	316,936
	99,516,717	2,385,332	770,938	111,961,211	4,924,289	2,357,886	65,140,980	4,302,465	2,201,982
Equity and commodity related contracts:									
- Less than one year	260,907	-	-	345,357	-	-	1,112,179	-	-
- One year to less than five years	365,646	-	-	377,592	-	-	155,607	-	-
- Five years and above	30,198	-	-	-	-	-	-	-	-
	656,751	-	-	722,949	-	-	1,267,786	-	-
Credit related contract									
- Less than one year	-	-	-	12,677	-	-	-	-	-
- Five years and above	21,388	-	-	-	-	-	-	-	-
	21,388	-	-	12,677	-	-	-	-	-
Total treasury-related commitments and contingencies									
	216,301,379	9,454,893	3,627,234	219,582,670	6,728,527	3,044,711	153,289,510	5,454,732	2,661,804
Total commitments and contingencies									
	379,695,035	62,424,625	32,827,839	369,791,836	36,814,371	20,579,536	292,109,263	27,438,255	15,945,012

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A26. Commitments and Contingencies (cont'd.)

	As at 31 December 2012			As at 31 December 2011			As at 1 July 2011		
	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
<u>Bank</u>									
<u>Credit-related</u>									
Direct credit substitutes	7,442,874	7,442,874	4,459,633	5,926,466	5,790,525	3,584,047	4,649,552	4,649,552	2,664,930
Certain transaction-related contingent items	10,752,852	5,156,128	3,749,803	11,673,152	4,944,380	3,558,588	10,543,747	4,935,629	3,801,327
Short-term self-liquidating trade-related contingencies	3,775,633	652,838	390,388	2,952,658	1,057,766	648,554	2,408,875	760,622	431,034
Irrevocable commitments to extend credit:									
- Maturity within one year	74,529,072	12,760,456	7,776,780	82,414,863	2,586,209	1,767,836	78,255,915	2,613,454	1,366,897
- Maturity exceeding one year	29,371,486	16,843,478	6,482,755	16,410,180	10,258,612	4,369,422	15,431,262	5,632,158	2,648,543
Miscellaneous commitments and contingencies	9,616,211	613,053	149,236	8,475,251	97,824	73,043	9,576,083	95,365	71,442
Total credit-related commitment and contingencies	135,488,128	43,468,827	23,008,595	127,852,570	24,735,316	14,001,490	120,865,434	18,686,780	10,984,173

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A26. Commitments and Contingencies (cont'd.)

	As at 31 December 2012			As at 31 December 2011			As at 1 July 2011		
	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
<u>Bank (cont'd.)</u>									
<u>Derivative Financial Instruments</u>									
Foreign exchange related contracts:									
- Less than one year	90,499,688	1,842,737	501,780	84,129,446	1,598,591	534,060	69,241,688	974,508	330,847
- One year to less than five years	17,371,300	3,289,005	1,354,451	13,766,757	61,824	52,846	11,703,995	98,952	65,569
- Five years and above	1,780,543	1,780,543	890,710	827,609	43,500	42,967	605,885	54,096	52,937
	109,651,531	6,912,285	2,746,941	98,723,812	1,703,915	629,873	81,551,568	1,127,556	449,353
Interest rate related contracts:									
- Less than one year	18,785,656	510,253	188,501	52,092,953	245,271	150,835	39,794,395	618,202	386,088
- One year to less than five years	58,128,406	1,589,845	393,724	48,442,901	3,138,356	1,349,099	17,674,164	2,899,881	1,473,840
- Five years and above	16,340,036	9,974	2,286	8,931,398	1,118,606	524,691	4,996,206	733,014	344,942
	93,254,098	2,110,072	584,511	109,467,252	4,502,233	2,024,625	62,464,765	4,251,097	2,204,870
Equity and commodity related contracts:									
- Less than one year	260,907	-	-	58,934	-	-	808,651	-	-
- One year to less than five years	144,716	-	-	377,592	-	-	155,607	-	-
	405,623	-	-	436,526	-	-	964,258	-	-
Total treasury-related commitments and contingencies									
	203,311,252	9,022,357	3,331,452	208,627,590	6,206,148	2,654,498	144,980,591	5,378,653	2,654,223
	338,799,380	52,491,184	26,340,047	336,480,160	30,941,464	16,655,988	265,846,025	24,065,433	13,638,396

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

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A26. Commitments and Contingencies (cont'd.)

- (i) The Group's and the Bank's derivative financial instruments are subject to market, credit and liquidity risk, as follows:

Market Risk

Market risk on derivatives is the potential loss to the value of these contracts due to changes in price of the underlying items such as equities, interest rates, foreign exchange, credit spreads, commodities or other indices. The notional or contractual amounts provide only the volume of transactions outstanding at the reporting date and do not represent the amount at risk. Exposure to market risk may be reduced through offsetting items from on and off-balance sheet positions.

Credit Risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank and certain subsidiaries have a gain position. As at 31 December 2012, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM2,880.5 million (31 December 2011: RM1,987.5 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.

Liquidity Risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

- (ii) Cash requirements of the derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 31 December 2012, the Group and the Bank have posted cash collateral of RM321.0 million (31 December 2011: RM232.8 million) on their derivative contracts.

- (iii) There have been no changes since the end of the previous financial period in respect of the following:

- (a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- (b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- (c) the related accounting policies.

A27. Capital Adequacy

(a) Compliance and Application of Capital Adequacy Ratios

The capital adequacy ratios are computed as follows:

- (a) Group, Bank and Maybank Islamic Berhad ("MIB") ratios are computed in accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II "RWCAF") as follows:
 - (i) Credit risk under Internal Ratings- Based Approach
 - (ii) Market risk under Standardised Approach
 - (iii) Operational risk under Basic Indicator Approach

The minimum regulatory capital adequacy requirement remains at 8% for the risk-weighted capital ratios.

- (b) Maybank Investment Bank Berhad ("Maybank IB")'s ratio, on a standalone basis, is computed in accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II "RWCAF") issued on 1 April 2010 under Standardised Approach for credit risk and market risk, whereas operational risk is under the Basic Indicator Approach. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratios.

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A27. Capital Adequacy (cont'd.)

(c) PT Bank Internasional Indonesia Tbk's ratio, on a standalone basis, is computed in accordance with local requirements, which is based on the Basel II Risk Weighted Capital Adequacy Framework (Basel II "RWCAF") under Standardised Approach for credit and market risk, whereas operational risk is under the Basic Indicator Approach. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratios.

The comparative capital adequacy ratios for 31 December 2011 and as at 1 July 2011 were computed in accordance with local requirements, which was based on the Basel I capital accord. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratios.

(b) The capital adequacy ratios of the Group and the Bank as at the following dates:

In determining the capital adequacy ratio, the proposed gross dividend consists of cash portion of 4 sen single-tier dividend per ordinary share to be paid in cash amounting to RM337,601,869 and an electable portion of 29 sen (net 24.5 sen) per ordinary share amounting to RM2,067,811,450, where the electable portion comprises of 11 sen single-tier dividend and 18 sen franked dividend (net 13.5 sen) per ordinary shares of RM1.00 each.

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

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

Current year's core capital ratios and risk-weighted capital ratios were computed using figures from financial statements which are prepared in accordance with MFRS. Prior period/year's core capital ratios and risk-weighted capital ratios were computed using figures from financial statements which were prepared with FRS modified by BNM.

<u>Basel II</u>	31 December 2012	Group 31 December 2011	1 July 2011
Before deducting proposed dividend*:			
Core capital ratio	13.66%	11.74%	11.93%
Risk-weighted capital ratio	17.47%	16.46%	15.45%
After deducting proposed dividend:			
Core capital ratio:			
- full electable portion paid in cash	12.81%	10.95%	11.21%
- full electable portion reinvested	13.54%	11.65%	11.84%
Risk-weighted capital ratio:			
- full electable portion paid in cash	16.62%	15.66%	14.72%
- full electable portion reinvested	17.35%	16.37%	15.36%

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A27. Capital Adequacy (cont'd.)

(b) The capital adequacy ratios of the Group and the Bank as at the following dates: (cont'd.)

<u>Basel II</u>	31 December 2012	Bank 31 December 2011	1 July 2011
Before deducting proposed dividend*:			
Core capital ratio	17.43%	15.80%	13.44%
Risk-weighted capital ratio	<u>17.43%</u>	<u>15.80%</u>	<u>13.44%</u>
After deducting proposed dividend:			
Core capital ratio:			
- full electable portion paid in cash	16.27%	14.73%	12.49%
- full electable portion reinvested	<u>17.27%</u>	<u>15.68%</u>	<u>13.32%</u>
Risk-weighted capital ratio:			
- full electable portion paid in cash	16.27%	14.73%	12.49%
- full electable portion reinvested	<u>17.27%</u>	<u>15.68%</u>	<u>13.32%</u>

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

(c) Components of Tier 1 and Tier 2 capital:

	31 December 2012 RM '000	Group 31 December 2011 RM '000	1 July 2011 RM '000
<u>Eligible Tier 1 capital</u>			
Paid-up share capital	8,440,046	7,639,437	7,478,206
Share premium	15,639,646	9,598,847	8,583,711
Other reserves	15,354,878	14,570,375	14,779,856
Capital securities	6,093,421	6,057,884	6,065,486
Less: Shares-held-in-trust	<u>(102,405)</u>	-	-
Total Tier 1 capital	45,425,586	37,866,543	36,907,259
Less: Deferred tax assets ¹	<u>(1,281,136)</u>	(1,406,712)	(1,383,388)
Goodwill ¹	<u>(5,588,553)</u>	(6,031,401)	(6,049,900)
Deductions in excess of Tier 2 capital	-	-	-
Total Eligible Tier 1 capital	<u>38,555,897</u>	<u>30,428,430</u>	<u>29,473,971</u>
<u>Eligible Tier 2 capital</u>			
Subordinated obligations	13,394,620	13,889,529	10,732,475
Collective allowance ⁴	728,806	892,370	995,632
Surplus of total EP over total EL ³	-	359,978	-
Surplus of total EL over total EP ³	<u>(664,291)</u>	-	(108,217)
Total Tier 2 capital (subject to limits)	<u>13,459,135</u>	<u>15,141,877</u>	<u>11,619,890</u>
Less: Investment in subsidiaries and associates ²	<u>(2,709,503)</u>	(2,891,773)	(2,924,965)
Liquidity reserve	-	-	(1,492)
Securitisation exposures held in the banking book	-	(31,383)	(16,796)
Total deductions	<u>(2,709,503)</u>	<u>(2,923,156)</u>	<u>(2,943,253)</u>
Total deductions from Tier 2 capital	<u>(2,709,503)</u>	<u>(2,923,156)</u>	<u>(2,943,253)</u>
Total Eligible Tier 2 capital	<u>10,749,632</u>	<u>12,218,721</u>	<u>8,676,637</u>
Capital base	<u>49,305,529</u>	<u>42,647,151</u>	<u>38,150,608</u>

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A27. Capital Adequacy (cont'd.)

(c) Components of Tier 1 and Tier 2 capital: (cont'd.)

	Bank		
	31 December 2012 RM '000	31 December 2011 RM '000	1 July 2011 RM '000
<u>Eligible Tier 1 capital</u>			
Paid-up share capital	8,440,046	7,639,437	7,478,206
Share premium	15,639,646	9,598,847	8,583,711
Other reserves	13,139,299	12,473,444	11,790,065
Capital securities	6,093,421	6,057,884	6,065,486
Less: Shares-held-in-trust	(102,405)	-	-
	<u>43,210,007</u>	<u>35,769,612</u>	<u>33,917,468</u>
Less: Deferred tax assets ¹	(810,015)	(867,163)	(920,837)
Goodwill ¹	(81,015)	(81,015)	(81,015)
Deductions in excess of Tier 2 capital	(6,299,134)	(4,193,087)	(7,604,007)
Total Eligible Tier 1 capital	<u>36,019,843</u>	<u>30,628,347</u>	<u>25,311,609</u>
<u>Eligible Tier 2 capital</u>			
Subordinated obligations	11,546,020	12,491,343	9,458,980
Collective allowance ⁴	294,552	430,448	449,884
Surplus of total EP over total EL ³	-	384,425	-
Surplus of total EL over total EP ³	(267,512)	-	(37,149)
Total Tier 2 capital (subject to limits)	<u>11,573,060</u>	<u>13,306,216</u>	<u>9,871,715</u>
Less: Investment in subsidiaries and associates ²	(17,872,187)	(17,467,920)	(17,457,434)
Liquidity reserve	-	-	(1,492)
Securitisation exposures held in the banking book	-	(31,383)	(16,796)
Total deductions	<u>(17,872,187)</u>	<u>(17,499,303)</u>	<u>(17,475,722)</u>
Total deductions from Tier 2 capital	<u>(11,573,060)</u>	<u>(13,306,216)</u>	<u>(9,871,715)</u>
Total Eligible Tier 2 capital	-	-	-
Capital base	<u>36,019,843</u>	<u>30,628,347</u>	<u>25,311,609</u>

¹ Under BNM Guidelines, deferred tax assets and goodwill are required to be excluded from Tier I capital.

² Excludes the cost of investment in subsidiaries and associates, except for: (i) Myfin Berhad of RM18,993,759, as its business, assets and liabilities have been transferred to the Bank; (ii) Maybank International (L) Ltd. of RM176,385,000 and (iii) Mayban Agro Fund Sdn Bhd of RM11,041,000, as its assets are included in the Bank's risk-weighted assets. For the Group, the cost of investment in insurance companies and associates are deducted from capital base.

³ EP is defined as eligible provision and EL is defined as expected loss.

⁴ Excluding collective allowance for certain loans, advances and financing.

The capital adequacy ratios of the Group consist of capital base and risk-weighted assets derived from consolidated balances of the Bank and its subsidiaries, excluding the investments in insurance entities and associates.

The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, Maybank International (L) Ltd., excluding the cost of investment in subsidiaries and associates (except for Myfin Behad and Maybank International (L) Ltd. and Mayban Agro Fund Sdn Bhd as disclosed above).

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A27. Capital Adequacy (cont'd.)

d) The capital adequacy ratios of the banking subsidiaries of the Group are as follows:

	Maybank Islamic Berhad	Maybank Investment Bank Berhad	PT Bank Internasional Indonesia Tbk
<u>31 December 2012</u>			
Before deducting proposed dividends*:			
Core capital ratio	10.83%	40.30%	-
Risk-weighted capital ratio	12.59%	40.30%	12.83%
After deducting proposed dividends:			
Core capital ratio	10.83%	30.10%	-
Risk-weighted capital ratio	12.59%	30.10%	12.83%
<u>31 December 2011</u>			
Before deducting proposed dividends*:			
Core capital ratio	9.89%	21.58%	-
Risk-weighted capital ratio	12.61%	21.58%	11.83%
After deducting proposed dividends:			
Core capital ratio	9.32%	21.58%	-
Risk-weighted capital ratio	12.04%	21.58%	11.83%
<u>1 July 2011</u>			
Before deducting proposed dividends*:			
Core capital ratio	10.31%	24.72%	-
Risk-weighted capital ratio	13.02%	24.72%	13.06%
After deducting proposed dividends:			
Core capital ratio	9.46%	24.72%	-
Risk-weighted capital ratio	12.17%	24.72%	13.06%

* In arriving at the capital base used in the ratio calculations of banking subsidiaries of the Group, the proposed dividend for respective financial year/period were not deducted.

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A27. Capital Adequacy (cont'd.)

e) The breakdown of Assets and Credit Equivalent values (including Off-Balance Sheet items) according to Risk-Weights is as follows:

At 31 December 2012 - Basel II

	Group RM'000	Bank RM'000	Maybank Islamic Berhad RM'000	Maybank Investment Bank Berhad RM'000	PT Bank Internasional Indonesia Tbk RM'000
Standardised Approach exposure	60,849,458	27,460,623	2,411,358	813,260	24,835,685
Internal Ratings-Based Approach exposure after scaling factor	184,779,754	154,769,118	32,563,904	-	-
Total risk-weighted assets for credit risk	245,629,212	182,229,741	34,975,262	813,260	24,835,685
Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad*	-	-	(127,317)	-	-
Total risk-weighted assets for market risk	8,913,850	6,200,948	747,905	200,322	637,943
Total risk-weighted assets for operational risk	27,685,920	18,180,446	2,959,425	716,690	3,282,868
Additional risk-weighted assets due to capital floor	-	-	968,148	-	-
Total risk-weighted assets	282,228,982	206,611,135	39,523,423	1,730,272	28,756,496

At 31 December 2011 - Basel II

	Group RM'000	Bank RM'000	Maybank Islamic Berhad RM'000	Maybank Investment Bank Berhad RM'000	PT Bank Internasional Indonesia Tbk RM'000
Standardised Approach exposure	70,655,914	38,834,291	4,153,679	1,025,361	24,360,349
Internal Ratings-Based Approach exposure after scaling factor	153,100,201	128,719,436	28,214,051	-	-
Total risk-weighted assets for credit risk	223,756,115	167,553,727	32,367,730	1,025,361	24,360,349
Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad*	-	-	(205,926)	-	-
Total risk-weighted assets for market risk	10,379,265	8,376,674	307,942	713,316	275,124
Total risk-weighted assets for operational risk	24,983,371	17,970,181	2,573,751	540,741	3,197,593
Additional risk-weighted assets due to capital floor	-	-	3,891,670	-	-
Total risk-weighted assets	259,118,751	193,900,582	38,935,167	2,279,418	27,833,066

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A27. Capital Adequacy (cont'd.)

e) The breakdown of Assets and Credit Equivalent values (including Off-Balance Sheet items) according to Risk-Weights is as follows: (cont'd.)

At 1 July 2011 - Basel II

	Group	Bank	Maybank Islamic Berhad	Maybank Investment Bank Berhad	PT Bank Internasional Indonesia Tbk
	RM'000	RM'000	RM'000	RM'000	RM'000
Standardised Approach exposure	60,236,549	31,459,666	3,753,922	1,040,223	21,381,949
Internal Ratings-Based Approach exposure after scaling factor	<u>147,528,075</u>	<u>129,381,636</u>	<u>23,571,746</u>	-	-
Total risk-weighted assets for credit risk	207,764,624	160,841,302	27,325,668	1,040,223	21,381,949
Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad*	-	-	(206,402)	-	-
Total risk-weighted assets for market risk	15,991,249	9,692,832	149,810	156,475	270,737
Total risk-weighted assets for operational risk	23,223,860	17,738,110	2,334,044	476,309	3,215,865
Additional risk-weighted assets due to capital floor	-	-	7,154,554	-	-
Total risk-weighted assets	<u>246,979,733</u>	<u>188,272,244</u>	<u>36,757,674</u>	<u>1,673,007</u>	<u>24,868,551</u>

* In accordance with BNM's guideline on the recognition and measurement of Restricted Profit Sharing Investment Account ("RPSIA") as Risk Absorbent, the credit risk on the assets funded by the RPSIA are excluded from the risk weighted capital ("RWCR") calculation.

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A28. Derivative Financial Instruments

The following tables summarise the contractual or underlying principal amounts of trading derivatives and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the reporting date, and do not represent amounts at risk.

Derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively.

	Group			Bank		
	Principal Amount RM'000	Fair Value		Principal Amount RM'000	Fair Value	
<u>At 31 December 2012</u>	Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000	Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000
<u>Trading derivatives</u>						
<u>Foreign exchange related contracts</u>						
Currency forward						
- Less than one year	17,931,505	55,353	(121,763)	15,004,518	50,619	(102,114)
- One year to three years	307,943	4,128	(3,954)	307,943	4,128	(3,954)
- More than three years	236,062	2,322	(1,248)	236,062	2,322	(1,248)
	<u>18,475,510</u>	<u>61,803</u>	<u>(126,965)</u>	<u>15,548,523</u>	<u>57,069</u>	<u>(107,316)</u>
Currency swaps						
- Less than one year	64,567,969	961,146	(759,016)	62,457,833	953,162	(763,205)
- One year to three years	342,969	6,887	(7,283)	319,497	6,704	(7,283)
- More than three years	219,423	1,770	(2,044)	219,423	1,770	(2,044)
	<u>65,130,361</u>	<u>969,803</u>	<u>(768,343)</u>	<u>62,996,753</u>	<u>961,636</u>	<u>(772,532)</u>
Currency spots						
- Less than one year	6,340,973	979	(2,355)	6,340,973	979	(2,360)
Currency options						
- Less than one year	2,984,579	8,617	(5,668)	2,984,579	8,617	(5,668)
Cross currency interest rate swaps						
- Less than one year	2,174,209	86,411	(13,332)	2,031,990	61,234	-
- One year to three years	9,119,061	277,161	(147,441)	8,426,014	255,495	(123,314)
- More than three years	7,108,208	456,930	(38,661)	6,807,708	456,930	(38,661)
	<u>18,401,478</u>	<u>820,502</u>	<u>(199,434)</u>	<u>17,265,712</u>	<u>773,659</u>	<u>(161,975)</u>
<u>Interest rate derivatives</u>						
Interest rate swaps						
- Less than one year	14,669,864	54,680	(24,895)	14,654,014	51,680	(38,980)
- One year to three years	27,815,331	127,052	(150,011)	26,207,026	127,787	(145,252)
- More than three years	44,295,713	514,800	(731,117)	44,164,209	544,443	(732,653)
	<u>86,780,908</u>	<u>696,532</u>	<u>(906,023)</u>	<u>85,025,249</u>	<u>723,910</u>	<u>(916,885)</u>
Interest rate futures						
- Less than one year	1,217,263	2	-	1,217,263	2	-
- One year to three years	764,613	1	-	764,613	1	-
	<u>1,981,876</u>	<u>3</u>	<u>-</u>	<u>1,981,876</u>	<u>3</u>	<u>-</u>
Interest rate options						
- Less than one year	2,695,396	10,029	(499)	2,695,396	10,029	(499)
- One year to three years	375,270	1,400	(440)	375,270	1,400	(440)
- More than three years	1,651,417	4,395	(191,387)	1,251,417	4,395	(128,992)
	<u>4,722,083</u>	<u>15,824</u>	<u>(192,326)</u>	<u>4,322,083</u>	<u>15,824</u>	<u>(129,931)</u>

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A28. Derivative Financial Instruments (cont'd.)

	Group			Bank		
	Principal Amount RM'000	Fair Value		Principal Amount RM'000	Fair Value	
		Assets Amount RM'000	Liabilities Amount RM'000		Assets Amount RM'000	Liabilities Amount RM'000
<u>At 31 December 2012</u>						
<u>Trading derivatives (cont'd.)</u>						
<u>Equity related derivatives</u>						
<u>Index futures</u>						
- More than three years	30,198	4,545	-	-	-	-
<u>Equity options</u>						
- Less than one year	222,813	582	(22,577)	222,813	548	-
- One year to three years	53,841	6,092	(6,779)	53,841	6,092	(6,779)
- More than three years	48,246	322	(322)	48,245	322	(322)
	<u>324,900</u>	<u>6,996</u>	<u>(29,678)</u>	<u>324,899</u>	<u>6,962</u>	<u>(7,101)</u>
<u>Commodity options</u>						
- More than three years	263,559	3,121	(3,035)	42,630	3,035	(3,035)
<u>Commodity swaps</u>						
- Less than one year	38,094	590	(590)	38,094	590	(590)
<u>Credit-Related Contract</u>						
<u>Credit Default Swaps</u>						
- More than three years	21,388	-	(2,015)	-	-	-
<u>Hedging derivatives</u>						
<u>Interest rate swaps</u>						
- Less than one year	818,983	-	(1,869)	218,983	-	(1,869)
- One year to three years	2,234,750	-	(80,089)	1,384,750	-	(80,089)
- More than three years	2,978,117	21,472	(25,882)	321,157	-	(21,560)
	<u>6,031,850</u>	<u>21,472</u>	<u>(107,840)</u>	<u>1,924,890</u>	<u>-</u>	<u>(103,518)</u>
<u>Cross currency interest rate swaps</u>						
- Less than one year	1,679,795	191,777	-	1,679,795	191,777	-
- One year to three years	2,179,835	71,600	(10,766)	1,921,203	61,758	(10,767)
- More than three years	913,992	6,328	(21,941)	913,993	6,329	(21,939)
	<u>4,773,622</u>	<u>269,705</u>	<u>(32,707)</u>	<u>4,514,991</u>	<u>259,864</u>	<u>(32,706)</u>
Total derivative assets / (liabilities)	<u>216,301,379</u>	<u>2,880,492</u>	<u>(2,376,979)</u>	<u>203,311,252</u>	<u>2,812,148</u>	<u>(2,243,617)</u>

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A28. Derivative Financial Instruments (cont'd.)

	Group			Bank		
	Principal Amount RM'000	Fair Value		Principal Amount RM'000	Fair Value	
At 31 December 2011	Assets Amount RM'000	Liabilities Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000
Trading derivatives						
<u>Foreign exchange related contracts</u>						
Currency forward						
- Less than one year	24,470,066	247,097	(115,560)	19,513,855	198,500	(78,223)
- One year to three years	2,538,409	6,875	(1,566)	287,337	6,875	(1,566)
- More than three years	277,627	7,367	(98)	277,627	7,367	(98)
	<u>27,286,102</u>	<u>261,339</u>	<u>(117,224)</u>	<u>20,078,819</u>	<u>212,742</u>	<u>(79,887)</u>
Currency swaps						
- Less than one year	49,779,939	478,846	(628,263)	49,516,752	445,706	(628,263)
- One year to three years	358,259	6,418	(3,026)	334,788	6,232	(3,026)
- More than three years	277,627	111	(6,280)	277,627	111	(6,280)
	<u>50,415,825</u>	<u>485,375</u>	<u>(637,569)</u>	<u>50,129,167</u>	<u>452,049</u>	<u>(637,569)</u>
Currency spots						
- Less than one year	7,111,247	3,718	(1,185)	7,061,168	3,704	(1,166)
Currency options						
- Less than one year	4,854,026	24,068	(19,029)	4,854,026	24,068	(19,029)
Cross currency interest rate swaps						
- Less than one year	2,378,245	9,269	(717)	2,378,245	10,620	(718)
- One year to three years	4,123,567	88,681	(80,564)	4,123,567	88,681	(80,564)
- More than three years	6,501,545	96,743	(48,083)	6,201,045	96,743	(48,083)
	<u>13,003,357</u>	<u>194,693</u>	<u>(129,364)</u>	<u>12,702,857</u>	<u>196,044</u>	<u>(129,365)</u>
<u>Interest rate related contracts</u>						
Interest rate swaps						
- Less than one year	14,504,033	13,168	(76,662)	14,504,033	53,059	(76,662)
- One year to three years	25,737,833	202,322	(199,308)	25,737,833	202,322	(199,308)
- More than three years	27,616,252	453,095	(611,730)	27,616,252	453,094	(611,730)
	<u>67,858,118</u>	<u>668,585</u>	<u>(887,700)</u>	<u>67,858,118</u>	<u>708,475</u>	<u>(887,700)</u>
Interest rate futures						
- Less than one year	36,555,927	60,238	(60,238)	36,555,927	60,238	(60,238)
Interest rate options						
- Less than one year	616,050	8,762	-	580,551	8,762	-
- One year to three years	1,422,250	14,601	(7,447)	1,422,250	14,601	(7,447)
- More than three years	756,080	2,263	(82,817)	556,079	1,541	(41,935)
	<u>2,794,380</u>	<u>25,626</u>	<u>(90,264)</u>	<u>2,558,880</u>	<u>24,904</u>	<u>(49,382)</u>

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A28. Derivative Financial Instruments (cont'd.)

	Group			Bank		
	Principal Amount RM'000	Fair Value		Principal Amount RM'000	Fair Value	
		Assets Amount RM'000	Liabilities Amount RM'000		Assets Amount RM'000	Liabilities Amount RM'000
At 31 December 2011						
Trading derivatives (cont'd.)						
<u>Equity related contracts</u>						
Equity options						
- Less than one year	345,357	29	(8,348)	58,935	-	-
- One year to three years	220,543	327	-	220,543	327	-
- More than three years	104,348	7,564	(7,564)	104,348	7,564	(7,564)
	<u>670,248</u>	<u>7,920</u>	<u>(15,912)</u>	<u>383,826</u>	<u>7,891</u>	<u>(7,564)</u>
Commodity options						
- More than three years	52,700	3,267	(3,267)	52,700	3,267	(3,267)
	<u>52,700</u>	<u>3,267</u>	<u>(3,267)</u>	<u>52,700</u>	<u>3,267</u>	<u>(3,267)</u>
Credit-Related Contract						
Credit Default Swaps						
- More than one years	12,677	286	-	-	-	-
	<u>12,677</u>	<u>286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Hedging derivatives						
Interest rate swaps						
- Less than one year	551,788	536	(12,030)	452,443	-	(9,119)
- One year to three years	3,059,907	611	(121,903)	1,530,447	611	(121,673)
- More than three years	1,141,091	-	(51,019)	511,437	-	(50,767)
	<u>4,752,786</u>	<u>1,147</u>	<u>(184,952)</u>	<u>2,494,327</u>	<u>611</u>	<u>(181,559)</u>
Cross currency interest rate swaps						
- Less than one year	805,401	74,214	(4,063)	805,400	74,214	(4,063)
- One year to three years	2,035,964	142,067	(10,794)	2,035,964	142,067	(10,794)
- More than three years	1,373,912	34,959	(1,148)	1,056,411	39,070	(1,148)
	<u>4,215,277</u>	<u>251,240</u>	<u>(16,005)</u>	<u>3,897,775</u>	<u>255,351</u>	<u>(16,005)</u>
Total derivative assets / (liabilities)	<u>219,582,670</u>	<u>1,987,502</u>	<u>(2,162,709)</u>	<u>208,627,590</u>	<u>1,949,344</u>	<u>(2,072,731)</u>

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A28. Derivative Financial Instruments (cont'd.)

	Group			Bank		
	Principal Amount RM'000	Fair Value		Principal Amount RM'000	Fair Value	
		Assets Amount RM'000	Liabilities Amount RM'000		Assets Amount RM'000	Liabilities Amount RM'000
At 1 July 2011						
Trading derivatives						
<u>Foreign exchange related contracts</u>						
Currency forward						
- Less than one year	22,154,987	115,780	(128,485)	17,215,104	78,689	(91,170)
- One year to three years	428,114	11,639	(13,146)	428,114	11,639	(13,146)
- More than three years	290,945	18,349	(111)	290,945	18,349	(111)
	<u>22,874,046</u>	<u>145,768</u>	<u>(141,742)</u>	<u>17,934,163</u>	<u>108,677</u>	<u>(104,427)</u>
Currency swaps						
- Less than one year	43,760,875	337,874	(228,440)	43,497,687	298,339	(228,440)
- One year to three years	612,702	20,172	(7,071)	589,231	19,791	(7,071)
- More than three years	290,944	123	(17,160)	290,945	123	(17,160)
	<u>44,664,521</u>	<u>358,169</u>	<u>(252,671)</u>	<u>44,377,863</u>	<u>318,253</u>	<u>(252,671)</u>
Currency spots						
- Less than one year	2,305,804	8,571	(15,047)	2,203,170	8,541	(14,977)
Currency options						
- Less than one year	4,546,215	13,388	(8,344)	4,546,215	13,388	(8,344)
Cross currency interest rate swaps						
- Less than one year	607,365	26,284	(26,006)	607,365	26,284	(26,006)
- One year to three years	3,495,130	182,155	(53,499)	3,495,130	182,155	(53,499)
- More than three years	5,307,678	87,568	(162,431)	5,307,678	87,568	(162,431)
	<u>9,410,173</u>	<u>296,007</u>	<u>(241,936)</u>	<u>9,410,173</u>	<u>296,007</u>	<u>(241,936)</u>
<u>Interest rate related contracts</u>						
Interest rate swaps						
- Less than one year	12,300,584	105,386	(113,058)	10,700,584	104,483	(112,623)
- One year to three years	23,972,146	162,163	(183,755)	23,972,146	162,163	(183,755)
- More than three years	21,713,328	191,563	(233,589)	21,713,328	206,964	(233,588)
	<u>57,986,058</u>	<u>459,112</u>	<u>(530,402)</u>	<u>56,386,058</u>	<u>473,610</u>	<u>(529,966)</u>
Interest rate futures						
- Less than one year	1,252,719	281	-	1,252,719	243	-
Interest rate options						
- Less than one year	610,117	2,431	(44,206)	36,813	-	-
- One year to three years	1,483,240	14,548	-	1,483,240	14,548	-
- More than three years	872,904	1,110	(105,905)	872,904	1,110	(105,905)
	<u>2,966,261</u>	<u>18,089</u>	<u>(150,111)</u>	<u>2,392,957</u>	<u>15,658</u>	<u>(105,905)</u>

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A28. Derivative Financial Instruments (cont'd.)

	Group			Bank		
	Principal Amount RM'000	Fair Value		Principal Amount RM'000	Fair Value	
		Assets Amount RM'000	Liabilities Amount RM'000		Assets Amount RM'000	Liabilities Amount RM'000
At 1 July 2011						
Trading derivatives (cont'd.)						
<u>Equity related derivatives</u>						
Equity options						
- Less than one year	1,112,179	3,552	(6,443)	808,654	1,011	(1,011)
- One year to three years	44,468	2,231	(2,231)	44,468	2,231	(2,231)
- More than three years	55,074	5,822	(5,822)	55,074	5,822	(5,822)
	<u>1,211,721</u>	<u>11,605</u>	<u>(14,496)</u>	<u>908,196</u>	<u>9,064</u>	<u>(9,064)</u>
Commodity options						
- More than three years	56,065	4,766	(4,766)	56,065	4,766	(4,766)
	<u>56,065</u>	<u>4,766</u>	<u>(4,766)</u>	<u>56,065</u>	<u>4,766</u>	<u>(4,766)</u>
Hedging derivatives						
Interest rate swaps						
- Less than one year	532,917	1	(46,117)	411,020	1	(45,951)
- One year to three years	516,860	1	(46,539)	441,263	1	(46,539)
- More than three years	1,886,165	324	(79,661)	1,580,744	324	(79,661)
	<u>2,935,942</u>	<u>326</u>	<u>(172,317)</u>	<u>2,433,027</u>	<u>326</u>	<u>(172,151)</u>
Cross currency interest rate swaps						
- One year to three years	2,472,085	316,017	(2,103)	2,472,085	316,017	(2,104)
- More than three years	607,900	61,865	-	607,900	61,865	-
	<u>3,079,985</u>	<u>377,882</u>	<u>(2,103)</u>	<u>3,079,985</u>	<u>377,882</u>	<u>(2,104)</u>
Total derivative assets / (liabilities)	<u>153,289,510</u>	<u>1,693,964</u>	<u>(1,533,935)</u>	<u>144,980,591</u>	<u>1,626,415</u>	<u>(1,446,311)</u>

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies

In preparing its opening MFRS statement of financial position, the Group and the Bank have adjusted certain amounts previously reported in its financial statements prepared in accordance with the previous FRS framework for the financial effects arising from the adoption of the MFRS framework and changes in accounting policies as stated in Note A1.

The adoption of the new MFRS framework and the change in accounting policies and presentations resulted the following reclassifications and adjustments:

(i) Designation of previously recognised financial instruments

MFRS 1 allows a first-time adopter to designate eligible financial assets as available-for-sale at the date of transition.

The Group and the Bank have opted for this exemption and redesignated certain previously recognised financial investments held-to-maturity as available-for-sale at 1 July 2011 (i.e. the transition date to MFRS).

(ii) Revised Financial Reporting Guidelines ("FRG") for Insurers issued by BNM

As at 31 December 2011, the life insurance contract liabilities of the insurance subsidiary, Etiqa Insurance Berhad ("EIB"), included the accumulated surpluses less estimated actuarial liabilities (collectively referred to as "unallocated surplus") and unrealised holding reserves of all life insurance contracts including those with discretionary participating features (referred to as "Par") and those without (referred to as "Non Par").

In accordance with MFRS 4 *Insurance Contracts* and the Framework for Preparation and Presentation of Financial Statements, the Non Par unallocated surplus does not meet the definition of a liability, as the Non Par unallocated surplus represents the residual interest in the assets of the Non Par Fund after consideration of all liabilities. In addition, in accordance to MFRS 139, the Non Par unrealised holding reserves should be accounted for as equity of the Group.

The previous classification of the Non Par unallocated surplus and unrealised holding reserves of EIB as a liability was made in accordance with the Guidelines issued by BNM and was a modification to FRS in Malaysia which had been approved by BNM under Section 90 of the Insurance Act, 1996 in Malaysia.

In line with the adoption of MFRS, the Non Par unallocated surplus and unrealised reserves have been reclassified from liabilities to equity. The revised Guidelines issued by BNM arising from the adoption of MFRS Framework by the Group took effect from 1 January 2012, and hence the retrospective adjustments were made are required against the Group's opening MFRS statement of financial position.

(iii) Change in the presentation of "Life, general takaful and family takaful fund assets", "Life, general takaful and family takaful fund liabilities" and "Life, general takaful and family takaful policy holders' funds" on the consolidated statement of financial position

MFRS 127 requires an entity that prepares consolidated financial statements to combine the financial statements of the parent and its subsidiaries line-by-line by adding together like items of assets, liabilities, equity, income and expenses.

Prior to this, the Group has been presenting the assets and liabilities that belong to life and takaful funds in the consolidated statement of financial position on an aggregated basis as "Life, general takaful and family takaful fund assets", "Life, general takaful and family takaful fund liabilities" and "Life, general takaful and family takaful policy holders' funds" respectively.

With the adoption of MFRS Framework, the Group has decided to change the presentation of assets and liabilities that form part of life and takaful funds in the consolidated statement of financial position at 1 July 2011. The effects of the change in the presentation are detailed as follows:

- 1) Removal of line items namely "Life, general takaful and family takaful fund assets", "Life, general takaful and family takaful fund liabilities" and "Life, general takaful and family takaful policy holders' funds" from the consolidated statement of financial position.
- 2) Addition of two new line items, namely "Reinsurance/retakaful assets and other insurance receivables" and "Insurance/takaful contract liabilities and other insurance payables" on the consolidated statement of financial position.

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(iii) Change in the presentation of "Life, general takaful and family takaful fund assets", "Life, general takaful and family takaful fund liabilities" and "Life, general takaful and family takaful policy holders' funds" on the consolidated statement of financial position (cont'd.)

- 3) Consolidation of the other assets and liabilities of life and takaful funds within the consolidated statement of financial position on a line-by-line basis.

(iv) Change in accounting policies and reclassification of comparative to conform with current year presentation

a) Adoption of Financial Reporting Standards Implementation Committee Consensus 18 Monies Held in Trust by Participating Organisation at Bursa Malaysia Securities Berhad ("FRSIC Consensus 18")

FRSIC Consensus 18 was developed by the Financial Reporting Standards Implementation Committee ("FRSIC") and issued by the Malaysian Institute of Accountants ("MIA" or "Institute") on 18 September 2012.

In accordance with FRSIC Consensus 18, it was suggested that the recognition of the trust monies as assets of the participating organisation with corresponding liabilities may not be appropriate from the context of the MFRS due to following reasons:

An asset is defined as "a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity". A participating organisation is prohibited under the provisions contained in Section 113 of Capital Markets and Services Act, 2007 ("CMSA 2007") to utilise the monies either for its own economic benefits or settlement of its own liability.

A liability is defined as "a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of the resources embodying economic benefits". Although a participating organisation is required by CMSA 2007 and Bursa Securities Rules to maintain the trust account, it does not have any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources embodying economic benefits from the participating organisation.

This change due to FRSIC Consensus 18 has been accounted for retrospectively and has resulted in a decrease in the opening cash and short term funds and deposits and placements with financial institutions and other liabilities respectively in the consolidated statement of financial position as at 1 July 2011 and 31 December 2011.

b) Reclassification of "Software development-in-progress" from Property, Plant and Equipment to Intangible Assets.

Software development-in-progress of the Group and the Bank were previously presented in property, plant and equipment until its development has been completed where the total cost will be transferred to intangible assets. However, in the current year presentation, the Group's and the Bank's software development-in-progress have been reclassified to intangible assets.

c) Financing sold to Cagamas

In prior years, balances relating to Islamic financing sold to Cagamas were excluded from total loans, financing and advances in the consolidated statement of financial position. This treatment is in accordance with BNM Guidelines, whereby these balances were disclosed and included as part of commitments and contingencies.

Following the adoption of MFRS during the financial year, the balances relating to financing sold to Cagamas have been included in total loans, financing and advances in the consolidated statement of financial position in accordance with MFRS 139. The Group has an obligation to replace those financing sold which are regarded as defective based on pre-determined and agreed-upon prudential criteria, and thus retains credit risk of the financing. Accordingly, the balances relating to the financing sold are not derecognised, and the proceeds received from Cagamas are recorded as a financial liability in the consolidated statement of financial position as recourse obligation on financing sold to Cagamas. This change in accounting policy has been applied retrospectively as part of the effects of the MFRS adoption. The financial effects of the adoption of MFRS on the Group's financial statements, including the operations of IBS are disclosed in Note A29(a).

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(a) Reconciliation of statement of financial position as at 1 July 2011 and as at 31 December 2011

Group	FRS as at 1 July 2011 RM'000	Note A29(i) RM'000	Note A29(ii) RM'000	Note A29(iii) RM'000	Note A29(iv)(c) RM'000	Effects after adoption of MFRS RM'000	Note A29(iv)(a) RM'000	Note A29(iv)(b) RM'000	MFRS as at 1 July 2011 RM'000
ASSETS									
Cash and short-term funds	38,803,519	-	-	1,715,064	-	40,518,583	(1,036,712)	-	39,481,871
Deposits and placements with financial institutions	10,291,513	-	-	692,622	-	10,984,135	(560,884)	-	10,423,251
Financial assets purchased under resale agreements	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	4,141,978	-	-	8,523,846	-	12,665,824	-	-	12,665,824
Financial investments available-for-sale	47,258,558	7,482,127	-	7,027,227	-	61,767,912	-	-	61,767,912
Financial investments held-to-maturity	9,638,714	(7,201,273)	-	-	-	2,437,441	-	-	2,437,441
Loans, advances and financing	253,976,426	-	-	358,588	682,679	255,017,693	-	-	255,017,693
Derivative assets	1,652,182	-	-	41,782	-	1,693,964	-	-	1,693,964
Reinsurance/retakaful assets and other insurance receivables	-	-	-	2,107,340	-	2,107,340	-	-	2,107,340
Other assets	6,735,522	-	-	(1,836,868)	-	4,898,654	-	-	4,898,654
Investment properties	45,051	-	-	480,470	-	525,521	-	-	525,521
Statutory deposits with central banks	7,698,425	-	-	-	-	7,698,425	-	-	7,698,425
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Interest in associates	2,439,654	-	-	-	-	2,439,654	-	-	2,439,654
Property, plant and equipment	2,168,986	-	-	83,320	-	2,252,306	-	(127,089)	2,125,217
Intangible assets	6,509,048	-	-	1,817	-	6,510,865	-	127,089	6,637,954
Deferred tax assets	1,402,705	(70,214)	-	1,205	-	1,333,696	-	-	1,333,696
Life, general takaful and family takaful fund assets	19,196,413	-	-	(19,196,413)	-	-	-	-	-
TOTAL ASSETS	411,958,694	210,640	-	-	682,679	412,852,013	(1,597,596)	-	411,254,417

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(a) Reconciliation of statement of financial position as at 1 July 2011 and as at 31 December 2011 (cont'd.)

Group (cont'd.)	FRS as at 1 July 2011 RM'000	Note A29(i) RM'000	Note A29(ii) RM'000	Note A29(iii) RM'000	Note A29(iv)(c) RM'000	Effects after adoption of MFRS RM'000	Note A29(iv)(a) RM'000	Note A29(iv)(b) RM'000	MFRS as at 1 July 2011 RM'000
LIABILITIES									
Deposits from customers	281,976,379	-	-	-	-	281,976,379	820,755	-	282,797,134
Deposits and placements from financial institutions	33,303,655	-	-	-	-	33,303,655	-	-	33,303,655
Obligations on financial assets sold under repurchase agreements	373,562	-	-	-	-	373,562	-	-	373,562
Bills and acceptances payable	8,513,401	-	-	-	-	8,513,401	-	-	8,513,401
Derivative liabilities	1,533,935	-	-	-	-	1,533,935	-	-	1,533,935
Insurance/takaful contract liabilities and other insurance payables	-	-	(1,393,953)	20,707,493	-	19,313,540	-	-	19,313,540
Other liabilities	11,311,854	-	-	(1,627,142)	-	9,684,712	(2,418,351)	-	7,266,361
Recourse obligation on loans and financing sold to Cagamas	528,285	-	-	-	682,679	1,210,964	-	-	1,210,964
Provision for taxation and zakat	134,620	-	-	48,139	-	182,759	-	-	182,759
Deferred tax liabilities	247,892	-	342,767	67,923	-	658,582	-	-	658,582
Borrowings	5,447,120	-	-	-	-	5,447,120	-	-	5,447,120
Subordinated obligations	10,800,539	-	-	-	-	10,800,539	-	-	10,800,539
Capital securities	6,120,774	-	-	-	-	6,120,774	-	-	6,120,774
Life, general takaful and family takaful fund liabilities	5,408,600	-	-	(5,408,600)	-	-	-	-	-
Life, general takaful and family takaful policy holders' funds	13,787,813	-	-	(13,787,813)	-	-	-	-	-
TOTAL LIABILITIES	379,488,429	-	(1,051,186)	-	682,679	379,119,922	(1,597,596)	-	377,522,326

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(a) Reconciliation of statement of financial position as at 1 July 2011 and as at 31 December 2011 (cont'd.)

Group (cont'd.)	FRS as at 1 July 2011 RM'000	Note A29(i) RM'000	Note A29(ii) RM'000	Note A29(iii) RM'000	Note A29(iv)(c) RM'000	Effects after adoption of MFRS RM'000	Note A29(iv)(a) RM'000	Note A29(iv)(b) RM'000	MFRS as at 1 July 2011 RM'000
SHAREHOLDERS' EQUITY									
Share capital	7,478,206	-	-	-	-	7,478,206	-	-	7,478,206
Share premium	8,583,711	-	-	-	-	8,583,711	-	-	8,583,711
Retained profits	9,491,265	-	676,463	-	-	10,167,728	-	-	10,167,728
Other reserves	5,908,317	207,875	49,381	-	-	6,165,573	-	-	6,165,573
	<u>31,461,499</u>	<u>207,875</u>	<u>725,844</u>	-	-	<u>32,395,218</u>	-	-	<u>32,395,218</u>
Non-controlling interests	1,008,766	2,765	325,342	-	-	1,336,873	-	-	1,336,873
Total equity	<u>32,470,265</u>	<u>210,640</u>	<u>1,051,186</u>	-	-	<u>33,732,091</u>	-	-	<u>33,732,091</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>411,958,694</u>	<u>210,640</u>	-	-	682,679	412,852,013	(1,597,596)	-	<u>411,254,417</u>

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(a) Reconciliation of statement of financial position as at 1 July 2011 and as at 31 December 2011

Group	FRS as at 31 December 2011 RM'000	Note A29(i) RM'000	Note A29(ii) RM'000	Note A29(iii) RM'000	Note A29(iv)(c) RM'000	Effects after adoption of MFRS RM'000	Note A29(iv)(a) RM'000	Note A29(iv)(b) RM'000	MFRS as at 31 December 2011 RM'000
ASSETS									
Cash and short-term funds	49,089,088	-	-	1,757,239	-	50,846,327	(1,458,445)	-	49,387,882
Deposits and placements with financial institutions	6,452,978	-	-	743,974	-	7,196,952	(35,301)	-	7,161,651
Financial assets purchased under resale agreements	1,397,235	-	-	-	-	1,397,235	-	-	1,397,235
Financial assets at fair value through profit or loss	9,665,997	-	-	8,727,755	-	18,393,752	-	-	18,393,752
Financial investments available-for-sale	48,504,468	7,591,843	-	7,488,734	-	63,585,045	-	-	63,585,045
Financial investments held-to-maturity	9,880,899	(7,191,093)	-	-	-	2,689,806	-	-	2,689,806
Loans, advances and financing	274,430,691	-	-	322,892	1,499,270	276,252,853	-	-	276,252,853
Derivative assets	1,954,476	-	-	33,026	-	1,987,502	-	-	1,987,502
Reinsurance/retakaful assets and other insurance receivables	-	-	-	2,173,794	-	2,173,794	-	-	2,173,794
Other assets	6,661,305	-	-	(1,911,485)	-	4,749,820	-	-	4,749,820
Investment properties	62,007	-	-	480,470	-	542,477	-	-	542,477
Statutory deposits with central banks	10,577,416	-	-	-	-	10,577,416	-	-	10,577,416
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Interest in associates	2,406,462	-	-	-	-	2,406,462	-	-	2,406,462
Property, plant and equipment	2,372,534	-	-	62,745	-	2,435,279	-	(217,796)	2,217,483
Intangible assets	6,507,949	-	-	22,308	-	6,530,257	-	217,796	6,748,053
Deferred tax assets	1,421,934	(100,188)	-	1,860	-	1,323,606	-	-	1,323,606
Life, general takaful and family takaful fund assets	19,903,312	-	-	(19,903,312)	-	-	-	-	-
TOTAL ASSETS	451,288,751	300,562	-	-	1,499,270	453,088,583	(1,493,746)	-	451,594,837

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(a) Reconciliation of statement of financial position as at 1 July 2011 and as at 31 December 2011 (cont'd.)

Group (cont'd.)	FRS as at 31 December 2011 RM'000	Note A29(i) RM'000	Note A29(ii) RM'000	Note A29(iii) RM'000	Note A29(iv)(c) RM'000	Effects after adoption of MFRS RM'000	Note A29(iv)(a) RM'000	Note A29(iv)(b) RM'000	MFRS as at 31 December 2011 RM'000
LIABILITIES									
Deposits from customers	313,709,780	-	-	-	-	313,709,780	982,465	-	314,692,245
Deposits and placements from financial institutions	36,760,978	-	-	-	-	36,760,978	-	-	36,760,978
Obligations on financial assets sold under repurchase agreements	267,652	-	-	-	-	267,652	-	-	267,652
Bills and acceptances payable	4,472,872	-	-	-	-	4,472,872	-	-	4,472,872
Derivative liabilities	2,162,709	-	-	-	-	2,162,709	-	-	2,162,709
Insurance/takaful contract liabilities and other insurance payable	-	-	(1,373,500)	21,464,408	-	20,090,908	-	-	20,090,908
Other liabilities	10,576,494	-	-	(1,692,377)	-	8,884,117	(2,476,211)	-	6,407,906
Recourse obligation on loans and financing sold to Cagamas	715,603	-	-	-	1,499,270	2,214,873	-	-	2,214,873
Provision for taxation and zakat	320,212	-	-	62,350	-	382,562	-	-	382,562
Deferred tax liabilities	263,605	-	339,489	68,931	-	672,025	-	-	672,025
Borrowings	7,185,230	-	-	-	-	7,185,230	-	-	7,185,230
Subordinated obligations	14,160,553	-	-	-	-	14,160,553	-	-	14,160,553
Capital securities	6,113,761	-	-	-	-	6,113,761	-	-	6,113,761
Life, general takaful and family takaful fund liabilities	2,886,104	-	-	(2,886,104)	-	-	-	-	-
Life, general takaful and family takaful policy holders' funds	17,017,208	-	-	(17,017,208)	-	-	-	-	-
TOTAL LIABILITIES	416,612,761	-	(1,034,011)	-	1,499,270	417,078,020	(1,493,746)	-	415,584,274

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(a) Reconciliation of statement of financial position as at 1 July 2011 and as at 31 December 2011 (cont'd.)

Group (cont'd.)	FRS as at 31 December 2011 RM'000	Note A29(i) RM'000	Note A29(ii) RM'000	Note A29(iii) RM'000	Note A29(iv)(c) RM'000	Effects after adoption of MFRS RM'000	Note A29(iv)(a) RM'000	Note A29(iv)(b) RM'000	MFRS as at 31 December 2011 RM'000
SHAREHOLDERS' EQUITY									
Share capital	7,639,437	-	-	-	-	7,639,437	-	-	7,639,437
Share premium	9,598,847	-	-	-	-	9,598,847	-	-	9,598,847
Retained profits	9,713,321	-	680,446	-	-	10,393,767	-	-	10,393,767
Other reserves	6,493,822	296,832	33,538	-	-	6,824,192	-	-	6,824,192
	<u>33,445,427</u>	<u>296,832</u>	<u>713,984</u>	<u>-</u>	<u>-</u>	<u>34,456,243</u>	<u>-</u>	<u>-</u>	<u>34,456,243</u>
Non-controlling interests	1,230,563	3,730	320,027	-	-	1,554,320	-	-	1,554,320
Total equity	<u>34,675,990</u>	<u>300,562</u>	<u>1,034,011</u>	<u>-</u>	<u>-</u>	<u>36,010,563</u>	<u>-</u>	<u>-</u>	<u>36,010,563</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>451,288,751</u>	<u>300,562</u>	<u>-</u>	<u>-</u>	<u>1,499,270</u>	<u>453,088,583</u>	<u>(1,493,746)</u>	<u>-</u>	<u>451,594,837</u>

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(a) Reconciliation of statement of financial position as at 1 July 2011 and as at 31 December 2011

Bank	FRS as at 1 July 2011 RM'000	Note A29(i) RM'000	Effects after adoption of MFRS RM'000	Note A29(iv)(b) RM'000	MFRS as at 1 July 2011 RM'000	FRS as at 31 December 2011 RM'000	Note A29(i) RM'000	Effects after adoption of MFRS RM'000	Note A29(iv)(b) RM'000	MFRS as at 31 December 2011 RM'000
ASSETS										
Cash and short-term funds	25,803,796	-	25,803,796	-	25,803,796	35,966,579	-	35,966,579	-	35,966,579
Deposits and placements with financial institutions	7,644,471	-	7,644,471	-	7,644,471	6,246,093	-	6,246,093	-	6,246,093
Financial assets purchased under resale agreements	-	-	-	-	-	1,397,235	-	1,397,235	-	1,397,235
Financial assets at fair value through profit or loss	2,884,895	-	2,884,895	-	2,884,895	7,325,466	-	7,325,466	-	7,325,466
Financial investments available-for-sale	40,262,042	6,838,838	47,100,880	-	47,100,880	39,618,975	6,895,225	46,514,200	-	46,514,200
Financial investments held-to-maturity	8,339,494	(6,701,424)	1,638,070	-	1,638,070	8,804,797	(6,688,864)	2,115,933	-	2,115,933
Loans, advances and financing	181,572,844	-	181,572,844	-	181,572,844	194,174,085	-	194,174,085	-	194,174,085
Derivative assets	1,626,415	-	1,626,415	-	1,626,415	1,949,344	-	1,949,344	-	1,949,344
Other assets	1,420,365	-	1,420,365	-	1,420,365	2,240,433	-	2,240,433	-	2,240,433
Statutory deposits with Central Banks	4,313,116	-	4,313,116	-	4,313,116	6,095,129	-	6,095,129	-	6,095,129
Investment in subsidiaries	17,070,392	-	17,070,392	-	17,070,392	17,230,202	-	17,230,202	-	17,230,202
Interest in associates	454,412	-	454,412	-	454,412	456,512	-	456,512	-	456,512
Property, plant and equipment	1,170,183	-	1,170,183	(125,249)	1,044,934	1,298,891	-	1,298,891	(215,612)	1,083,279
Intangible assets	177,270	-	177,270	125,249	302,519	173,933	-	173,933	215,612	389,545
Deferred tax assets	920,837	(34,353)	886,484	-	886,484	867,163	(51,590)	815,573	-	815,573
TOTAL ASSETS	293,660,532	103,061	293,763,593	-	293,763,593	323,844,837	154,771	323,999,608	-	323,999,608

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(a) Reconciliation of statement of financial position as at 1 July 2011 and as at 31 December 2011 (cont'd.)

Bank (cont'd.)	FRS as at 1 July 2011 RM'000	Note A29(i) RM'000	Effects after adoption of MFRS RM'000	Note A29(iv)(b) RM'000	MFRS as at 1 July 2011 RM'000	FRS as at 31 December 2011 RM'000	Note A29(i) RM'000	Effects after adoption of MFRS RM'000	Note A29(iv)(b) RM'000	MFRS as at 31 December 2011 RM'000
LIABILITIES										
Deposits from customers	201,465,408	-	201,465,408	-	201,465,408	222,895,293	-	222,895,293	-	222,895,293
Deposits and placements from financial institutions	31,441,675	-	31,441,675	-	31,441,675	35,555,592	-	35,555,592	-	35,555,592
Obligations on financial assets sold under repurchase agreements	373,562	-	373,562	-	373,562	267,652	-	267,652	-	267,652
Bills and acceptances payable	7,115,673	-	7,115,673	-	7,115,673	3,610,141	-	3,610,141	-	3,610,141
Derivative liabilities	1,446,311	-	1,446,311	-	1,446,311	2,072,731	-	2,072,731	-	2,072,731
Other liabilities	4,240,156	-	4,240,156	-	4,240,156	6,351,178	-	6,351,178	-	6,351,178
Recourse obligation on loans and financing sold to Cagamas	528,285	-	528,285	-	528,285	715,603	-	715,603	-	715,603
Provision for taxation and zakat	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Borrowings	3,420,499	-	3,420,499	-	3,420,499	4,208,282	-	4,208,282	-	4,208,282
Subordinated obligations	9,509,786	-	9,509,786	-	9,509,786	12,574,919	-	12,574,919	-	12,574,919
Capital securities	6,120,774	-	6,120,774	-	6,120,774	6,113,761	-	6,113,761	-	6,113,761
TOTAL LIABILITIES	265,662,129	-	265,662,129	-	265,662,129	294,365,152	-	294,365,152	-	294,365,152
SHAREHOLDERS' EQUITY										
Share capital	7,478,206	-	7,478,206	-	7,478,206	7,639,437	-	7,639,437	-	7,639,437
Share premium	8,583,711	-	8,583,711	-	8,583,711	9,598,847	-	9,598,847	-	9,598,847
Retained profit	5,140,905	-	5,140,905	-	5,140,905	4,895,012	-	4,895,012	-	4,895,012
Other reserves	6,795,581	103,061	6,898,642	-	6,898,642	7,346,389	154,771	7,501,160	-	7,501,160
Total equity	27,998,403	103,061	28,101,464	-	28,101,464	29,479,685	154,771	29,634,456	-	29,634,456
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	293,660,532	103,061	293,763,593	-	293,763,593	323,844,837	154,771	323,999,608	-	323,999,608

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(a) Reconciliation of statement of financial position as at 1 July 2011 and as at 31 December 2011

Group Islamic Banking Scheme	FRS as at 1 July 2011			MFRS as at 1 July 2011			FRS as at 31 December 2011			MFRS as at 31 December 2011		
	RM'000	Note A29(i) RM'000	Note A29(iv)(c) RM'000	RM'000	RM'000	Note A29(i) RM'000	Note A29(iv)(c) RM'000	RM'000	RM'000	Note A29(i) RM'000	Note A29(iv)(c) RM'000	RM'000
ASSETS												
Cash and short-term funds	9,684,169	-	-	9,684,169	8,971,617	-	-	8,971,617				
Deposits and placements with financial institutions	394,136	-	-	394,136	429,910	-	-	429,910				
Financial investments portfolio	6,823,392	1,645	-	6,825,037	8,640,930	3,117	-	8,644,047				
Financing and advances	46,244,031	-	682,679	46,926,710	50,926,004	-	1,499,270	52,425,274				
Deferred tax assets	161,550	(411)	-	161,139	178,148	(779)	-	177,369				
Derivative assets	14,646	-	-	14,646	28,198	-	-	28,198				
Other assets	4,737,314	-	-	4,737,314	4,492,748	-	-	4,492,748				
Statutory deposits with Central Bank	913,900	-	-	913,900	1,834,800	-	-	1,834,800				
Property, plant and equipment	918	-	-	918	3,701	-	-	3,701				
Intangible assets	347	-	-	347	2,551	-	-	2,551				
TOTAL ASSETS	68,974,403	1,234	682,679	69,658,316	75,508,607	2,338	1,499,270	77,010,215				

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(a) Reconciliation of statement of financial position as at 1 July 2011 and as at 31 December 2011 (cont'd.)

Group Islamic Banking Scheme (cont'd.)	FRS as at 1 July 2011			MFRS as at 1 July 2011			FRS as at 31 December 2011			MFRS as at 31 December 2011		
	RM'000	Note A29(i) RM'000	Note A29(iv)(c) RM'000	RM'000	RM'000	Note A29(i) RM'000	Note A29(iv)(c) RM'000	RM'000	RM'000	RM'000	RM'000	
LIABILITIES												
Deposits from customers	50,890,270	-	-	50,890,270	59,090,400	-	-	59,090,400				
Deposit and placements from banks and other financial institutions	11,292,077	-	-	11,292,077	9,449,458	-	-	9,449,458				
Bills and acceptances payable	1,115,350	-	-	1,115,350	504,237	-	-	504,237				
Recourse obligation on financing sold to Cagamas	-	-	682,679	682,679	-	-	1,499,270	1,499,270				
Derivatives liabilities	53,504	-	-	53,504	96,179	-	-	96,179				
Other liabilities	175,494	-	-	175,494	193,515	-	-	193,515				
Provision for taxation and zakat	52,931	-	-	52,931	109,256	-	-	109,256				
Subordinated Sukuk	1,010,637	-	-	1,010,637	1,010,723	-	-	1,010,723				
TOTAL LIABILITIES	64,590,263	-	682,679	65,272,942	70,453,768	-	1,499,270	71,953,038				
ISLAMIC BANKING FUNDS												
Islamic Banking Funds	459,287	-	-	459,287	943,296	-	-	943,296				
Reserves	3,924,853	1,234	-	3,926,087	4,111,543	2,338	-	4,113,881				
Total equity	4,384,140	1,234	-	4,385,374	5,054,839	2,338	-	5,057,177				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	68,974,403	1,234	682,679	69,658,316	75,508,607	2,338	1,499,270	77,010,215				

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(b)(i) Reconciliation of income statement for the period ended 31 December 2011

Group	3 Months Ended			12 Months Ended				
	Under FRS 31 December 2011 RM'000	Note A29(i) RM'000	Note A29(ii) RM'000	Under MFRS 31 December 2011 RM'000	Under FRS 31 December 2011 RM'000	Note A29(i) RM'000	Note A29(ii) RM'000	Under MFRS 31 December 2011 RM'000
Interest income	3,651,685	-	-	3,651,685	13,143,978	-	-	13,143,978
Interest expense	(1,499,018)	-	-	(1,499,018)	(5,519,537)	-	-	(5,519,537)
Net interest income	2,152,667	-	-	2,152,667	7,624,441	-	-	7,624,441
Income from Islamic Banking Scheme operations:								
Gross operating income	491,707	-	-	491,707	1,881,098	-	-	1,881,098
Profit equalisation reserves	-	-	-	-	(42,267)	-	-	(42,267)
	491,707	-	-	491,707	1,838,831	-	-	1,838,831
	2,644,374	-	-	2,644,374	9,463,272	-	-	9,463,272
Net income from insurance and takaful business:								
Income from insurance and takaful business	648,246	-	(72,747)	575,499	1,413,692	-	7,691	1,421,383
Claims incurred and expense liability	(325,915)	-	-	(325,915)	(565,344)	-	-	(565,344)
	322,331	-	(72,747)	249,584	848,348	-	7,691	856,039
	2,966,705	-	(72,747)	2,893,958	10,311,620	-	7,691	10,319,311
Non-interest income	1,151,478	-	-	1,151,478	4,499,684	-	-	4,499,684
Net income	4,118,183	-	(72,747)	4,045,436	14,811,304	-	7,691	14,818,995
Overhead expenses	(2,053,954)	-	-	(2,053,954)	(7,457,910)	-	-	(7,457,910)
Operating profit before impairment losses	2,064,229	-	(72,747)	1,991,482	7,353,394	-	7,691	7,361,085
Allowance for losses on loans, advances and financing	(230,333)	-	-	(230,333)	(448,998)	-	-	(448,998)
Impairment losses on financial investments, net	(68,255)	-	-	(68,255)	(176,970)	-	-	(176,970)
Operating Profit	1,765,641	-	(72,747)	1,692,894	6,727,426	-	7,691	6,735,117
Share of profits in associates	37,713	-	-	37,713	140,077	-	-	140,077
Profit before taxation and zakat	1,803,354	-	(72,747)	1,730,607	6,867,503	-	7,691	6,875,194
Taxation & Zakat	(432,885)	-	18,187	(414,698)	(1,751,689)	-	(1,922)	(1,753,611)
Profit for the period/year	1,370,469	-	(54,560)	1,315,909	5,115,814	-	5,769	5,121,583
Attributable to:								
Equity holders of the Bank	1,296,679	-	(37,674)	1,259,005	4,879,985	-	3,983	4,883,968
Non-controlling interest	73,790	-	(16,886)	56,904	235,829	-	1,786	237,615
	1,370,469	-	(54,560)	1,315,909	5,115,814	-	5,769	5,121,583

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(b)(ii) Reconciliation of statement of comprehensive income for the period ended 31 December 2011

<u>Group</u>	3 Months Ended			12 Months Ended				
	Under FRS 31 December 2011 RM'000	Note A29(i) RM'000	Note A29(ii) RM'000	Under MFRS 31 December 2011 RM'000	Under FRS 31 December 2011 RM'000	Note A29(i) RM'000	Note A29(ii) RM'000	Under MFRS 31 December 2011 RM'000
Profit for the period/year	1,370,469	-	(54,560)	1,315,909	5,115,814	-	5,769	5,121,583
Other comprehensive income/(loss):								
Net gain on financial investments available-for-sale	14,182	38,253	31,839	84,274	274,348	119,897	(30,592)	363,653
- As previously reported	14,182	-	-	14,182	274,348	-	-	274,348
- Movement during the period/effect of adopting MFRS 1	-	38,253	-	38,253	-	119,897	-	119,897
- Movement during the period/effect of change in accounting policy	-	-	31,839	31,839	-	-	(30,592)	(30,592)
Income tax relating to components of other comprehensive income	(5,546)	(9,564)	(7,960)	(23,070)	(102,925)	(29,975)	7,648	(125,252)
- As previously reported	(5,546)	-	-	(5,546)	(102,925)	-	-	(102,925)
- Movement during the period/effect of adopting MFRS 1	-	(9,564)	-	(9,564)	-	(29,975)	-	(29,975)
- Movement during the period/effect of change in accounting policy	-	-	(7,960)	(7,960)	-	-	7,648	7,648
Foreign currency translation	(448,638)	-	-	(448,638)	312,924	-	-	312,924
Changes in other reserves	(101)	-	-	(101)	(220)	-	-	(220)
Other comprehensive income/(loss): for the period/year, net of tax	(440,103)	28,689	23,879	(387,535)	484,127	89,922	(22,944)	551,105
Total comprehensive income for the period/year	930,366	28,689	(30,681)	928,374	5,599,941	89,922	(17,175)	5,672,688
Total comprehensive income for the period attributable to:								
Equity holders of the Bank	855,305	28,255	(21,185)	862,375	5,356,562	88,957	(11,860)	5,433,659
Non-controlling interest	75,061	434	(9,496)	65,999	243,379	965	(5,315)	239,029
	930,366	28,689	(30,681)	928,374	5,599,941	89,922	(17,175)	5,672,688

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(c)(i) Reconciliation of income statement for the period ended 31 December 2011

Bank	3 Months Ended			12 Months Ended		
	Under FRS 31 December 2011 RM'000	Note A29(i) RM'000	Under MFRS 31 December 2011 RM'000	Under FRS 31 December 2011 RM'000	Note A29(i) RM'000	Under MFRS 31 December 2011 RM'000
Interest income	2,809,550	-	2,809,550	10,012,556	-	10,012,556
Interest expense	(1,148,252)	-	(1,148,252)	(4,163,954)	-	(4,163,954)
Net interest income	1,661,298	-	1,661,298	5,848,602	-	5,848,602
Non-interest income	800,055	-	800,055	3,382,459	-	3,382,459
Net income	2,461,353	-	2,461,353	9,231,061	-	9,231,061
Overhead expenses	(1,052,675)	-	(1,052,675)	(4,113,276)	-	(4,113,276)
Operating profit before impairment losses	1,408,678	-	1,408,678	5,117,785	-	5,117,785
Allowance for losses on loans, advances and financing	(123,448)	-	(123,448)	(29,459)	-	(29,459)
Impairment losses on financial investments, net	(63,122)	-	(63,122)	(162,888)	-	(162,888)
Profit before taxation and zakat	1,222,108	-	1,222,108	4,925,438	-	4,925,438
Taxation	(312,973)	-	(312,973)	(1,229,661)	-	(1,229,661)
Profit for the period/year	909,135	-	909,135	3,695,777	-	3,695,777

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A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(c)(ii) Reconciliation of statement of comprehensive income for the period ended 31 December 2011

Bank	3 Months Ended			12 Months Ended		
	Under FRS 31 December 2011 RM'000	Note A29(i) RM'000	Under MFRS 31 December 2011 RM'000	Under FRS 31 December 2011 RM'000	Note A29(i) RM'000	Under MFRS 31 December 2011 RM'000
Profit for the period/year	909,135	-	909,135	3,695,777	-	3,695,777
Other comprehensive (loss)/income:						
Net (loss)/gain on financial investments available-for-sale	(22,904)	15,580	(7,324)	322,151	68,947	391,098
- As previously reported	(22,904)	-	(22,904)	322,151	-	322,151
- Movement during the period/effect of adopting MFRS 1	-	15,580	15,580	-	68,947	68,947
Income tax relating to components of other comprehensive income	5,250	(3,895)	1,355	(90,004)	(17,237)	(107,241)
- As previously reported	5,250	-	5,250	(90,004)	-	(90,004)
- Movement during the period/effect of adopting MFRS 1	-	(3,895)	(3,895)	-	(17,237)	(17,237)
Foreign currency translation	(23,012)	-	(23,012)	114,247	-	114,247
Other comprehensive (loss)/income for the period/year, net of tax	(40,666)	11,685	(28,981)	346,394	51,710	398,104
Total comprehensive income for the period/year	868,469	11,685	880,154	4,042,171	51,710	4,093,881

A29. Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies (cont'd.)

(c)(ii) Reconciliation of statement of comprehensive income for the period ended 31 December 2011

Group Islamic Banking Scheme

	3 Months Ended			12 Months Ended		
	Under FRS 31 December 2011 RM'000	Note A29(i) RM'000	Under MFRS 31 December 2011 RM'000	Under FRS 31 December 2011 RM'000	Note A29(i) RM'000	Under MFRS 31 December 2011 RM'000
Profit for the period/year	206,361	-	206,361	781,459	-	781,459
Other comprehensive income/(loss):						
Foreign currency translation	3,071	-	3,071	905	-	905
Net gain/(loss) on financial investments available-for-sale	11,468	450	11,918	57,040	(1,472)	55,568
Income tax relating to components of other comprehensive income	(2,905)	(112)	(3,017)	(13,040)	368	(12,672)
Other comprehensive income/(loss) for the period/year, net of tax	11,634	338	11,972	44,905	(1,104)	43,801
Total comprehensive income/(loss) for the period/year	217,995	338	218,333	826,364	(1,104)	825,260

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A30. Credit Exposure arising from Credit Transactions with Connected Parties

	31 December 2012	Group 31 December 2011	1 July 2011
Outstanding credit exposures with connected parties (RM'000)	24,145,302	24,765,729	26,226,304
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	7.8%	9.0%	10.3%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	-	-	-
	31 December 2012	Bank 31 December 2011	1 July 2011
Outstanding credit exposures with connected parties (RM'000)	23,472,554	22,922,705	21,934,288
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	10.9%	11.8%	12.1%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	-	-	-

The credit exposure above are based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

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A31. The Operations of Islamic Banking Scheme

A31a. Audited Income Statements for the Fourth Quarter and Financial Year Ended 31 December 2012

Group	Quarter Ended		Cumulative 12 Months Ended*	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Income derived from investment of depositors' funds	813,442	761,760	3,557,278	2,980,598
Expenses directly attributable to depositors and Islamic Banking Funds	43,220	(19,521)	(69,876)	(44,969)
Transfer to profit equalisation reserve	-	-	-	(42,267)
Gross attributable income	856,662	742,239	3,487,402	2,893,362
Writeback of/ (Allowance for) impairment losses on financing and advances	13,229	(31,301)	33,701	(60,408)
Total attributable income	869,891	710,938	3,521,103	2,832,954
Income attributable to the depositors	(484,967)	(378,185)	(1,757,225)	(1,304,308)
Income attributable to the Group	384,924	332,753	1,763,878	1,528,646
Income derived from investment of Islamic Banking Funds	46,688	112,178	310,838	184,896
Finance cost	(10,666)	(10,607)	(41,913)	(31,823)
Overhead expenses	(201,233)	(159,449)	(710,799)	(640,337)
Profit before taxation and zakat	219,713	274,875	1,322,004	1,041,382
Taxation	(51,379)	(67,609)	(315,846)	(249,013)
Zakat	(2,102)	(905)	(16,613)	(10,910)
Profit for the year/period	166,232	206,361	989,545	781,459

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

Group	Quarter Ended		Cumulative 12 Months Ended*	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Gross attributable income	856,662	742,239	3,487,402	2,893,362
Income derived from investment of Islamic Banking Funds	46,688	112,178	310,838	184,896
Total income before allowance for impairment on financing and advances and overhead expenses	903,350	854,417	3,798,240	3,078,258
Income attributable to the depositors	(484,967)	(378,185)	(1,757,225)	(1,304,308)
Finance cost	(10,666)	(10,607)	(41,913)	(31,823)
Net of intercompany income & expenses	118,738	26,082	197,157	96,704
Income from Islamic Banking Scheme	526,455	491,707	2,196,259	1,838,831

*(The Group has changed its financial year-end from 30 June to 31 December. Comparatives for cumulative quarters consist of 12 months results beginning 1 January 2011 to 31 December 2011. The figures have not been audited)

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A31. The Operations of Islamic Banking Scheme (cont'd.)

A31b. Audited Statements of Comprehensive Income for the Fourth Quarter and Financial Year Ended 31 December 2012

	Quarter Ended		Cumulative 12 Months Ended*	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
Profit for the period/year	166,232	206,361	989,545	781,459
Other comprehensive (loss)/income:				
Foreign currency translation	(2,915)	3,071	(33,499)	905
Net (loss)/gain on revaluation of financial investments available-for-sale	(7,998)	11,918	(27,049)	55,568
Income tax relating to components of other comprehensive income	1,938	(3,017)	6,148	(12,672)
Other comprehensive (loss)/income for the period/year, net of tax	(8,975)	11,972	(54,400)	43,801
Total comprehensive income for the period/year	157,257	218,333	935,145	825,260

*(The Group has changed its financial year-end from 30 June to 31 December. Comparatives for cumulative quarters consist of 12 months results beginning 1 January 2011 to 31 December 2011. The figures have not been audited)

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A31. The Operations of Islamic Banking Scheme (cont'd.)

A31c. Audited Statements of Financial Position as at 31 December 2012

<u>Group</u>		31 December 2012	31 December 2011	1 July 2011
	Note	RM'000	RM'000	RM'000
ASSETS				
Cash and short-term funds		13,026,886	8,971,617	9,684,169
Deposits and placements with financial institutions		293,552	429,910	394,136
Financial investment portfolio		9,810,498	8,644,047	6,825,037
Financing and advances	A31d	62,230,793	52,425,274	46,926,710
Deferred tax assets		199,408	177,369	161,139
Derivative assets		48,227	28,198	14,646
Other assets		4,891,200	4,492,748	4,737,314
Statutory deposit with Bank Negara Malaysia		2,399,000	1,834,800	913,900
Intangible assets		3,117	3,701	918
Property, plant and equipment		1,808	2,551	347
Total Assets		92,904,489	77,010,215	69,658,316
LIABILITIES				
Deposits from customers	A31e	71,319,635	59,090,400	50,890,270
Deposit and placements from financial institutions		13,206,242	9,449,458	11,292,077
Bills and acceptances payable		419,749	504,237	1,115,350
Derivatives liabilities		113,980	96,179	53,504
Other liabilities		281,481	193,515	175,494
Recourse obligation on financing sold to Cagamas		905,181	1,499,270	682,679
Provision for taxation and zakat		162,043	109,256	52,931
Subordinated Sukuk	A31f	1,010,782	1,010,723	1,010,637
Total Liabilities		87,419,093	71,953,038	65,272,942
ISLAMIC BANKING CAPITAL FUNDS				
Islamic Banking Funds		863,719	943,296	459,287
Reserves		4,621,677	4,113,881	3,926,087
		5,485,396	5,057,177	4,385,374
Total Liabilities and Islamic Banking Funds		92,904,489	77,010,215	69,658,316
COMMITMENTS AND CONTINGENCIES		29,167,879	21,354,255	17,960,933

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A31. The Operations of Islamic Banking Scheme (cont'd.)

A31d. Financing and Advances

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
Cashline	2,327,525	2,103,900	2,027,371
Term financing			
- Housing financing	10,046,199	7,275,137	6,237,944
- Syndicated financing	292,290	632,750	235,582
- Hire purchase receivables	20,080,150	19,666,858	18,880,751
- Other term financing	62,592,868	43,787,468	37,591,734
Bills receivable	123	4,610	2,201
Trust receipts	184,782	204,263	170,724
Claims on customers under acceptance credits	3,706,533	3,507,816	3,648,182
Staff financing	1,048,592	427,004	782,675
Credit card receivables	365,908	340,254	307,454
Revolving credit	4,554,279	4,315,880	3,319,247
	105,199,249	82,265,940	73,203,865
Unearned income	(42,264,783)	(28,894,399)	(25,341,649)
Gross financing and advances*	62,934,466	53,371,541	47,862,216
Allowance for impairment on financing and advances:			
- Individual allowance	(95,836)	(298,840)	(354,688)
- Collective allowance	(607,837)	(647,427)	(580,818)
Net financing and advances	62,230,793	52,425,274	46,926,710

* Included in gross financing and advances are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA") amounting to RM650.0 million (31 December 2011: RM650.0 million, 1 July 2011: RM650.0 million), an arrangement between Maybank Islamic Berhad ("MIB") and the Bank, where the risks and rewards of the RPSIA will be accounted by the Bank including the individual and collective allowances for the impaired financing arising thereon.

A31d. (i) Movements in impaired financing and advances are as follows:

	Group	
	31 December 2012 RM'000	31 December 2011 RM'000
At beginning of the year/period	811,973	928,549
Impaired during the year/period	313,406	96,134
Recovered/regularised during the year/period	(319,372)	(120,539)
Amount written off	(299,925)	(101,619)
Expenses debited to customers' accounts	24,966	9,448
At end of the year/period	531,048	811,973
Less: Individual allowance	(95,836)	(298,840)
Net impaired financing and advances	435,212	513,133
Gross financing and advances (excluding RPSIA financing)	62,284,466	52,721,541
Less:		
- Individual allowance	(95,836)	(298,840)
Net financing and advances	62,188,630	52,422,701
Net impaired financing and advances as a percentage of net financing and advances	0.70%	0.98%

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A31. The Operations of Islamic Banking Scheme (cont'd.)

A31d. (ii) Movement in the allowance for impaired financing and advances are as follows:

	Group	
	31 December 2012	31 December 2011
	RM'000	RM'000
<u>Individual allowance</u>		
At beginning of the year/period	298,840	354,688
Allowance made during the year/period	63,616	28,449
Amount written back in respect of recoveries	(61,863)	(38,004)
Amount written off	(204,688)	(45,554)
Amount transfer to collective allowance	-	(739)
Exchange difference	(69)	-
At end of the year/period	95,836	298,840
<u>Collective allowance</u>		
At beginning of the year/period	647,427	580,818
Amount transfer from MILL conventional banking	-	4,153
Allowance made during the year/period *	56,496	117,604
Amount written off	(95,237)	(56,065)
Amount transfer from individual allowance	-	739
Exchange difference	(849)	178
At end of the year/period	607,837	647,427
As a percentage of gross financing and advances (excluding RPSIA financing) less individual allowance	0.98%	1.24%

* As at 31 December 2012, the gross exposures to RPSIA financing of RM650.0 million (31 December 2011: RM650.0 million, 1 July 2011: RM650.0 million) is excluded from gross financing and advances for the individual and collective allowance computation. The collective allowance relating to this RPSIA amounting RM1.5 million (31 December 2011: RM1.5 million, 1 July 2011: RM1.5 million) is recognised in the Group's conventional operations. There was no individual allowance provided on this RPSIA financing.

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A31. The Operations of Islamic Banking Scheme (cont'd.)

A31e. Deposits from Customers

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
(i) By type of deposit			
<u>Mudharabah Fund</u>			
Demand deposits	7,044,116	3,603,096	3,777,414
Savings deposits	579,823	508,499	423,091
General Investment deposits	15,909,017	20,917,948	17,146,396
Negotiable instruments of deposits	242,623	257,716	242,829
	23,775,579	25,287,259	21,589,730
<u>Non-Mudharabah Fund</u>			
Demand deposits	7,961,812	5,866,894	5,734,190
Savings deposits	8,011,365	6,689,436	6,178,284
Fixed return investment deposits	31,223,265	21,046,377	16,845,483
Structured deposits	347,614	200,434	542,583
	47,544,056	33,803,141	29,300,540
Total deposit from customers	71,319,635	59,090,400	50,890,270

A31f. Subordinated Sukuk

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 July 2011 RM'000
RM1.0 billion Islamic Subordinated Sukuk due in 2021	1,010,782	1,010,723	1,010,637

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

B1. Performance Review

(i) Current Period-to-Date vs Previous Corresponding Period-to-Date

The Group posted profit after tax attributable to equity holders of RM5,744.7 million for the financial year ended 31 December 2012, an increase of RM860.7 million or 17.6% over the corresponding 12 months financial period ended 31 December 2011.

The Group's net interest income and Islamic banking income for the financial year ended 31 December 2012 increased by RM1,213.7 million or 12.8% compared to the corresponding 12 months financial period ended 31 December 2011. This was largely due to the 13.2% year-on-year growth in the Group's net loans and advances (including Islamic finance).

Non-interest income of the Group for the financial year ended 31 December 2012 recorded an increase of RM774.1 million or 17.2% to RM5,273.7 million. Fee income increased by RM577.1 million, mainly contributed by higher fee income from the Bank, higher wakalah fee earned by Etiqa Takaful Berhad and higher fee income from Maybank Kim Eng during the financial year ended 31 December 2012 whereas in the preceding corresponding period, Maybank Kim Eng's results were consolidated for eight months as the Maybank Kim Eng's acquisition was completed in May 2011. The Group also benefited from higher gain on sale of securities portfolio and higher unrealised gain on revaluation of securities held-for-trading and derivatives of RM231.4 million and RM343.8 million respectively. The increase was, however, offset by lower foreign exchange profit and lower gain on sale of development properties of RM334.8 million and RM71.1 million respectively.

The Group's overhead expenses for the financial year ended 31 December 2012 increased by RM700.2 million or 9.4% compared to the corresponding 12 months financial period ended 31 December 2011. The major contributors to the increase in overhead expenses were the Bank itself, Maybank Kim Eng, Maybank Islamic Bank and Maybank Investment Bank. The Group's personnel costs increased by RM595.8 million and formed 85.1% of the total increase in Group's overhead expenses. The increase in personnel costs was in line with the Group's business growth and its expansion plan.

Allowance for losses on loans, advances and financing increased by RM193.7 million to RM642.7 million. The increase was mainly due to higher individual allowances made. The Group's net impaired loans ratio improved to 1.09% as at 31 December 2012, compared to 1.86% as at 31 December 2011.

The improvement in Group's profit before tax for the financial year ended 31 December 2012 as compared to corresponding 12 months financial period ended 31 December 2011 is analysed based on the operating segments of the Group as follows:

Community Financial Services ("CFS"), Malaysia

CFS' operating profit before impairment losses increased by RM70.7 million or 2.2% to RM3,323.8 million for the financial year ended 31 December 2012 from RM3,253.1 million for the corresponding 12 months financial period ended 31 December 2011. The increase was driven by higher net interest income of RM169.1 million or 3.2% arising from strong loan growth in retail mortgage of 15.2% and unit trust loans of 18.1% and higher non-interest income of RM75.2 million. This was mitigated by higher overhead expenses of RM173.6 million.

However, CFS' profit before tax decreased by RM222.9 million or 6.9% to RM3,024.2 million for the financial year ended 31 December 2012 from RM3,247.1 million for the corresponding 12 months financial period ended 31 December 2011. The decrease was mainly due to higher allowance for losses on loans, advances and financing of RM293.6 million.

Global Wholesale Banking

a) Corporate Banking, Malaysia

Corporate Banking's profit before tax increased by RM748.7 million or 60.3% to RM1,989.4 million for the financial year ended 31 December 2012 from RM1,240.7 million for the 12 months financial period ended 31 December 2011. The increase was driven by higher net interest income of RM569.4 million arising from

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B1. Performance Review (cont'd.)

(i) Current Period-to-Date vs Previous Corresponding Period-to-Date (cont'd.)

Global Wholesale Banking (cont'd.)

a) Corporate Banking, Malaysia (cont'd.)

strong loan growth of 11.5%, higher non-interest income of RM240.1 million and higher write-back of allowance for losses on loans, advances and financing of RM33.3 million. The increase was, however, offset by higher overhead expenses of RM94.1 million.

b) Global Markets, Malaysia

Global Markets' profit before tax increased by RM209.1 million or 16.5% to RM1,473.6 million for the financial year ended 31 December 2012 from RM1,264.5 million for the corresponding 12 months financial period ended 31 December 2011. The increase was driven by higher non-interest income of RM174.8 million or 21.7% primarily from higher gains on trading activities (securities portfolio, interest rate derivatives and rates trading) and lower impairment on losses for securities of RM149.4 million. This increase was, however, offset by lower write-back of allowance for losses on loans, advances and financing of RM71.6 million and higher overhead expenses of RM34.1 million.

c) Investment Banking (Maybank IB and Maybank Kim Eng)

Investment Banking's profit before tax increased by RM218.8 million or 173.1% to RM345.2 million for the financial year ended 31 December 2012 from RM126.4 million for the corresponding 12 months financial period ended 31 December 2011. Maybank Investment Bank Berhad's ("Maybank IB") profit before tax increased from RM172.6 million for the corresponding 12 months financial period ended 31 December 2011 to RM270.7 million for the financial year ended 31 December 2012, mainly due to higher service charges and fees and commission income. Maybank Kim Eng recorded profit before tax of RM91.4 million, mainly attributable to brokerage income of RM415.7 million.

International Banking

International Banking's profit before tax increased by RM644.3 million or 39.1% to RM2,292.9 million for the financial year ended 31 December 2012 from RM1,648.6 million for 12 months financial period ended 31 December 2011. The increase was driven by higher net interest income of RM485.1 million or 16.3% arising from loan growth of 12.1%. In addition, there was an increase in non-interest income of RM210.5 million or 14.0%, primarily from Hong Kong (RM72.8 million) and Singapore (RM52.9 million) and lower of allowance for losses on loans, advances and financing of RM120.8 million. The increase was, however, offset by higher overhead expenses of RM152.8 million.

The increase in profit before tax for International Banking was mainly contributed by PT Bank Internasional Indonesia Tbk ("BII") (RM199.0 million) and Hong Kong (RM152.6 million).

Higher net interest income was contributed by strong loan growth of 13.1% at Singapore, 9.9% at Hong Kong and 9.4% at BII.

Insurance, Takaful and Asset Management

Etiqa Group's combined gross premium grew 15%, with both Life/Family business and General business increased by 18% and 10%, respectively.

Insurance, Takaful and Asset Management registered a profit before tax of RM697.6 million for the financial year ended 31 December 2012, compared to the RM789.8 million for the corresponding 12 months financial period ended 31 December 2011. Higher net income in 2011 was due mainly to additional actuarial surplus transfer of RM138.5 million by Etiqa Insurance Berhad ("EIB") in June 2011 before the introduction of the new Bank Negara Guidelines for non-participating business. In addition, there was a one-off RM98.3 million net surplus adjustment in December 2011 which arising from Etiqa Takaful Berhad's ("ETB") adoption of new Valuation Guidelines issued by Bank Negara Malaysia.

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B1. Performance Review (cont'd.)

(ii) Current Quarter vs Previous Period Corresponding Quarter

The Group posted profit after tax attributable to equity holders of RM1,459.6 million for the quarter ended 31 December 2012, an increase of RM200.6 million or 15.9% over the corresponding quarter ended 31 December 2011.

The Group's net interest income and Islamic banking income for the quarter ended 31 December 2012 increased by RM76.9 million or 2.9% compared to the corresponding quarter ended 31 December 2011. This was due to the growth in Group's net loans and advances (including Islamic finance).

Non-interest income of the Group for the quarter ended 31 December 2012 increased by RM53.9 million or 4.7% compared to the corresponding quarter ended 31 December 2011. The increase was mainly contributed by fee income of RM244.2 million. The increase was, however, offset by lower foreign exchange profit and higher unrealised loss on revaluation of derivatives of RM159.6 million and RM59.7 million respectively.

The Group's overhead expenses for the quarter ended 31 December 2012 recorded an increase of RM83.1 million or 4.0% compared to the corresponding quarter ended 31 December 2011. The increase in overhead expenses were contributed by the increase in personnel, marketing and establishment costs of RM31.0 million, RM83.9 million and RM5.2 million respectively, mitigated by lower administration and general expenses of RM37.0 million.

Allowance for losses on loans, advances and financing decreased by RM70.4 million to RM160.0 million. The decrease was mainly due to lower collective allowances made. The Group's net impaired loans ratio improved to 1.09% as at 31 December 2012, compared to 1.86% as at 31 December 2011.

The improvement in Group's profit before tax for the quarter ended 31 December 2012 as compared to the corresponding quarter ended 31 December 2011 is analysed based on the operating segments of the Group as follows:

Community Financial Services ("CFS"), Malaysia

CFS' operating profit before impairment losses increased by RM75.2 million or 8.2% to RM997.3 million for the quarter ended 31 December 2012 from RM922.1 million for the corresponding quarter ended 31 December 2011. The increase was driven by higher net interest income of RM53.8 million and higher non-interest income of RM55.5 million. The increase in interest income was primarily contributed by strong loan growth in unit trust loans of 18.1% and retail mortgage of 15.2%. The increase in net income was mitigated by higher overhead expenses of RM34.1 million.

However, CFS' profit before tax decreased by RM7.9 million or 0.9% to RM864.7 million for the quarter ended 31 December 2012 from RM872.6 million for the corresponding quarter ended 31 December 2011. The decrease was mainly due to higher allowance for losses on loans, advances and financing of RM83.1 million.

Global Wholesale Banking

a) Corporate Banking, Malaysia

Corporate Banking's profit before tax increased by RM483.9 million to RM686.0 million for the quarter ended 31 December 2012 from RM202.1 million for the corresponding quarter ended 31 December 2011. The increase was driven by higher net increase income of RM282.3 million, higher write-back of allowance for losses on loans, advances and financing of RM135.2 million and higher non-interest income of RM90.7 million. The increase in interest income was mainly due to strong loan growth in Corporate Banking of 11.5%. This increase was, however, partially offset by higher overhead expenses of RM29.0 million.

b) Global Markets, Malaysia

Global Market's profit before tax increased by RM150.1 million to RM343.8 million for the quarter ended 31 December 2012 from RM193.8 million for the corresponding quarter ended 31 December 2011. The increase was driven by higher non-interest income of RM65.7 million, lower impairment losses on securities of RM57.4 million and higher net interest income of RM19.2 million.

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B1. Performance Review (cont'd.)

(ii) Current Quarter vs Previous Period Corresponding Quarter (cont'd.)

c) Investment Banking (Maybank IB and Maybank Kim Eng)

Investment Banking's profit before tax increased by RM21.7 million to RM26.8 million for the quarter ended 31 December 2012 from RM5.1 million for the corresponding quarter ended 31 December 2011. Maybank Investment Bank Berhad's ("Maybank IB") profit before tax decreased by RM5.4 million for the quarter ended 31 December 2012 to RM12.2 million, mainly due to higher overhead expenses. This decrease was mitigated by higher Maybank Kim Eng's profit before tax of RM16.3 million.

International Banking

International Banking's profit before tax increased by RM50.1 million or 9.6% to RM573.5 million for the quarter ended 31 December 2012 from RM523.4 million for the corresponding quarter ended 31 December 2011. The increase was driven by lower overhead expenses of RM33.8 million and lower allowance for losses on loans, advances and financing of RM29.0 million and higher net interest income of RM16.1 million arising from loan growth of 12.1%. The increase was, however, offset by lower non-interest income of RM19.3 million and higher impairment losses on securities of RM6.0 million.

The increase in profit before tax for International Banking was mainly contributed by PT Bank Internasional Indonesia Tbk ("BII") (RM71.6 million), London (RM46.4 million) and Shanghai (RM19.2 million). This was, however, offset by lower profit before tax at Singapore of RM94.0 million.

Insurance, Takaful and Asset Management

Profit before tax increased by RM47.4 million or 22.1% to RM262.4 million for the quarter ended 31 December 2012 from RM215.0 million for the corresponding quarter ended 31 December 2011. The increase was mainly contributed by higher fee and commission income of RM58.7 million and net income from insurance business of RM54.6 million. This was, however, partially offset by higher overhead expenses of RM54.6 million and higher allowance for losses on loans, advances and financing of RM17.4 million.

B2. Variation of Current Quarter Results Against Preceding Quarter

The Group's profit after tax attributable to equity holders decreased by RM41.1 million or 2.7% to RM1,459.6 million over the preceding quarter ended 30 September 2012.

The Group's net interest income for the quarter ended 31 December 2012 increased by RM36.0 million or 1.7% to RM2,195.0 million against the preceding quarter which was in line with the growth in loans portfolio. Income from Islamic Banking Scheme operations recorded a decrease of RM41.7 million to RM526.5 million over the amount in the preceding quarter.

Net income from insurance and takaful business for the quarter increased by RM212.8 million to RM304.2 million due mainly to additional year end actuarial surplus transfer at Etiqa Group in December 2012 amounting to RM123.0 million.

Non-interest income for the quarter ended 31 December 2012 decreased by RM110.7 million or 8.4% to RM1,205.4 million compared to that in the preceding quarter. The decrease was mainly due to lower gain on disposal of securities and unrealised loss on revaluation of derivatives of RM110.4 million and RM142.2 million respectively. The decrease was, however, mitigated by higher fee income of RM108.7 million.

Overhead expenses for the quarter increased by RM93.0 million or 4.6% over that of the preceding quarter.

Allowance for losses on loans, advances and financing increased by RM72.6 million or 83.0% to RM160.0 million. The increase was mainly due to higher individual allowances made.

Impairment losses on securities was higher by RM4.7 million for the quarter ended 31 December 2012 as compared to the preceding quarter ended 30 September 2012.

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B3. Prospects

Global macro economic growth is expected to stabilise in 2013 with real GDP forecast at 3.4% from an expected 3.3% in 2012 due to continued US recovery, stabilising of the crisis in Eurozone, a moderate but more sustainable growth in China and sustained expansion in Asia ex-Japan. The ASEAN 5 economies of Indonesia, Malaysia, Philippines, Thailand and Vietnam, is expected to outperform on continued resilience in domestic demand and relative improvement in net external demand, with GDP growth sustained at 5.5% in 2013 from 5.7% in 2012.

Maybank's three home markets consisting of Malaysia, Singapore and Indonesia, which contribute more than 90% of the Group's income and profit, are expected to record positive revenue growth on the back of improved economic expansion. In Malaysia, real GDP growth is expected to remain resilient above 5.0% (2012: 5.6%) due to sustained domestic demand and strong investment from implementation of projects under the Economic Transformation Programme, supported by an accommodative monetary policy. However, consumer spending may turn cautious in the second half on the prospects of higher inflation on gradual withdrawal of energy-related subsidies and a possible hike in the Overnight Policy Rate. In Indonesia, strong domestic demand and inflow of foreign investments should enable it record higher GDP growth of 6.7% (2012: 6.2%) while Singapore's economic growth is expected to improve to 3.0% (2012: 1.5%) on the back of stable growth across the advanced economies.

Maybank's business momentum is expected to continue in 2013 on the back of improved loans growth in its three home markets and other markets in the region, higher non-interest income as a result healthy deal pipeline for the investment banking business, while deriving higher revenue from regional initiatives.

Having established its presence in all ten countries in ASEAN in 2012, the Group is focused on building a truly regional organisation. Global Wholesale Banking's global relationship coverage model is being extended to realise merger synergies with Maybank Kim Eng and will see closer collaboration with overseas units especially in Singapore, Indonesia and Philippines.

Adoption of good corporate governance and upgrading of IT infrastructure will further improve business capability in the Group's global wholesale banking, investment banking, credit cards, treasury and payment operations. The Group will continue to raise the quality of customer services, embed a robust right risk culture to sustain its strong asset quality, and improve effectiveness and efficiency through an optimal cost structure.

The Group is poised to remain well capitalised for 2013 in accordance with Bank Negara Malaysia's Capital Adequacy Framework on Basel III which was issued on 28 November 2012. Supported by the recent private equity placement of RM3.66 billion undertaken in October 2012 and with continued conservation of capital from the Dividend Reinvestment Plan, the Group is expected to maintain a Common Equity Tier 1 Capital ("CET1") ratio of above 7% well ahead of the minimum level of CET1 ratio (inclusive of capital conservation buffer) as required by 2019.

Barring any unforeseen circumstances, the Group expects its financial performance for the financial year ending 31 December 2013 to be better than the previous financial year. The Group has set two Headline Key Performance Indicators ("KPI") of Return on Equity ("ROE") of 15.0% (based on enlarged equity capital from private placement and dividend reinvestment plan) and Loans growth of 12.0% for the year ending 31 December 2013.

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B6. Status of Corporate Proposals Announced but Not Completed

- (a) (i) **Acquisition by Maybank Kim Eng Holdings Limited (formerly known as Kim Eng Holdings Limited) ("MKEH"), a wholly-owned subsidiary of Maybank IB Holdings Sdn. Bhd. (formerly known as Mayban IB Holdings Sdn. Bhd.) ("Maybank IB Holdings"), which in turn is a wholly-owned subsidiary of Maybank, of an aggregate of 344,427,134 common shares in Maybank ATR KimEng Financial Corporation (formerly known as ATR KimEng Financial Corporation) ("MATRKE"), representing approximately 32.24% of the total number of issued common shares of MATRKE ("Acquisition"); and**
- (ii) **Mandatory Tender Offer for all the remaining MATRKE shares not already owned, controlled or agreed to be acquired by MKEH**

Maybank had on 9 December 2011 announced that following the completion of the Acquisition, MKEH had on 24 October 2011 launched a tender offer to acquire all the remaining MATRKE shares that it did not own, at an offer price of PhP4.38 (equivalent to approximately RM0.3176, at the exchange rate of PhP1.00: RM0.0725, as at 24 October 2011, Source: Bloomberg) for each share in MATRKE ("Tender Offer"). Subsequently, the Tender Offer closed on 29 November 2011.

Pursuant to the Tender Offer result, MKEH received valid acceptances in respect of an aggregate of 261,518,034 MATRKE shares, representing approximately 24.48% of MATRKE shares. Prior to the Tender Offer, MKEH owned 797,405,432 MATRKE shares or approximately 74.64% of the MATRKE shares. Upon crossing of the tendered shares on 9 December 2011, MKEH's ownership in MATRKE has increased to 1,058,923,466 shares, representing approximately 99.11% of MATRKE shares.

Based on the above results, MATRKE's public ownership level would fall to 0.89%, which is below the 10% minimum public ownership required of listed firms. That being the case, MATRKE is evaluating steps it can take to address the matter and shall disclose the same as soon as the appropriate course of action has been finalised.

On 27 December 2012, MKEH has sold 50 million MATRKE shares to Wah Hong Investment Limited, a Hong Kong company, and another 50 million MATRKE shares to Lotus Asset Management (BVI) Limited, a British Virgin Island registered firm. The sale price is PhP4.38 per share, which is equivalent to the price MKEH paid to the stockholders of MATRKE in the Tender Offer which closed on 29 November 2011. Together, the 100 million MATRKE shares sold by MKEH represent approximately 9.36% of MATRKE shares.

Following the crossing of the 100 million MATRKE shares through the facilities of the Philippines Stock Exchange ("PSE") on 27 December 2012 and considering that 0.89% of the MATRKE's shares were already owned by the public, the public now owns approximately 10.25% of MATRKE shares. Consequently, MATRKE is now in full compliance with the PSE's minimum public ownership requirement.

- (b) (i) **Proposed acquisition of 858,499 ordinary shares of Saudi Riyal ("SAR") 10 each in Anfaal Capital ("Anfaal") by Maybank Investment Bank Berhad ("Maybank IB"), a wholly-owned subsidiary of Maybank, representing 17.17% of the ordinary share capital of Anfaal; and**
- (ii) **Proposed assignment of the subordinated loan of SAR2,070,000 from Al Numu Real Estate Company ("Al Numu") to Maybank IB**

On 9 April 2012, Maybank announced that Maybank IB, a wholly-owned subsidiary of Maybank, has entered into a conditional Share Purchase Agreement ("SPA") with Al Numu and Anfaal for the following:

- (i) proposed acquisition of 858,499 ordinary shares of SAR10 each in Anfaal ("Anfaal Shares"), representing approximately 17.17% of the ordinary share capital of Anfaal for a cash consideration of SAR10,516,613, being SAR12.25 for each Anfaal Share; and
- (ii) proposed assignment of the subordinated loan of SAR2,070,000 ("Subordinated Loan") from Al Numu to Maybank IB.

[(i) and (ii) collectively referred to as the "Proposals"].

Subject to the approval of the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia, the Subordinated Loan will be converted into 207,000 new Anfaal Shares at par and shall rank equally with the existing Anfaal Shares.

The total purchase consideration of SAR12,586,613 (equivalent to approximately RM10,308,864) for the Proposals is to be satisfied in cash ("Purchase Consideration").

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B6. Status of Corporate Proposals Announced but Not Completed (cont'd.)

- (b) (i) **Proposed acquisition of 858,499 ordinary shares of Saudi Riyal ("SAR") 10 each in Anfaal Capital ("Anfaal") by Maybank Investment Bank Berhad ("Maybank IB"), a wholly-owned subsidiary of Maybank, representing 17.17% of the ordinary share capital of Anfaal; and**
- (ii) **Proposed assignment of the subordinated loan of SAR2,070,000 from Al Numu Real Estate Company ("Al Numu") to Maybank IB (cont'd.)**

The Proposals are subject to conditions precedent as spelt out in the SPA being fulfilled by 30 September 2012 or such other date as mutually agreed in writing by Al Numu and Maybank IB.

To the extent permitted by applicable laws, Maybank IB reserves the right to waive (in whole or in part) in writing the requirement to satisfy any of the conditions precedent and thereafter the parties may proceed to completion.

The Proposals will enable Maybank IB to increase its equity interest in Anfaal from 18.00% to 35.17%. It also represents a good opportunity for Maybank IB to increase its presence in Saudi Arabia and play a more significant role in unlocking Anfaal's potential, especially in the area of syndication, sukuk structuring and project financing in Saudi Arabia.

The Proposals are subject to approvals being obtained from the following:

- (i) SC;
- (ii) CMA; and
- (iii) Saudi Arabian General Investment Authority for the issuance of Anfaal's amended foreign investment licence.

Maybank had on 31 December 2012 announced that Maybank IB, Al Numu and Anfaal have mutually agreed to extend the period for the fulfillment of the conditions precedent of the SPA in relation to the Proposals from 31 December 2012 to 31 March 2013.

- (c) **Acquisition of a Call Option over 15,435,000 Ordinary and Paid-up Shares of Maybank Kim Eng Securities Joint Stock Company (formerly known as Kim Eng Vietnam Securities Joint Stock Company) ("KEVS")**

On 11 May 2012, Maybank announced that Maybank Kim Eng Holdings Limited ("MKEH"), an indirect wholly-owned subsidiary of Maybank, has on even date acquired a call option over 15,435,000 ordinary and paid-up shares of par value Vietnam Dong ("VND")10,000 each in KEVS ("Call Option"), representing approximately 51.45% of the charter capital of KEVS ("Option Shares") from the local founding shareholders of KEVS for a cash consideration of VND308.7 billion (or approximately RM45.38 million based on the prevailing exchange rate of RM1:VND6,803 as at 10 May 2012).

MKEH currently owns approximately 48.55% of the charter capital of KEVS. The principal activities of KEVS are to provide securities brokerage services, proprietary trading activities, investment consultancy, investment portfolio management, underwriting activities and securities depository activities.

The Call Option and other relevant agreements provide MKEH among others, effective control of all the voting shares of KEVS, thus making KEVS an indirect subsidiary of Maybank. The purpose of the Call Option is to facilitate the acquisition of the Option Shares when the foreign ownership limitation in established Vietnamese securities companies has been lifted or removed.

With KEVS becoming an indirect subsidiary of Maybank, Maybank will be able to accelerate and realise its vision of becoming a regional financial services leader in South East Asia by combining Maybank's commercial banking presence with MKEH's growing stock broking and investment banking presence in Vietnam.

The acquisition of the Call Option is not expected to have any material effect on the shareholdings, earnings, net assets and gearing of Maybank for the financial year ended 31 December 2012.

B7. Deposits and Placements of Financial Institutions and Debt Securities

Please refer to note A13, A14 and A15.

B8. Derivative Financial Instruments

Please refer to note A28.

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B9. Changes in Material Litigation

- (a) In 2005, a subsidiary, Maybank Trustees Berhad (formerly known as Mayban Trustees Berhad) ("MTB") and eleven other defendants were served with a writ of summons by ten plaintiffs/bondholders all of which are institutions, for an amount of approximately RM149.3 million. MTB was alleged to have acted in breach of trust and negligently in its capacity as Trustee for the bonds issued. MTB has defended the suit.

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

On 4 August 2008, a defendant (the issuer of the bonds) served a counterclaim on MTB for approximately RM535.0 million being losses allegedly incurred by it as a result of MTB unlawfully declaring an Event Of Default on the bonds. The defendant had however on 25 August 2009 withdrawn the counterclaim against MTB.

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

Upon appeal by the parties, the Court of Appeal on 8 November 2011 ruled that MTB and the other defendants were instead to be equally liable to the plaintiffs/bondholders. In addition, the Court of Appeal ordered them to pay penalty charges on the judgment sum at the rate of 3% from 30 September 2005 to date of judgment. However, the Court of Appeal allowed MTB and the other defendants to seek indemnity against the issuer of the bonds for 2/3 of the total liability and also allowed MTB to seek indemnity against the issuer's Chief Executive Officer, one of the issuer's directors and associate companies of the said Chief Executive Officer and the said director for one half of the 2/3 of the total liability. Further, the Court of Appeal allowed MTB to seek an indemnity against one of the plaintiffs for 1/3 of its liability (after deducting the sum to be indemnified by the issuer, the issuer's Chief Executive Officer, one of the issuer's directors and associate companies of the said Chief Executive Officer and the said director). The Federal Court had on 5 April 2012 granted MTB and the other parties to the suit leave to appeal against the decision of the Court of Appeal. The appeal concluded on 4 January 2013. The Federal Court will deliver its decision on a date to be fixed.

Separately, and unrelated to this suit, a third party had, pursuant to a winding-up petition against a defendant (the issuer of the bonds), appointed a provisional liquidator against the said defendant on 16 February 2012 until 15 March 2012 for the purpose of monitoring and completing the sale of assets charged to the third party.

As a result of the appointment of the said provisional liquidator, all pending proceedings by all parties against the said defendant were effectively stayed and these initially included MTB's applications for leave at the Federal Court referred to above [Leave Applications]. Subsequently, MTB on 9 March 2012 obtained successfully leave of the court.

The above contingent liability is covered by an existing Banker Blanket Bond Policy between the Bank and a subsidiary, Etiqa Insurance Berhad, which had entered into a facultative reinsurance contract for an insured sum of RM150.0 million with three (3) other re-insurers.

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

The 1st Defendant counterclaimed for loss and damage amounting to approximately RM284.0 million as a result of ETB's alleged failure to release the balance of the facility of RM7.5 million. It was alleged that the 1st Defendant was unable to carry on its project and therefore suffered loss and damage.

On 14 May 2009, the Court allowed ETB's application for summary judgment, the Court had also dismissed the 1st Defendant's counterclaim against ETB with costs. All 4 Defendants filed their respective applications for stay of execution of the summary judgment. However, the stay applications were dismissed with costs on 1 September 2009.

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B9. Changes in Material Litigation (cont'd.)

(b) (cont'd.)

On 4 March 2010, the Court of Appeal reversed the decision of the High Court granting the earlier summary judgment and the dismissal of the 1st Defendant's counterclaim and ordered the matter to be reverted to the High Court for full trial. The full trial including the counterclaim concluded on 29 June 2011. The High Court on 21 September 2011 entered judgment in favour of ETB and allowed ETB's claim (with costs) for the sum of approximately RM25.8 million less unearned profit as at the date of full settlement and dismissed the 1st Defendant's counterclaim (with costs). All 4 Defendants have filed Notices of Appeal against the said decision and also applied for a stay of the judgment. The stay applications were dismissed with costs on 25 January 2012.

The Appeals to the Court of Appeal have been fixed for hearing on 16 April 2013.

(c) A corporate borrower had issued a writ of summons and statement of claim against a subsidiary, Maybank Investment Bank Berhad ("Maybank IB"), in 2005 in the latter's capacity as agent bank for three financial institutions, claiming general, special and exemplary damages arising from alleged breach of duty owed by Maybank IB in connection with a syndicated facility.

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 Maybank IB and the three syndicated lenders. The loan was subsequently restructured to RM38.0 million with terms for repayment. In 2006, Maybank IB and the three syndicated lenders filed a suit against the corporate borrower for the recovery of the said credit facilities. The two claims were heard together.

The High Court on 6 May 2009 entered judgment against Maybank IB as agent for the syndicated lenders for, inter alia, a sum of RM115.5 million with interest at 6% per annum from date of disbursement to realisation, with the balance of the corporate borrower's claim (including general damages) ordered to be assessed at a later date. In the same Judgment, the recovery action by Maybank IB and the three syndicated lenders was also dismissed.

At this juncture, Maybank IB as one of the syndicated lenders has an exposure of RM48.0 million out of the RM115.5 million awarded pursuant to the Judgment.

Maybank IB filed an appeal against the Judgment ("Appeal") and an application for stay of execution of the Judgment on 8 May 2009. On 24 June 2009, Maybank IB successfully obtained a stay order for execution of the Judgment pending the disposal of the Appeal against the Judgment. The corporate borrower's appeal to the Court of Appeal against the decision on the stay order was dismissed on 23 November 2009.

The Appeal came up for hearing on 10 February 2012, wherein all parties agreed for the matter to be mediated.

As the parties could not come to any consensus at the mediation on 9 March 2012, they proceeded with the Appeal which concluded on 23 January 2013. The Court of Appeal has yet to fix a date to deliver its decision.

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

(d) Maybank Trustees Berhad (formerly known as Mayban Trustees Berhad)("MTB"), as Trustee and Maybank Investment Bank Berhad ("Maybank IB") as Security Agent for the Senior Bonds and Junior Notes issued by a corporation were served with a Writ of Summons, Statement of Claim and Amended Statement of Claim on 29 December 2010 and 30 December 2010 respectively.

An individual as the sole Junior Noteholder of the Junior Notes issued, claimed against both MTB and Maybank IB, the sum of RM556.5 million together with interests and costs arising from the declaration made by MTB of an Event Of Default of the Senior Bonds and subsequent Event Of Default of the Junior Notes and for an alleged breach of fiduciary duties and duty of care by Maybank IB. MTB and Maybank IB do not admit any liability to this claim and are defending the suit. On 30 September 2011, the High Court gave judgment in favour of Maybank IB and MTB and dismissed the claim against Maybank IB and MTB with costs. The individual had filed an appeal to the Court of Appeal against the said decision which was heard on 5 and 6 March 2012 and dismissed on 7 March 2012.

The individual is applying for leave to appeal from the Federal Court against the Court of Appeal's decision in favour of MTB only. This motion is fixed for hearing on 29 April 2013.

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B9. Changes in Material Litigation (cont'd.)

- (e) On 8 April 2010, a corporate borrower ("the Plaintiff") had filed a civil suit against Malayan Banking Berhad ("Maybank") and two other Defendants at the Johor Bahru High Court ("JB High Court Suit") alleging that Maybank was in breach of its obligations to the Plaintiff under several banking facilities between them for refusing to allow the drawdown and/or refusing to allow the further drawdown of the banking facilities.

Maybank had offered several banking facilities to finance the Plaintiff's development in a mixed development project. Amongst the many securities granted were several debentures which gave Maybank a right to appoint a receiver and manager over the Plaintiff in the event of default of the banking facilities.

The 2nd and 3rd Defendants were receivers and managers ("R&Ms") appointed by Maybank under debentures given by the Plaintiff.

The Plaintiff had defaulted under the banking facilities granted by Maybank resulting in Maybank appointing the R&Ms.

Concurrent with this suit, the Plaintiff had also filed an application for an interlocutory injunction to restrain Maybank from exercising its right to appoint a R&Ms. The application was heard on 23 November 2010 and allowed by the Johor Bahru High Court ("JB High Court"). Maybank had appealed against this decision. On 29 May 2012, the Court of Appeal allowed Maybank's appeal with costs of RM15,000 and ordered damages to be assessed by the registrar at the Kuala Lumpur High Court ("KL High Court"). On 28 June 2012, the Plaintiff served an unsealed copy of a Notice of Motion filed at the Federal Court for leave to appeal against the Court of Appeal's decision on 29 May 2012. That motion was fixed for case management on 9 October 2012. On 6 December 2012, the Federal Court struck out the motion with costs to Maybank.

The Plaintiff filed another civil suit against Maybank on 25 March 2011 at the Kuala Lumpur High Court ("KL High Court Suit") claiming a sum of approximately RM1.2 billion alleging that the appointment of the R&Ms was mala fide and with malice and that as a consequence thereof, the Plaintiff has purportedly suffered loss and damages.

Maybank filed a counterclaim in the JB High Court Suit against the Plaintiff and its guarantors to recover all sums due and owing under the banking facilities granted to the Plaintiff. Pursuant thereto, Maybank had also filed an application for summary judgment against the Plaintiff and its guarantors that was fixed for case management on 13 May 2011. The case management was deferred to 31 May 2011 where the JB High Court allowed Maybank's application to transfer the JB High Court Suit to the KL High Court, and consolidate the JB High Court Suit with the KL High Court Suit to be heard at the KL High Court.

On 24 October 2011, the KL High Court had allowed Maybank's counterclaim against the Plaintiff and the guarantors with costs on an indemnity basis, and dismissed the Plaintiff's actions against Maybank i.e. the KL High Court Suit and the JB High Court Suit, with costs on an indemnity basis. The Plaintiff has filed an appeal at the Court of Appeal against this decision. The Plaintiff's application for a stay of execution of the decision of KL High Court on 24 October 2011 was dismissed by the KL High Court on 13 December 2011.

In the meantime, Maybank has filed an application for security for cost against the Plaintiff at the Court of Appeal. On 8 May 2012, the Court of Appeal ordered the Plaintiff to pay RM50,000 as security for Maybank's cost in the appeal and further ordered that the Plaintiff's appeal be stayed pending payment of that sum. On 11 January 2013, the Court of Appeal ordered that this sum be paid within 14 days otherwise the appeal will be struck off. The Plaintiff has paid the said sum and the appeal will proceed on a date yet to be fixed.

Maybank has been advised by its solicitors that the Plaintiff's appeal to the Court of Appeal against the decision dated 24 October 2011 is without merit.

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B10. Disclosure of Realised and Unrealised Retained Earnings

The breakdown of the retained profits of the Group as at the statements of financial position date into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants.

	31 December 2012 RM'000	Group 31 December 2011 RM'000	1 July 2011 RM'000
Retained profits of the Bank and its subsidiaries:			
- Realised	7,576,687	6,712,554	7,516,130
- Unrealised	2,195,259	1,908,003	925,779
	9,771,946	8,620,557	8,441,909
Share of retained profits from associates:			
- Realised	218,054	180,940	109,621
- Unrealised	76,793	37,115	69,448
	294,847	218,055	179,069
Consolidation adjustments	1,048,213	1,555,155	1,546,750
Total Group's retained profits as per consolidated financial statements	11,115,006	10,393,767	10,167,728

B11. Proposed Dividend

The Board of Directors have proposed a final dividend in respect of the financial year ended 31 December 2012 of 18 sen less 25% taxation and 15 sen single-tier dividend on 8,440,046,735 ordinary shares of RM1.00 each, amounting to a net dividend payable of RM2,405,413,319 (net 28.5 sen per ordinary share) (31 December 2011: final dividend of 36 sen per share less 25% taxation) for the shareholders' approval.

The proposed gross dividend consists of cash portion of 4 sen single-tier dividend per ordinary share to be paid in cash amounting to RM337,601,869 and an electable portion of 29 sen (net 24.5 sen) per ordinary share amounting to RM2,067,811,450, where the electable portion comprises of 11 sen single-tier dividend and 18 sen franked dividend (net 13.5 sen) per ordinary shares of RM1.00 each.

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

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

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B12. Earnings Per Share ("EPS")

Basic

The basic EPS of the Group is calculated by dividing the net profit for the quarter/period attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the quarter/period.

	Quarter Ended		Cumulative 12 Months Ended*	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Net profit for the period/year (RM'000)	1,459,585	1,259,005	5,744,696	4,883,968
Weighted average number of ordinary shares in issue ('000)	8,439,880	7,531,947	7,904,374	7,505,086
Basic earnings per share	17.29 sen	16.72 sen	72.68 sen	65.08 sen

Diluted

The diluted EPS of the Group is calculated by dividing the net profit for the financial year/period attributable to equity holders of the Bank 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 Scheme ("ESS").

In the diluted EPS calculation, it was assumed that certain number of shares under the ESS relating to the RSU were vested and awarded to employees through issuance of additional 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 financial year/period) based on the monetary value of the ESS entitlement attached to the outstanding RSU granted. 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 financial year/period.

Share options granted to employees under the ESS have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

	Quarter Ended		Cumulative 12 Months Ended*	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Net profit for the period/year (RM'000)	1,459,585	1,259,005	5,744,696	4,883,968
Weighted average number of ordinary shares in issue ('000)	8,439,880	7,531,947	7,904,374	7,505,086
Effects of dilution ('000)	148	85	601	85
Adjusted weighted average number of ordinary shares in issue ('000)	8,440,028	7,532,032	7,904,975	7,505,171
Diluted earnings per share	17.29 sen	16.72 sen	72.67 sen	65.07 sen

* (The Group has changed its financial year-end from 30 June to 31 December. Comparatives for cumulative quarters consist of 12 months results beginning 1 January 2011 to 31 December 2011. The figures have not been audited)

By Order of the Board

Mohd Nazlan Mohd Ghazali
LS0008977
Company Secretary
21 February 2013