MAYBANK ISLAMIC BERHAD

(787435-M)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2012

787435-M

Maybank Islamic Berhad
(Incorporated in Malaysia)

Contents **Page**

Maybank Islamic Berhad
(Incorporated in Malaysia)

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of Maybank Islamic Berhad ("the Bank") for the financial year ended 31 December 2012.

Principal activities

The Bank was incorporated under the Islamic Banking Act 1983.

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

The Bank is principally engaged in the business of Islamic Banking and the provision of related financial services.

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

Results

	RM'000
Profit before taxation and zakat	1,190,072
Taxation and zakat	(303,745)
Profit for the year	886,327

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in notes 8 and 24 and the statement of changes in equity of the financial statements.

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

Performance review

The Bank posted a profit before tax and zakat of RM1,190.1 million for the financial year ended 31 December 2012.

Total income closed at RM3,677.7 million, comprising RM3,537.2 million income derived from investment of depositors' funds and RM140.5 million income derived from investment of shareholder's funds. Income attributable to depositors (including inter-bank) was recorded at RM1,753.1 million.

Performance review (cont'd)

Overhead expenses registered at RM649.7 million on the back of higher shared services cost which accounted 93% of total overhead cost.

The Bank's total assets rose by RM15.9 billion to RM91.4 bil as a result of substantial growth in financing assets and cash and short term funds.

Gross financing and advances surged to RM62.0 billion, a growth of RM9.6 billion or 18.4% from 31 December 2011 largely from term financing portfolio. Total customer deposits saw a rapid growth of RM12.2 billion to report at RM71.0 billion as compared to RM58.7 billion recorded in the last financial year ended 31 December 2011.

The Bank's core capital ratio (CCR) and risk-weighted capital ratio (RWCR) under Basel II remained strong at 10.83% and 12.59% respectively as at 31 December 2012.

Net impaired financing stood at 0.70% as at 31 December 2012 as compared to 1.00% as at 31 December 2011.

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 comprising 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 stable at 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.

Prospects (cont'd)

Maybank Islamic's business growth is aligned with the Group's performance where overall 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 the robust right risk culture to sustain its strong asset quality, and improve effectiveness and efficiency through an optimal cost structure.

Maybank Group including the Bank 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.

Barring any unforeseen circumstances, the Bank expects to sustain a satisfactory financial performance for the new financial year ending 31 December 2013.

Dividend

The amount of dividend paid by the Bank since 31 December 2011 was as follows:

	RM'000
In respect of the financial period ended 31 December 2011 as reported in the directors' report of that period:	
Final tax exempt (single-tier) dividend of RM2.00 per share, on 110,600,000 ordinary shares, settled on 26 April 2012	221,200

In respect of the financial year ended 31 December 2012:

An interim tax-exempt (single tier) dividend in respect of the current financial year ended 31 December 2012 of RM3.27 per share on 132,720,000 ordinary shares, amounting to a dividend payable of RM433,994,400 was approved and declared on 18 December 2012, the dividend has been paid on 10 January 2013 subsequent to the year end.

Maybank Group Employee Share Scheme

The Maybank Group Employees' Share Scheme ("ESS") is governed by the by-laws approved by the parent's i.e. Malayan Banking Berhad's ("Maybank") shareholders at an Extraordinary General Meeting held on 13 June 2011. The ESS has been implemented on 23 June 2011 and is in force for a maximum period of seven (7) years from the effective date for eligible employees and executive directors within Maybank Group.

The maximum number of ordinary shares of RM1 each in Maybank available under the ESS should not exceed 10% of the total number of issued and paid-up capital of Maybank at any point of time during the duration of the scheme.

Issue of share capital

On 25 April 2012, the issued and paid-up share capital of the Bank was increased from RM110,600,000 to RM132,720,000 via a right issue of 22,120,000 new ordinary shares of RM1.00 each at a premium of RM9.00 per shares on the basis of one new share of every five existing ordinary shares held, to Maybank.

Directors

The directors of the Bank in office since the date of the last report and at the date of this report are:

Dato' Seri Ismail bin Shahudin
Datuk Dr Syed Othman bin Syed Hussin Alhabshi
Tan Sri Datuk Dr Hadenan bin A. Jalil
En Zainal Abidin bin Jamal
Tan Sri Ahmad Fuzi Abdul Razak

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than the share options and Restricted Share Units granted pursuant to the ESS.

Since the end of the previous financial period, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors from the Bank as disclosed in Note 27 to the financial statements and from related corporations) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the holding company, Maybank, during the financial year were as follows:

	|----- Number of ordinary shares of RM1 each -----|			
	1.1.2012	**Acquired**	**Issued pursuant to DRP***	**31.12.2012**
Dato' Seri Ismail bin Shahudin	23,242	-	-	23,242

None of the other directors in office at the end of the financial year had any interest in shares in the Bank or other related corporations during the financial year.

Rating by external rating agency

Details of the Bank's ratings are as follows:

Rating agency	**Date**	**Rating classification**	**Rating received**
Rating Agency Malaysia Berhad	30 November 2011	Long-term Financial Institution Rating	AAA
		Short-term Financial Institution Rating	P1
		Outlook (Long Term)	Stable
Malaysian Rating Corporation Berhad	June 2012	Long-term Financial Institution Rating	AAA
		Short-term Financial Institution Rating	MARC-1
		Outlook (Long Term)	Stable

Other statutory information

(a) Before the statement of financial position and income statement of the Bank were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing and satisfied themselves that all known bad financing had been written off and that adequate allowance had been made for doubtful financing; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render:

(i) the amount written off for bad financing or the amount of the allowances for doubtful financing in the financial statements of the Bank inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Bank misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements the Bank which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Bank which has arisen since the end of the financial period which secures the liabilities of any other person; or

(ii) any contingent liability of the Bank which has arisen since the end of the financial period other than those arising in the normal course of business of the Bank.

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which will or may affect the ability of the Bank to meet its obligations as and when they fall due; and

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Bank to meet its obligations as and when they fall due; and

(ii) no item or transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Bank for the financial year in which this report is made.

Other statutory information (cont'd)

Compliance with Bank Negara Malaysia's Guidelines on Financial Reporting

In the preparation of the financial statements the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's Guidelines on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provisions for Financing.

Significant and subsequent events

There is no significant adjusting event after the statement of financial positions date up to the date when the financial statements are authorised for issue.

Change of financial year end

The Bank has changed its financial year-end from 30 June to 31 December in the previous financial period.

Accordingly, the financial statements of the Bank for the current financial year ended 31 December 2012 covers a twelve-month period compared to a six-month period for the previous financial period ended of 31 December 2011 and therefore the comparative amounts are not in respect of comparable periods for the income statements, statements of comprehensive income, changes in equity, cash flows and the related notes.

Shariah committee

The operation of the Bank is governed by Section 124(3) of Banking and Financial Institutions Act, 1989 (“the Act”), which stipulates that “any licensed institution carrying on Islamic financial business, in addition to its existing licensed business may, from time to time seek the advice of the Shariah Advisory Council ("SAC") of Bank Negara Malaysia established under the Act, on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam” and Section IV of BNM’s “Guidelines on the Governance of Shariah Committee for The Islamic Financial Institutions” known as the Shariah Governance Framework ("SGF") (which supersedes the BNM/GPS 1), which stipulates that “Every Islamic institution is required to establish a Shariah Committee”.

Based on the above, the duties and responsibilities of the Bank’s Shariah Committee are to advise on the overall Islamic Banking operations of the Bank’s business in order to ensure compliance with the Shariah requirements.

Shariah committee (cont'd)

The roles of the Shariah Committee in monitoring the Bank's activities include:

(a) To advise the Board on Shariah matters in its business operations;

(b) To endorse Shariah Compliance Manual;

(c) To endorse and validate relevant documentations;

(d) To assist related parties on Shariah matters for advice upon request;

(e) To advise on matters to be referred to the SAC;

(f) To provide written Shariah opinion; and

(g) To assist the SAC on reference for advice.

Zakat obligation

The Bank only pays zakat on its business. The Bank does not pay zakat on behalf of the shareholder or depositors.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 20 Feb 2013.

Dato' Seri Ismail bin Shahudin

Datuk Dr Syed Othman bin Syed Hussin Alhabshi

Kuala Lumpur, Malaysia

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Seri Ismail bin Shahudin and Datuk Dr Syed Othman bin Syed Hussin Alhabshi, being two of the directors of Maybank Islamic Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 14 to 153 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 December 2012 and of the results and the cash flows of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 20 Feb 2013.

Dato' Seri Ismail bin Shahudin

Datuk Dr Syed Othman bin Syed Hussin Alhabshi

Kuala Lumpur, Malaysia

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Muzaffar bin Hisham, being the officer primarily responsible for the financial management of Maybank Islamic Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 153 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Muzaffar bin Hisham
at Kuala Lumpur in the Federal
Territory on 20 Feb 2013

Muzaffar bin Hisham

Before me,

Shariah committee's report

In the Name of Allah, The Compassionate, The Most Merciful

All Praise is due to Allah, the Cherisher of the World, and the Peace and Blessing be upon the Prophet of Allah, on his Family and all his Companions.

Assalamualaikum Warahmatullahi Wabarakatuh
To the shareholder, depositors and customers of Maybank Islamic Berhad:

We, the members of the Shariah Committee of Maybank Islamic Berhad (the “Committee”), do hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank from 1 January 2012 until 31 December 2012. The Committee and it's sub-committee, Shariah Working Committee held ten (10) and six (6) meetings respectively to review and approve various products, transactions and processes.

We have provided the Shariah advisory services on various aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.

The Bank has carried out Shariah audit performed by Internal Audit Division and Shariah review by Risk Management throughout the organisation and the reports were deliberated in the Committee meetings. The Committee hereby confirms that appropriate efforts have been taken to rectify the Shariah gaps, and the Bank has also implemented several mechanism(s) to prevent similar Shariah gaps from recurring. Moreover, the Bank has organised a Shariah training program region wide to disseminate Shariah compliance awareness culture throughout the organisation.

The Bank’s management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

Maybank Islamic Berhad
(Incorporated in Malaysia)

Shariah committee's report (cont'd)

We are of the opinion that:

(a) The new products, business initiative and enhanced processes introduced by the Bank during the year ended 31 December 2012, that we have reviewed are in compliance with the Shariah rules and principles;

(b) The contracts, transactions and dealings entered into by the Bank during the year ended 31 December 2012, that we have reviewed are in compliance with the Shariah rules and principles;

(c) The main funding sources and investments of the Bank disclosed to us conform to the basis that had been approved by us in accordance with the Shariah rules and principles;

(d) The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles; and

(e) The financial statements of the Bank for the year ended 31 December 2012 together with the calculation of Zakat disclosed to us are in compliance with the Shariah rules and principles.

We beg Allah the Almighty to Grant us all the Success and Straight-Forwardness And Allah Knows Best.

Tan Sri Dato' Seri (Dr.) Haji Harussani bin Haji Zakaria
Chairman of the Committee

Dr. Mohammad Deen Mohd Napiah
Member of the Committee

Dr. Ismail Bin Mohd @ Abu Hassan
Member of the Committee

Assoc. Prof. Dr. Ahcene Lahsasna
Member of the Committee

Encik Sarip Bin Adul
Member of the Committee

Kuala Lumpur, Malaysia
20 Feb 2013

**Independent auditors' report to the member of
Maybank Islamic Berhad
(Incorporated in Malaysia)**

Report on the financial Statements

We have audited the financial statements of Maybank Islamic Berhad, which comprise the statement of financial position as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 14 to 153.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Independent auditors' report to the member of
Maybank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

Other matters

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

Ernst & Young	Chan Hooi Lam
AF: 0039	No. 2844/02/14(J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
20 Feb 2013

787435-M

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Assets				
Cash and short-term funds	5	**13,017,282**	9,419,350	9,674,441
Deposits and placements with banks and other financial institutions	6	**271,375**	406,110	460,595
Securities portfolio	7	**9,509,955**	8,265,399	6,366,745
Financing and advances	8	**61,308,071**	51,438,821	46,526,898
Derivative assets	9	**48,227**	28,198	14,615
Other assets	10	**4,679,460**	3,943,593	2,494,253
Statutory deposits with Bank Negara Malaysia	11	**2,399,000**	1,834,800	913,900
Deferred tax assets	17	**199,000**	176,667	160,433
Total assets		**91,432,370**	75,512,938	66,611,880
Liabilities				
Deposits from customers	12	**70,984,469**	58,740,632	48,334,114
Deposits and placements of banks and other financial institutions	13	**13,133,630**	9,362,905	11,341,726
Bills and acceptances payable		**419,749**	501,753	1,053,540
Derivative liabilities	9	**113,980**	96,179	53,504
Other liabilities	14	**185,340**	109,688	133,463
Provision for taxation and zakat	16	**133,868**	80,305	39,571
Subordinated sukuk	18	**1,010,782**	1,010,723	1,010,637
Recourse obligation on financing sold to Cagamas	19	**905,181**	1,499,270	682,679
Total liabilities		**86,886,999**	71,401,455	62,649,234
Equity attributable to equity holder of the Bank				
Share capital	20	**132,720**	110,600	110,600
Reserves	21	**4,412,651**	4,000,883	3,852,046
		4,545,371	4,111,483	3,962,646
Total liabilities and shareholder's equity		**91,432,370**	75,512,938	66,611,880
Commitments and contingencies	33	**29,130,401**	21,244,917	17,905,952

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2012 (cont'd)

	Note	31.12.2012	31.12.2011	As at 1.7.2011
Capital adequacy	37			
Based on credit, market and operational risk (before deducting proposed dividends):				
Basel II				
Core capital ratio		**10.83%**	9.89%	10.31%
Risk-weighted capital ratio		**12.59%**	12.61%	13.02%

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Maybank Islamic Berhad
(Incorporated in Malaysia)

Income statement
For the year ended 31 December 2012

	Note	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Income derived from investment of depositors' funds	22	**3,537,150**	1,543,204
Income derived from investment of shareholder's funds	23	**140,530**	68,278
Allowances for losses on financing and advances	24	**27,611**	(55,650)
Other expenses directly attributable to depositors' and shareholder's fund		**(70,516)**	(1)
Total distributable income		**3,634,775**	1,555,831
Income attributable to the depositors	25	**(1,753,057)**	(726,528)
Total net income		**1,881,718**	829,303
Overhead expenses	26	**(649,733)**	(292,581)
Finance cost	28	**(41,913)**	(21,186)
Profit before taxation and zakat		**1,190,072**	515,536
Taxation	29	**(288,516)**	(121,757)
Zakat		**(15,229)**	(5,271)
Profit for the year/period attributable to equity holder of the Bank		**886,327**	388,508
Earnings per share attributable to equity holder of the Bank - basic/diluted (sen)	30	**704.7**	351.3

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of comprehensive income
For the year ended 31 December 2012

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Profit for the year/period	**886,327**	388,508
Other comprehensive (loss)/income:		
Net (loss)/gain on available-for-sale financial assets	**(24,592)**	50,353
Income tax relating to components of other comprehensive (loss)/income (Note 17)	**6,147**	(12,588)
Other comprehensive (loss)/income for the year/period, net of tax	**(18,445)**	37,765
Total comprehensive income for the year/period, net of tax	**867,882**	426,273
Total comprehensive income attributable to :		
Equity holder of the Bank	**867,882**	426,273

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

787435-M

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2012

	<----- Non-distributable					----->	Distributable	
	Share capital RM'000	Share premium RM'000 (Note 21)	Equity contribution from the holding company RM'000 (Note 21)	Statutory reserve RM'000 (Note 21)	Unrealised holding reserve/ (deficit) RM'000 (Note 21)	Profit equalisation reserve RM'000 (Note 21)	Retained profits RM'000	Total equity RM'000
At 1 January 2012	110,600	2,488,400	1,697	147,338	49,719	34,456	1,279,273	4,111,483
Profit for the year	-	-	-	-	-	-	886,327	886,327
Other comprehensive income	-	-	-	-	(18,445)	-	-	(18,445)
Total comprehensive income for the year	-	-	-	-	(18,445)	-	886,327	867,882
Issue of ordinary shares (Note 20)	22,120	199,080	-	-	-	-	-	221,200
Dividend on ordinary shares (Note 31)	-	-	-	-	-	-	(655,194)	(655,194)
Total transactions with shareholder	22,120	199,080	-	-	-	-	(655,194)	(433,994)
At 31 December 2012	132,720	2,687,480	1,697	147,338	31,274	34,456	1,510,406	4,545,371

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2012 (cont'd)

	<---- Non-distributable					---->	Distributable	
	Share capital RM'000	Share premium (Note 21) RM'000	Equity contribution from the holding company (Note 21) RM'000	Statutory reserve (Note 21) RM'000	Unrealised holding reserve (Note 21) RM'000	Profit equalisation reserve (Note 21) RM'000	Retained profits RM'000	Total equity RM'000
At 1 July 2011								
- as previously stated	110,600	2,488,400	1,697	147,338	10,720	-	1,202,657	3,961,412
- effect of adopting MFRS 1 (Note 2(iv)(a))	-	-	-	-	1,234	-	-	1,234
At 1 July 2011, as restated	110,600	2,488,400	1,697	147,338	11,954	-	1,202,657	3,962,646
Profit for the period	-	-	-	-	-	-	388,508	388,508
Other comprehensive income	-	-	-	-	37,765	-	-	37,765
Total comprehensive income for the period	-	-	-	-	37,765	-	388,508	426,273
Dividend on ordinary shares (Note 31)	-	-	-	-	-	-	(311,892)	(311,892)
Reversal of PER under the previous guideline (Note 15)	-	-	-	-	-	-	34,456	34,456
Net transfer for the period (Note 15)	-	-	-	-	-	34,456	(34,456)	-
Total transactions with shareholder	-	-	-	-	-	34,456	(311,892)	(277,436)
At 31 December 2011	110,600	2,488,400	1,697	147,338	49,719	34,456	1,279,273	4,111,483

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

787435-M

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2012

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	**1,190,072**	515,536
Adjustments for:		
Amortisation of premium less accretion of discount	**(69,849)**	448
Allowances for losses on financing and advances	**74,742**	103,439
Unrealised (gains)/losses on revaluation of derivatives	**(24,369)**	30,294
Unrealised gains on revaluation of securities held-for-trading	**(9,479)**	(577)
Gains on sale of securities available-for-sale	**(57,002)**	(13,142)
Gains on sale of securities held-for-trading	**(12,599)**	(1,493)
Gains on foreign exchange translations	**(11,848)**	(13,793)
Share options granted under ESS	**1,409**	968
Operating profit before working capital changes	**1,081,077**	621,680
Change in deposits and placements with banks and other financial institutions	**134,735**	54,485
Change in securities portfolio	**(1,120,219)**	(1,833,537)
Change in financing and advances	**(9,943,992)**	(5,015,362)
Change in derivative assets and liabilities	**22,141**	(1,202)
Change in other assets	**(1,169,861)**	(1,449,341)
Change in statutory deposits with Bank Negara Malaysia	**(564,200)**	(920,900)
Change in deposits from customers	**12,243,837**	10,406,518
Change in deposits and placements of banks and other financial institutions	**3,782,573**	(1,965,029)
Change in bills and acceptances payable	**(82,004)**	(551,787)
Change in other liabilities	**116,156**	30,901
Cash generated from operations	**4,500,243**	(623,574)
Taxes and zakat paid	**(266,368)**	(115,116)
Net cash generated from operating activities	**4,233,875**	(738,690)

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2012 (cont'd)

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Cash flows from financing activities		
Proceeds from issuance of shares	**221,200**	-
Dividend paid	**(221,200)**	(311,892)
Dividend paid for Subordinated Sukuk	**(41,854)**	(21,100)
Financing sold to Cagamas, net	**(594,089)**	816,591
Net cash (used in)/generated from financing activities	**(635,943)**	483,599
Net increase/(decrease) in cash and cash equivalents	**3,597,932**	(255,091)
Cash and cash equivalents at beginning of year/period	**9,419,350**	9,674,441
Cash and cash equivalents at end of year/period	**13,017,282**	9,419,350
Cash and cash equivalents comprise:		
Cash and short term funds	**13,017,282**	9,419,350

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements - 31 December 2012

1. Corporate information

The Bank is principally engaged in the business of Islamic Banking and the provision of related financial services. There were no significant changes in these activities during the financial year.

The Bank is a public limited liability company, incorporated on 5 September 2007 and domiciled in Malaysia. The registered office of the Bank is located at 14th Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur.

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

The financial year end of the Bank was changed from 30 June to 31 December in the previous financial period. Accordingly, the comparative financial statements of the Bank for the previous financial period ended 31 December 2011 covers a six-month period compared to a twelve-month period for the current financial year, and therefore the comparative amounts are not in respect of comparable periods for the income statements, statements of comprehensive income, changes in equity, cash flows and the related notes.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 Feb 2013.

2. Basis of preparation

The financial statements of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards ("IFRS"), and the requirement of the Companies Act, 1965 in Malaysia.

For all the periods up to and including period ended 31 December 2011, the Bank prepared its financial statements in accordance with the Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia Guidelines. These financial statements for the year ended 31 December 2012, are the first financial statements that the Bank have prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”). Refer to Note 2 for the information on how the Bank adopted MFRS.

The financial statements are presented in Ringgit Malaysia (“RM”) and values are rounded to the nearest thousand (RM’000) except when otherwise stated.

The financial statements of the Bank have been prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies disclosed in Note 3.

2. Basis of preparation (cont'd)

First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

The financial statements of the Bank for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with MFRSs, including MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*. Subject to certain exemptions elected and a change in policy as disclosed below, 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 the financial period ended 31 December 2011 in these financial statements have been restated to give effect to these changes. The impact of the transition to MFRS on the Bank's reported financial position and financial performance are disclosed in Note 2 (iv). The transition from FRS to MFRS does not have a material impact on the income statement and statement of cash flows.

(i) Exemption applied

MFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain MFRS. The Bank has applied the exemption in relation to 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 Bank has 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 Bank is disclosed in Note 2 (iv).

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

(ii) 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 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.

2. Basis of preparation (cont'd)

First-time adoption of Malaysian Financial Reporting Standards ("MFRS")(cont'd.)

(iii) Financing sold to Cagamas

In prior years, the Bank excluded balances relating to financing sold to Cagamas from total financing and advances in the statement of financial position. This treatment is in accordance with Bank Negara Malaysia 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 financing and advances in the statement of financial position in accordance with MFRS 139. The Bank has an obligation to replace those financing sold which have subsequently turned impaired, 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 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 total financing sold to Cagamas as at 31 December 2012 amounts to RM905.2 million (31 December 2011: RM1,499.3 million; 30 June 2011: RM682.7 million).

The financial impact on the financial statements of the Bank is disclosed in Note 2 (iv).

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Maybank Islamic Berhad
(Incorporated in Malaysia)

2. Basis of preparation (cont'd)

First-time adoption of Malaysian Financial Reporting Standards ("MFRS")(cont'd)

(iv) Financial Effects arising from Adoption of MFRS Framework and Changes in Accounting Policies

(a) Reconciliation of equity as at 1 July 2011 and as at 31 December 2011

	FRS as at 1 July 2011 RM'000	Note 2 (i) and 2 (iii) RM'000	MFRS as at 1 July 2011 RM'000	FRS as at 31 December 2011 RM'000	Note 2 (i) and 2 (iii) RM'000	MFRS as at 31 December 2011 RM'000
ASSETS						
Cash and short-term funds	9,674,441	-	9,674,441	9,419,350	-	9,419,350
Deposits and placements with banks and other financial institutions	460,595	-	460,595	406,110	-	406,110
Securities held-for-trading	272,633	-	272,633	2,214,891	-	2,214,891
Securities available-for-sale	5,920,574	122,996	6,043,570	5,875,507	124,577	6,000,084
Securities held-to-maturity	171,893	(121,351)	50,542	171,884	(121,460)	50,424
Financing and advances	45,844,219	682,679	46,526,898	49,989,551	1,449,270	51,438,821
Derivative assets	14,615	-	14,615	28,198	-	28,198
Other assets	2,494,253	-	2,494,253	3,943,593	-	3,943,593
Statutory deposits with Bank Negara Malaysia	913,900	-	913,900	1,834,800	-	1,834,800
Deferred tax assets	160,844	(411)	160,433	177,446	(779)	176,667
TOTAL ASSETS	65,927,967	683,913	66,611,880	74,061,330	1,451,608	75,512,938
LIABILITIES						
Deposits from customers	48,334,114	-	48,334,114	58,740,632	-	58,740,632
Deposits and placements of banks and other financial institutions	11,341,726	-	11,341,726	9,362,905	-	9,362,905
Bills and acceptances payable	1,053,540	-	1,053,540	501,753	-	501,753
Derivative liabilities	53,504	-	53,504	96,179	-	96,179
Other liabilities	133,463	-	133,463	109,688	-	109,688
Provision for taxation and zakat	39,571	-	39,571	80,305	-	80,305
Subordinated Sukuk	1,010,637	-	1,010,637	1,010,723	-	1,010,723
Recourse obligation on financing sold to Cagamas	-	682,679	682,679	-	1,499,270	1,499,270
TOTAL LIABILITIES	61,966,555	682,679	62,649,234	69,902,185	1,499,270	71,401,455
SHAREHOLDERS' EQUITY						
Share capital	110,600	-	110,600	110,600	-	110,600
Reserves	3,850,812	1,234	3,852,046	3,998,545	2,338	4,000,883
TOTAL SHAREHOLDER'S EQUITY	3,961,412	1,234	3,962,646	4,109,145	2,338	4,111,483
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	65,927,967	683,913	66,611,880	74,011,330	1,501,608	75,512,938

2. Basis of preparation (cont'd)

First-time adoption of Malaysian Financial Reporting Standards ("MFRS")(cont'd)

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

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

	1.7.2011 to 31.12.2011 RM'000	Note 2(i) RM'000	1.7.2011 to 31.12.2011 RM'000
Profit for the period	388,508	-	388,508
Other comprehensive income:			
Net gain on available-for-sale financial assets	48,881	1,472	50,353
- As previously reported	48,881	-	48,881
- Movement during the period/effect of adopting MFRS 1	-	1,472	1,472
Income tax relating to components of other comprehensive income	(12,220)	(368)	(12,588)
- As previously reported	(12,220)	-	(12,220)
- Movement during the period/effect of adopting MFRS 1	-	(368)	(368)
Other comprehensive income for the period, net of tax	36,661	1,104	37,765
Total comprehensive income for the period, net of tax	425,169	1,104	426,273
Total comprehensive income attributable to :			
Equity holder of the Bank	425,169	1,104	426,273

3. Summary of significant accounting policies

(i) Financial assets

(a) Date of recognition

All financial assets are initially recognised on the trade date i.e. the date that the Bank becomes a party to the contractual provision of the instruments.

(b) Initial recognition and subsequent measurement

Financial assets within the scope of MFRS 139 are classified as financial assets at fair value through profit or loss, financing and receivables, held-to-maturity investments and available-for-sale investments. The Bank determine the classification of financial assets at initial recognition, in which the details are disclosed below.

The classification of financial assets at initial recognition depends on the purpose and the management's intention for which the financial assets were acquired and their characteristics. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at FVTPL.

Included in financial assets are the following:

(1) Financial assets at Fair Value Through Profit and Loss ("FVTPL")

Financial assets are classified as FVTPL if they are held-for-trading ("HFT") or are designated as such upon initial recognition. The Bank do not have any financial instruments designated at FVTPL upon initial recognition.

Subsequent to initial recognition, HFT are measured at fair value. Any gains or losses arising from changes in fair value are recognised in the income statement.

3. Summary of significant accounting policies (cont'd)

(i) Financial assets (cont'd)

(b) Initial recognition and subsequent measurement (cont'd)

(2) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category include cash and balances with banks and financing and advances. These financial assets are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective profit method.

(3) Held-to-Maturity ("HTM") investments

HTM investments are non-derivatives financial assets with fixed or determinable payments and fixed maturity, which the Bank has the intention and ability to hold to maturity.

Subsequent to initial recognition, HTM investments are measured at amortised cost using effective profit method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective profit rate. The amortisation, losses arising from impairment and gain or loss arising from derecognition of such investments are recognised in income statement.

(4) Available-for-Sale ("AFS") investments

AFS investments are financial assets that are designated as available for sale or are not classified in any of the three (3) preceding categories.

AFS investments include equity and debt securities. AFS investment include financial assets that are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in market condition.

3. Summary of significant accounting policies (cont'd)

(i) Financial assets (cont'd)

(b) Initial recognition and subsequent measurement (cont'd)

(4) Available-for-Sale ("AFS") investments (cont'd)

After initial recognition, AFS are subsequently measured at fair value. Any gain or loss arising from a change in fair value after applying amortised cost method are recognised directly in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and profit calculated using the effective yield method are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement as a reclassification adjustment when the financial asset is derecognised in the income statement. Dividends on an AFS instrument are recognised in the income statement when the Bank's right to receive payment is established.

(c) Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.

- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:

    - the Bank has transferred substantially all the risks and rewards of the asset, or
    - the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

3. Summary of significant accounting policies (cont'd)

(i) Financial assets (cont'd)

(d) Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial assets, including security or group of securities (other than held-for-trading financial assets) is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in profit or principal payments and where observable data indicates that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(1) Financing and receivables

Classification of financing and advances as impaired

Financing and advances are classified as impaired when:

- principal or profit or both are past due for three (3) months or more;
- where financing in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for; or
- where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

3. Summary of significant accounting policies (cont'd)

(i) Financial assets (cont'd)

(d) Impairment of financial assets (cont'd)

(1) Financing and receivables (cont'd)

Impairment Process – Individual Assessment

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

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

Impairment Process – Collective Assessment

Financings which are not individually significant and financings that have been individually assessed with no evidence of impairment loss are grouped together for portfolio impairment assessment. These financings are grouped within similar credit risk characteristics for collective assessment, whereby data from the financing portfolio (such as credit quality, levels of arrears, credit utilisation, financing to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups) are taken into consideration.

Impairment Process – Written off accounts

Where a financing is uncollectible, it is written off against the related allowances for financing impairment. Such financings are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in the income statement.

3. **Summary of significant accounting policies (cont'd)**

(i) **Financial assets (cont'd)**

(d) **Impairment of financial asset (cont'd)**

(1) **Available-for-sale ("AFS") Investments**

For AFS investments, the Bank assess at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as AFS, the Bank assess individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future income is based on the reduced carrying amount and is accrued using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

In the case of equity investments classified as AFS, the objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Bank treats "significant" generally as 25% and "prolonged" generally as for consecutive quarters. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from equity and recognised in the income statement.

Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

3. Summary of significant accounting policies (cont'd)

(i) Financial assets (cont'd)

(d) Impairment of financial asset (cont'd)

(2) Held-to-maturity ("HTM") Investments

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

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the financial assets carrying amount does not exceed its amortised cost at the reversal date. The reversal is recognised in the income statement.

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

3. Summary of significant accounting policies (cont'd)

(i) Financial assets (cont'd)

(e) Reclassification of financial assets

The Bank may choose to reclassify non-derivative assets out of the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Bank may also choose to reclassify financial assets that would meet the definition of financing and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in the income statement are not reversed.

(f) Determination of fair value

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. For financial instruments with observable market prices which are traded in active markets, the fair values are based on their quoted market price or dealer price quotations. These include listed equity securities and broker quotes from Bloomberg and Reuters.

For all other financial instruments, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models and option pricing models, and based on observable data in respect of similar financial instruments and using inputs (such as yield curves) existing as at reporting date. The Bank generally use widely recognised valuation models with market observable inputs for the determination of fair values, due to the low complexity of financial instruments held.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

3. Summary of significant accounting policies (cont'd)

(ii) Financial liabilities

(a) Date of recognition

All financial liabilities are initially recognised on the trade date i.e. the date that the Bank become a party to the contractual provision of the instruments.

(b) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Bank become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Bank that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Bank has not designated any financial liabilities as at fair value through profit or loss.

3. Summary of significant accounting policies (cont'd)

(ii) Financial liabilities (cont'd)

(b) Initial recognition and subsequent measurement (cont'd)

(2) Other financial liabilities

The Bank's other financial liabilities include deposits from customers, deposits and placements of banks and financial institutions, debt securities (including borrowings), payables, bills and acceptance payable and other liabilities.

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

Deposits from customers, deposits and placements of banks and financial institutions are stated at placement values.

(2) Debt securities

Debt securities issued are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Bank's debt securities issued consist of subordinated sukuk, classified as liabilities in the statement of financial position as there is a contractual obligation by the Bank to make cash payments of either principal or dividend or both to holders of the debt securities and that the Bank is contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the income statement over the period of the borrowings on an effective yield method.

(3) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective yield method.

3. Summary of significant accounting policies (cont'd)

(ii) Financial liabilities (cont'd)

(b) Initial recognition and subsequent measurement (cont'd)

(2) Other financial liabilities (cont'd)

(4) *Bills and acceptance payable*

Bills and acceptances payable represent the Bank's own bills and acceptances re-discounted and outstanding in the market.

(5) Other liabilities

Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(iii) Derivative instruments and hedge accounting

(a) Derivative instruments

The Bank use derivatives such as profit rate swap, forward foreign exchange contracts and options on profit rates, foreign currencies and equities.

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception for non-option derivatives and equivalent to the market premium paid or received for purchased or written options. The derivatives are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques that include discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

3. Summary of significant accounting policies (cont'd)

(iii) Derivative instruments and hedge accounting (cont'd)

(b) Hedge accounting

The Bank uses derivative instruments to manage exposures to profit rate, foreign currency and credit risks. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

At the inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

(1) *Fair value hedge*

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

If the hedging instrument is expired or sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective profit rate. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

The Bank did not apply fair value hedge as at the end of the financial year end.

3. Summary of significant accounting policies (cont'd)

(iii) Derivative instruments and hedge accounting (cont'd)

(b) Hedge accounting (cont'd)

(2) *Cash flow hedge*

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in other operating income.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the income statement.

When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to income statement.

The Bank did not apply cash flow hedge as at the end of the financial period.

(3) *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

3. Summary of significant accounting policies (cont'd)

(iv) Embedded derivatives

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

(v) Other assets

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

(vi) Cash and cash equivalents

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

(vii) Impairment of non-financial assets

The carrying amounts of non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

3. Summary of significant accounting policies (cont'd)

(viii) Provisions for liabilities

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

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

(ix) Profit Equalisation Reserve ("PER")

Since 1 July 2011, the Bank has adopted BNM's Revised Guidelines for PER ("the Revised Guideline"). In managing the displaced commercial risk, the Bank will use its current profits to be transferred to depositors on the basis of hibah in the event that there is a shortfall in the actual return on Mudharabah deposits as compared to the published rate of return. The payment of hibah is recognised as cost in the income statement.

3. Summary of significant accounting policies (cont'd)

(x) Foreign currencies

(a) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia which is the Bank's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions are recognised in the income statement.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

(xi) Income tax

Income tax in the income statement for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

3. Summary of significant accounting policies (cont'd)

(xi) Income tax (cont'd.)

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as income or an expense and included in the income statement for the year, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(xii) Zakat

This represent business zakat payable by the Bank to comply with the principle of Shariah. Zakat provision is calculated based on 'Adjusted Growth' method, at 2.5%.

(xiii) Income recognition

For all financial instruments measured at amortised cost and profit-bearing financial assets classified as held-for-trading and available-for-sale, profit income for all profit-bearing financial instruments are recognised within finance income in the income statement using the effective profit method.

The effective yield or profit rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the finance income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective profit rate, the Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate, but does not consider future credit losses.

Profit on impaired financial assets is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

All income and expense from the business is recognised on an accrual basis in accordance with the principles of Shariah.

3. Summary of significant accounting policies (cont'd)

(xiv) Hibah

Dividend income from securities portfolio and placements which includes coupons earned, accrued discount and amortisation of premium of these securities is recognised on an accrual basis applying the effective yield method in accordance to the principles of Shariah and BNM/GP8-i.

(xv) Other operating income

Commitment and guarantee fees are recognised as income based on time apportionment basis.

Handling fees paid to motor vehicle dealers for Islamic hire purchase financing are amortised in the income statement over the tenure of the financing in accordance with BNM's Circular on "Accounting Treatment of Handling Fees for Hire Purchase Financing" dated 16 October 2006 and is set off against income recognised on the Islamic hire purchase financing.

(xvi) Financing and related expense recognition

Finance cost and income attributable on deposits and borrowings of the Bank are amortised using the effective yield method.

(xvii) Employee benefits

(a) Short-term benefits

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

(b) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the income statement when incurred.

3. Summary of significant accounting policies (cont'd)

(xvii) Employee benefits (cont'd)

(c) Share-based compensation

(i) ESOS

The ESOS is an equity-settled share-based compensation plan that allows the Bank's Directors and employees to acquire shares of the parent. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the amount due to parent over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the parent revises its estimates of the number of options that are expected to become exercisable over the vesting period.

(ii) Restricted share units ("RSU")

Senior management personnel of the parent are entitled to performance-based restricted shares as consideration for services rendered. The RSU may be settled by way of issuance and transfer of new parent shares or by cash at the absolute discretion of the ESS Committee. The total fair value of RSU granted to senior management employees is recognised as an employee cost with a corresponding increase in the reserve within the parent's equity over the vesting period and taking into account the probability that the RSU will vest. The fair value of RSU is measured at grant date, taking into account, the market vesting conditions upon which the RSU were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

3. Summary of significant accounting policies (cont'd)

(xviii) Contingent liabilities and contingent assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank. The Bank does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3. Summary of significant accounting policies (cont'd)

(xix) Standards issued but not yet effective

The Bank have not applied the following accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Bank.

- *Amendments to MFRS 7 - Offsetting Financial Assets and Financial Liabilities*
- *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*
- Amendments to MFRS 101 - Presentation of Items of Other Comprehensive Income
- Amendments to MFRS 119 - Employee Benefits
- *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)*
- *Amendments to MFRS 132 - Offsetting Financial Assets and Financial*

The Bank plan to apply the abovementioned standards from the annual period beginning 1 January 2013.

Amendments to MFRS 7 - Offsetting Financial Assets and Financial Liabilities

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. 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 Bank's financial position or performance and will become effective for annual periods beginning on or after 1 January 2013.

3. Summary of significant accounting policies (cont'd)

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

MFRS 9 Financial Instruments

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 Bank will quantify the effect of the adoption of the first phase of MFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

MFRS 13 Fair Value Measurement

The standard becomes effective for annual periods beginning on or after 1 January 2013. 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. There are also additional disclosure requirements.

Adoption of the standard is not expected to have a material impact on the financial position or performance of the Bank.

Amendments to MFRS 101 - Presentation of Items of Other Comprehensive

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income ("OCI"). 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 available-for-sale financial assets) 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 Bank's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

3. Summary of significant accounting policies (cont'd)

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

Amendments to MFRS 119 - Employee Benefits

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 effective date of the standard is 1 January 2013.

The adoption of these amendments will require the Bank to recognise :
- A service cost and a net interest income or expense in profit or loss
- The re-measurements of the pension assets and liabilities, i.e., actuarial gains and losses in the other comprehensive income.

Adoption of the amendments is not expected to have a material impact on the financial position or performance of the Bank.

Amendments to MFRS 132 - Offsetting Financial Assets and Financial Liabilities

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 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 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. As the impact of the adoption depends on the Bank’s examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects.

These amendments become effective for annual periods beginning on or after 1 January 2014.

3. Summary of significant accounting policies (cont'd)

(xx) Restricted Profit Sharing Investment Accounts ("RPSIA")

These deposits are used to fund specific financing and follow the principle of Mudharabah which state that profits will be shared with the Bank as Mudharib and losses shall be borne solely by depositors.

4. Significant accounting estimates and judgements

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

(i) Fair value estimation of available-for-sale (Note 7) and derivative financial instruments (Note 9)

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

(ii) Deferred tax (Note 17) and income taxes (Note 29)

The Bank is subject to income taxes in Malaysia 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 recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking expert advice where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the year in which the estimate is revised or the final liability is established.

4. Significant accounting estimates and judgements (cont'd)

(iii) Impairment of securities portfolio (Note 7)

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

The impairment review comprises the following judgement made by management:

(i) Determination whether its investment is impaired following certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors.

(ii) Determination of "significant" or "prolonged" requires judgement and management evaluation on various factors, such as historical fair value movement and the significant reduction in fair value.

(iv) Impairment losses on financing and advances (Note 8 and 24)

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

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

Management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

Financing and advances which are not individually significant and loans that have been individually assessed with no evidence of impairment loss are grouped together for portfolio impairment assessment. These financing and advances are grouped within similar credit risk characteristics for collective assessment, whereby data from the financing and advances portfolio (such as credit quality, levels of arrears, credit utilisation, financing and advances to collateral ratios etc.) and concentrations of risks (such as the performance of different individual groups) are taken into consideration.

4. Significant accounting estimates and judgements (cont'd.)

(iv) Impairment losses on financing and advances (Note 8 and 24) (cont'd)

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

5. Cash and short-term funds

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Cash and balances with banks and other financial institutions	**2,265,092**	1,757,901	1,515,309
Money at call and interbank placements with remaining maturity not exceeding one month	**10,752,190**	7,661,449	8,159,132
	13,017,282	9,419,350	9,674,441

6. Deposits and placements with banks and other financial institutions

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Licensed banks	**271,334**	405,899	460,258
Bank Negara Malaysia	**41**	211	337
	271,375	406,110	460,595

7. Securities portfolio

	Note	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Securities available-for-sale	(i)	**5,411,549**	6,000,084	6,043,570
Securities held-to-maturity	(ii)	**-**	50,424	50,542
Securities held-for-trading	(iii)	**4,098,406**	2,214,891	272,633
		9,509,955	8,265,399	6,366,745

(i) Securities available-for-sale

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
At fair value			
Money market instruments:			
Cagamas bonds	**30,584**	149,891	183,997
Bank Negara Malaysia Sukuk Ijarah bonds	**-**	11,132	11,104
Bank Negara Malaysia Monetary Notes	**267,011**	-	-
Malaysian Government Investment Issues	**1,814,145**	3,156,264	3,789,348
Negotiable instruments of deposits	**582,396**	952,927	249,219
Bankers' acceptances and Islamic accepted bills	**520,789**	4,117	220,933
Khazanah bonds	**102,186**	246,208	236,252
	3,317,111	4,520,539	4,690,853

7. Securities portfolio (cont'd)

(i) Securities available-for-sale (cont'd)

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Unquoted securities:			
Islamic private debt securities in Malaysia	**2,026,161**	1,412,243	1,292,257
Malaysian Government bond	**68,277**	67,302	60,460
	2,094,438	1,479,545	1,352,717
Total securities available-for-sale	**5,411,549**	6,000,084	6,043,570

(ii) Securities held-to-maturity

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
At amortised cost			
Money market instruments:			
Malaysian Government Investment Issues	**-**	50,424	50,542
Total securities held-to-maturity	**-**	50,424	50,542

(iii) Securities held-for-trading

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
At fair value			
Money market instruments:			
Malaysian Government Investment Issues	**-**	215,712	30,281
Bank Negara Malaysia Sukuk Ijarah bonds	**-**	116,331	-
Bank Negara Malaysia Monetary Notes	**4,048,385**	1,882,848	242,352
	4,048,385	2,214,891	272,633
Unquoted securities:			
Islamic private debt securities in Malaysia	**50,021**	-	-
Total securities held-for-trading	**4,098,406**	2,214,891	272,633

7. Securities portfolio (cont'd)

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

	31.12.2012 RM'000	**31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Maturing within one year	**1,412,473**	1,261,117	892,559
One year to three years	**124,425**	724,126	454,051
Three years to five years	**665,883**	868,555	1,138,278
After five years	**1,114,330**	1,717,165	2,256,507
	3,317,111	4,570,963	4,741,395

8. Financing and advances

	31.12.2012 RM'000	**31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Cashline	**2,327,525**	2,103,900	2,019,756
Term financing:			
- House financing	**10,046,199**	7,275,137	6,237,944
- Syndicated financing	**37,662**	52,071	59,566
- Hire purchase receivables	**20,080,150**	19,666,858	18,873,963
- Other term financing	**61,914,706**	43,371,441	37,380,736
Bills receivables	**123**	2,125	2,201
Trust receipts	**184,782**	204,263	170,724
Claims on customers under acceptance credits	**3,706,533**	3,507,816	3,647,214
Staff financing	**1,046,175**	423,973	780,325
Credit card receivables	**365,908**	340,254	307,454
Revolving credit	**4,552,784**	4,315,880	3,319,247
	104,262,547	81,263,718	72,799,130
Unearned income	**(42,264,783)**	(28,894,399)	(25,341,649)
Gross financing and advances^	**61,997,764**	52,369,319	47,457,481
Allowances for impairment on financing and advances:			
- Individual	**(94,176)**	(298,840)	(354,688)
- Collective	**(595,517)**	(631,658)	(575,895)
Net financing and advances	**61,308,071**	51,438,821	46,526,898

^ Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Account ("RPSIA"), an arrangement between the Bank and its parent, where the risks and rewards of the RPSIA are accounted by the parent, including allowances for impairment arising thereon, if any and the profit is shared based on pre-agreed ratios.

8. Financing and advances (cont'd)

(i) Financing and advances analysed by Shariah concepts are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Bai' Bithaman Ajil	**20,028,898**	17,949,940	17,721,184
Al-Ijarah Thumma Al-Bai (AITAB)	**17,181,377**	16,645,357	15,855,784
Murabahah	**20,197,590**	14,473,620	11,850,500
Musyarakah Mutanaqisah	**4,328,562**	2,852,124	1,625,386
Bai Al-Dayn	**-**	2,217	1,740
Al-Ijarah Muntahiyah Bi-Tamleek	**37,662**	52,071	59,566
Others	**223,675**	393,990	343,321
Gross financing and advances	**61,997,764**	52,369,319	47,457,481

(ii) Financing and advances analysed by type of customers are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Domestic non-banking institutions	**5,396,824**	5,294,637	4,422,136
Domestic business enterprises			
- Small and medium enterprises	**8,063,724**	6,262,452	4,146,536
- Others	**7,807,933**	6,532,255	7,209,199
Government and statutory bodies	**766,771**	318,878	295,958
Individuals	**39,488,275**	33,000,917	30,669,985
Other domestic entities	**11,744**	9,129	9,454
Foreign entities in Malaysia	**462,493**	951,051	704,213
Gross financing and advances	**61,997,764**	52,369,319	47,457,481

8. Financing and advances (cont'd)

(iii) Financing and advances analysed by profit rate sensitivity are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Fixed rate			
- House financing	**2,672,175**	2,886,621	2,669,618
- Hire purchase receivables	**17,198,453**	16,651,729	15,871,583
- Other financing	**12,721,534**	6,178,966	5,557,055
Floating rate			
- House financing	**7,594,936**	4,545,606	2,682,323
- Other financing	**21,810,666**	22,106,397	20,676,902
Gross financing and advances	**61,997,764**	52,369,319	47,457,481

(iv) Financing and advances analysed by their economic purposes are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Purchase of securities	**10,587,236**	8,062,663	7,970,308
Purchase of transport vehicles	**16,310,896**	16,676,327	15,902,341
Purchase of landed properties:			
- Residential	**10,269,943**	7,438,449	6,385,360
- Non-residential	**2,667,031**	1,269,053	901,487
Personal use	**1,167,068**	1,000,346	864,967
Consumer durables	**1**	3	13
Construction	**2,216,780**	2,205,208	1,714,608
Working capital	**18,173,892**	15,069,544	13,128,013
Credit/charge card	**365,908**	340,254	307,454
Other purposes	**239,009**	307,472	282,930
Gross financing and advances	**61,997,764**	52,369,319	47,457,481

8. Financing and advances (cont'd)

(v) The maturity structure of financing and advances is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Maturing within one year	**6,823,137**	7,174,306	7,200,343
One year to three years	**2,514,736**	2,612,723	1,970,516
Three years to five years	**9,040,368**	8,851,031	7,880,013
After five years	**43,619,523**	33,731,259	30,406,609
Gross financing and advances	**61,997,764**	52,369,319	47,457,481

(vi) Movement in the impaired financing and advances are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
At beginning of the year/period	**811,973**	928,549	1,155,639
Impaired during the year/period	**543,347**	316,586	770,551
Reclassified as non-impaired during the year/period	**(241,010)**	(220,452)	(440,130)
Recovered during the year/period	**(319,372)**	(120,539)	(260,176)
Expenses debited to customers' accounts	**24,966**	9,448	29,545
Amount written off	**(299,925)**	(101,619)	(326,880)
At end of the year/period	**519,979**	811,973	928,549
Less:			
- Individual allowance	**(94,176)**	(298,840)	(354,688)
Net impaired financing and advances	**425,803**	513,133	573,861
Gross financing and advances (excluding RPSIA financing)	**61,347,764**	51,719,319	46,807,481
Less:			
- Individual allowance	**(94,176)**	(298,840)	(354,688)
Net financing and advances	**61,253,588**	51,420,479	46,452,793
Net impaired financing and advances as a percentage of net financing and advances	**0.70%**	1.00%	1.24%

8. Financing and advances (cont'd)

(vii) Impaired financing and advances analysed by their economic purposes are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Purchase of securities	**4,477**	7,222	4,514
Purchase of transport vehicles	**58,155**	57,316	50,791
Purchase of landed properties:			
- Residential	**85,524**	149,843	201,824
- Non-residential	**51,846**	17,210	22,981
Personal use	**8,991**	13,197	12,101
Consumer durables	**3**	3	3
Construction	**51,948**	56,599	73,657
Working capital	**254,481**	504,003	557,794
Credit/charge card	**4,554**	6,580	4,884
	519,979	811,973	928,549

(viii) Movement in the allowances for impaired financing and advances are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Individual Allowance			
At beginning of the year/period	**298,840**	354,688	473,823
Allowance made (Note 24)	**61,887**	28,449	94,775
Amount written back in respect of recoveries (Note 24)	**(61,863)**	(38,004)	(41,822)
Transfer to collective allowance	**-**	(739)	(6,438)
Amount written off	**(204,688)**	(45,554)	(165,650)
At end of the year/period	**94,176**	298,840	354,688
Collective Allowance			
At beginning of the year/period	**631,658**	575,895	713,938
Net allowance made* (Note 24)	**59,096**	111,089	16,749
Transfer from individual allowance	**-**	739	6,438
Amount written off	**(95,237)**	(56,065)	(161,230)
At end of the year/period	**595,517**	631,658	575,895

8. Financing and advances (cont'd)

(viii) Movement in the allowances for impaired financing and advances are as follows (cont'd):

	31.12.2012	31.12.2011	As at 1.7.2011
Collective Allowance (cont'd)			
As a percentage of gross financing and advances (excluding RPSIA financing) less individual assessment allowance	**0.97%**	1.23%	1.24%

* As at 31 December 2012, the gross exposure of the assets under RPSIA is RM650.0 million (31 December 2011 and 1 July 2011 : RM650.0 million) and the collective allowance relating to this RPSIA amounting to RM1.0 million (31 December 2011 and 1 July 2011 : RM1.5 million) is accounted for by the parent. There was no individual allowance made on this RPSIA financing by the Bank.

9. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period/year end and are indicative of neither the market risks nor the credit risk.

	31.12.2012			31.12.2011			As at 1.7.2011		
	Contract/ Notional amount RM'000	Fair value Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Fair value Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Fair value Assets RM'000	Liabilities RM'000
Trading derivatives									
Foreign exchange contracts:									
Currency forward									
- Less than one year	**555,985**	**73**	**(12,347)**	1,448,253	20,156	(19,673)	926,730	8,902	(8,792)
Currency swap									
- Less than one year	**474,400**	**9,305**	**-**	-	-	-	-	-	-
Currency spot									
- Less than one year	**6,733**	**5**	**-**	50,079	41	(47)	102,634	30	(70)
Profit rate related contracts:									
Profit rate options									
- Less than one year	**-**	**-**	**-**	-	-	-	573,300	2,431	(44,206)
- More than three years	**400,000**	**-**	**(62,394)**	200,000	722	(40,881)	-	-	-

9. Derivative financial instruments (cont'd)

	31.12.2012			31.12.2011			As at 1.7.2011		
	Contract/ Notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Contract/ Notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Contract/ Notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
<u>Trading derivatives (cont'd)</u>									
<u>Profit rate related contracts (cont'd):</u>									
Cross currency profit rate swaps									
- More than three years	**300,500**	**6,476**	**(6,476)**	300,500	7,104	(7,104)	-	-	-
<u>Commodity related contracts:</u>									
- Less than one year	**-**	**-**	**-**	35,500	-	-	-	-	-
	1,737,618	**15,859**	**(81,217)**	2,034,332	28,023	(67,705)	1,602,664	11,363	(53,068)
<u>Hedging derivatives</u>									
Profit rate swaps									
- Less than one year	**600,000**	**68**	**(174)**	-	-	-	-	-	-
- One year to three years	**850,000**	**-**	**(6,019)**	1,450,000	175	(15,207)	1,600,000	3,252	(436)
- More than three years	**2,559,088**	**22,458**	**(17,650)**	350,000	-	(9,157)	-	-	-
Cross currency profit rate swaps									
- More than three years	**258,632**	**9,842**	**(8,920)**	317,500	-	(4,110)	-	-	-
	4,267,720	**32,368**	**(32,763)**	2,117,500	175	(28,474)	1,600,000	3,252	(436)
Total derivative assets/(liabilities)	**6,005,338**	**48,227**	**(113,980)**	4,151,832	28,198	(96,179)	3,202,664	14,615	(53,504)

10. Other assets

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Amount due from holding company	**4,169,838**	3,726,670	1,575,303
Handling fees	**108,190**	127,490	122,431
Prepayments and deposits	**97,369**	70,581	48,066
Other debtors	**304,063**	18,852	748,453
	4,679,460	3,943,593	2,494,253

11. Statutory deposits with Bank Negara Malaysia

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

12. Deposits from customers

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
<u>Mudharabah Fund</u>			
Demand deposits	**7,036,602**	3,592,901	3,773,787
Savings deposits	**579,821**	508,498	423,089
General investment deposits	**15,646,549**	20,671,521	14,686,914
Negotiable instruments of deposits	**242,623**	257,716	242,829
	23,505,595	25,030,636	19,126,619
<u>Non-Mudharabah Fund</u>			
Demand deposits	**7,896,630**	5,773,749	5,647,616
Savings deposits	**8,011,365**	6,689,436	6,178,284
Fixed return investment deposits	**31,223,265**	21,046,377	16,839,011
Structured deposits *	**347,614**	200,434	542,584
	47,478,874	33,709,996	29,207,495
	70,984,469	58,740,632	48,334,114

* Structured deposits represent Ringgit Malaysia time deposits with embedded foreign currency exchange option, commodity-linked time deposits and profit rate options.

12. Deposits from customers (cont'd)

(i) The maturity structure of general investment deposits, negotiable instruments of deposits and fixed return investment deposits are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Due within six months	**40,602,295**	36,550,939	28,991,671
Six months to one year	**6,290,011**	5,138,961	2,495,634
One year to three years	**71,217**	126,498	130,505
Three years to five years	**148,914**	159,216	150,944
	47,112,437	41,975,614	31,768,754

(ii) The deposits are sourced from the following customers:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Business enterprises	**30,681,459**	27,925,083	19,636,727
Individuals	**20,602,332**	15,052,850	13,882,390
Government and statutory bodies	**9,619,863**	7,354,080	6,775,033
Others	**10,080,815**	8,408,619	8,039,964
	70,984,469	58,740,632	48,334,114

13. Deposits and placements of banks and other financial institutions

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Mudharabah fund			
Licensed banks*	**4,791,354**	4,892,905	6,109,215
Licensed islamic banks	**2,098,649**	257,368	-
Licensed investment banks	**1,081,296**	10,202	-
Other financial institutions	**422,458**	639,147	2,781,872
	8,393,757	5,799,622	8,891,087
Non-Mudharabah fund			
Licensed banks	**111,792**	51,953	127,709
Licensed islamic banks	**170,000**	190,163	-
Other financial institutions	**4,458,081**	3,321,167	2,322,930
	4,739,873	3,563,283	2,450,639
	13,133,630	9,362,905	11,341,726

* Included in the Mudharabah deposits and placements of licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by the parent amounting to RM685.0 million (31 December 2011 : RM650.0 million). These deposits are used to fund certain specific financing. The RPSIA is a contract based on the Mudharabah principle between two parties to finance a financing where the depositor as an investor solely provides capital and the business venture is managed solely by the bank as an entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne by the depositors.

14. Other liabilities

	Note	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Profit equalisation reserve	15	**54,695**	54,695	90,340
Sundry creditors		**83,408**	9,024	12,773
Deposit on trade financing		**13,983**	28,757	13,639
Provisions and accruals	(a)	**12,035**	17,212	16,711
Others		**21,219**	-	-
		185,340	109,688	133,463

(a) Includes provision for commitments and contingencies with the movement as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
At beginning of the year/period	**9,273**	9,273	-
(Reversed)/made during the year/period	**(9,273)**	-	9,273
At end of the year/period	**-**	9,273	9,273

The provision relates to bank guarantees issued by the Bank that have a high likelihood to result in claims from the beneficiaries.

15. Profit Equalisation Reserve ("PER")

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
At beginning of the year/period	**54,695**	90,340	-
Transfer to Non-Distributable profit equalisation reserve	**-**	(34,456)	-
Distribution to Investment Account Holder	**-**	(1,189)	-
Provided during the year/period	**-**	-	90,750
Written back during the year/period	**-**	-	(410)
At end of the year/period	**54,695**	54,695	90,340

Under the new BNM PER Guideline, the PER of the Bank is to be classified as a separate reserve in equity.

16. Provision for taxation and zakat

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Taxation	**118,539**	74,776	30,446
Zakat	**15,329**	5,529	9,125
	133,868	80,305	39,571

17. Deferred tax assets

	31.12.2012 RM'000	31.12.2011 RM'000
At 1 January 2012/1 July 2011, as reported under FRS	**177,446**	160,844
- effect of adoption of MFRS (Note 2(iv)(a))	**(779)**	(411)
At 1 January 2012/1 July 2011, under MFRS	**176,667**	160,433
Recognised in the income statement (Note 29)	**16,186**	28,822
Recognised in other comprehensive income	**6,147**	(12,588)
At end of the year/period	**199,000**	176,667

Deferred tax assets of the Bank:

	Allowances for losses on financing and advances RM'000	Unrealised holding reserve/ (deficit) RM'000	Other temporary difference RM'000	Total RM'000
At 1 January 2011				
- as reported under FRS	**171,337**	**4,533**	**1,576**	**177,446**
- effect of adoption of MFRS (Note 2(iv)(a))	**-**	**(779)**	**-**	**(779)**
At 1 January 2012, under MFRS	**171,337**	**3,754**	**1,576**	**176,667**
Recognised in the income statement (Note 29)	**15,522**	**-**	**664**	**16,186**
Recognised in other comprehensive statement	**-**	**6,147**	**-**	**6,147**
At 31 December 2012	**186,859**	**9,901**	**2,240**	**199,000**
At 1 July 2011				
- as reported under FRS	142,223	17,050	1,571	160,844
- effect of adoption of MFRS (Note 2(iv)(a))	-	(411)	-	(411)
At 1 July 2011, under MFRS	142,223	16,639	1,571	160,433
Recognised in the income statement (Note 29)	29,114	(297)	5	28,822
Recognised in other comprehensive statement	-	(12,588)	-	(12,588)
At 31 December 2011	171,337	3,754	1,576	176,667

18. Subordinated sukuk

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
RM1,000 million Tier 2 Islamic Subordinated Sukuk due in 2021	**1,010,782**	1,010,723	1,010,637

On 31 March 2011, the Bank issued RM1.0 billion nominal value Islamic Subordinated Sukuk ("the Sukuk") under the Shariah principle of Musyarakah. The Sukuk carries a tenure of 10 years from the issue date on 10 non-callable 5 basis, with a profit rate of 4.22% per annum payable semi-annually in arrears in March and September each year, and are due in March 2021. Under the 10 non-callable 5 basis feature, the Bank has the option to redeem the Sukuk on any semi-annual distribution date on or after the 5th anniversary from the issue date. Should the Bank decide not to exercise its option to redeem the Sukuk, the Sukuk shall continue to be outstanding until the final maturity date.

The Sukuk is unsecured and it is subordinated in rights and priority of payment, to all deposit liabilities and other liabilities of the Bank except liabilities of the Bank which by their terms rank pari-passu in right and priority of payment with the Sukuk.

19. Recourse obligation on financing sold to Cagamas

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
At beginning of the year/period	**1,499,270**	682,679	1,137,321
Amount sold during the year/period	**-**	1,000,000	-
Repayment forwarded	**(594,089)**	(183,409)	(454,642)
At end of the year/period	**905,181**	1,499,270	682,679

This represents hire purchase financing sold directly to Cagamas Berhad with recourse. Under the agreement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy back any financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria.

20. Share capital

	Number of ordinary shares of RM1 each			Amount		
	31.12.2012 '000	31.12.2011 '000	As at 1.7.2011 '000	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Authorised:						
At beginning and end of year/period	**500,000**	500,000	500,000	**500,000**	500,000	500,000
Issued and fully paid:						
At beginning of year/period	**110,600**	110,600	110,600	**110,600**	110,600	110,600
Issued during the year/period	**22,120**	-	-	**22,120**	-	-
At end of year/period	**132,720**	110,600	110,600	**132,720**	110,600	110,600

21. Reserves

	Note	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Non-distributable:				
Share premium		**2,687,480**	2,488,400	2,488,400
Equity contribution from the holding company		**1,697**	1,697	1,697
Statutory reserve	(a)	**147,338**	147,338	147,338
Unrealised holding reserves		**31,274**	49,719	11,954
Profit equalisation reserve	(b)	**34,456**	34,456	-
		2,902,245	2,721,610	2,649,389
Distributable:				
Retained profits	(c)	**1,510,406**	1,279,273	1,202,657
Total reserves		**4,412,651**	4,000,883	3,852,046

(a) Statutory reserves

The statutory reserve is maintained in compliance with the requirements of Bank Negara Malaysia in which the Bank operates and is not distributable as cash dividends.

(b) Profit equalisation reserve

The PER of the Bank is classified as a separate reserve in equity as per BNM Revised Guidelines on Profit Equalisation Reserve issued in May 2011.

21. Reserves (cont'd)

(c) Retained profits

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

As at 31 December 2012, the Bank does not have any Section108 balance. The Bank may distribute dividends out of its entire retained profits as at 31 December 2012 under the single tier system.

22. Income derived from investment of depositors' funds

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Income from investment of:		
(i) General investment deposits	**2,335,519**	1,095,991
(ii) Other deposits	**1,201,631**	447,213
	3,537,150	1,543,204

(i) Income derived from investment of general investment deposits

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Finance income and hibah		
Financing and advances	**1,785,176**	931,536
Securities:		
- Available-for-sale	**106,213**	66,604
- Held-for-trading	**2,256**	1,992
- Held-to-maturity	**1,807**	2,219
Money at call and deposits with financial institutions	**156,457**	37,482
	2,051,909	1,039,833
Amortisation of premium less accretion of discount	**44,358**	(305)
Total finance income and hibah	**2,096,267**	1,039,528
Other operating income		
Fee income:		
- Processing fees	**1,130**	556
- Commissions	**71,688**	26,171
- Service charges	**90,697**	26,342
Gains on sale of securities available-for-sale	**36,199**	8,938
Gains on sale of securities held-for-trading	**8,001**	1,016
Unrealised gains/(losses) on revaluation of:		
- Derivatives	**15,476**	(20,603)
- Securities held-for-trading	**6,020**	393
Gains/(losses) on foreign exchange:		
- Realised	**20,974**	8,968
- Unrealised	**(13,450)**	413
Net dividend on derivatives	**2,517**	4,269
Total other operating income	**239,252**	56,463
Total	**2,335,519**	1,095,991

Included in finance income were income on impaired assets amounting to RM13.5 million (31.12.2011 :RM7.8 million).

22. Income derived from investment of depositors' funds (cont'd)

(ii) Income derived from investment of other deposits

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Finance income and hibah		
Financing and advances	**918,478**	380,108
Securities:		
- Available-for-sale	**54,647**	27,178
- Held-for-trading	**1,161**	813
- Held-to-maturity	**930**	906
Money at call and deposits with financial institutions	**80,497**	15,294
	1,055,713	424,299
Amortisation of premium less accretion of discount	**22,822**	(124)
Total finance income and hibah	**1,078,535**	424,175
Other operating income		
Fee income:		
- Processing fees	**582**	227
- Commissions	**36,884**	10,679
- Service charges	**46,663**	10,749
Gains on sale of securities available-for-sale	**18,625**	3,647
Gains on sale of securities held-for-trading	**4,117**	414
Unrealised gains/(losses) on revaluation of:		
- Derivatives	**7,962**	(8,407)
- Securities held-for-trading	**3,097**	160
Gains/(losses) on foreign exchange:		
- Realised	**10,791**	3,659
- Unrealised	**(6,920)**	168
Net dividend on derivatives	**1,295**	1,742
Total other operating income	**123,096**	23,038
Total	**1,201,631**	447,213

Included in finance income were income on impaired assets amounting to RM7.0 million (31.12.2011: RM3.2 million).

23. Income derived from investment of shareholder's funds

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Finance income and hibah		
Financing and advances	**107,416**	58,034
Securities:		
- Available-for-sale	**6,391**	4,149
- Held-for-trading	**136**	124
- Held-to-maturity	**109**	138
Money at call and deposits with financial institutions	**9,414**	2,335
	123,466	64,780
Amortisation of premium less accretion of discount	**2,669**	(19)
Total finance income and hibah	**126,135**	64,761
Other operating income		
Fee income		
- Processing fees	**68**	35
- Commissions	**4,314**	1,630
- Service charges	**5,457**	1,641
Gains on sale of securities available-for-sale	**2,178**	557
Gains on sale of securities held-for-trading	**481**	63
Unrealised gains/(losses) on revaluation of:		
- Derivatives	**931**	(1,284)
- Securities held-for-trading	**362**	24
Gains/(losses) on foreign exchange:		
- Realised	**1,262**	559
- Unrealised	**(809)**	26
Net dividend on derivatives	**151**	266
Total other operating income	**14,395**	3,517
Total	**140,530**	68,278

Included in finance income were income on impaired assets amounting to RM0.8 million (31.12.2011: RM0.5 million).

24. Allowances for losses on financing and advances

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Allowances for impaired financing and advances:		
Individual allowance		
- Allowance made (Note 8 (viii))	**61,887**	28,449
- Amount written back (Note 8 (viii))	**(61,863)**	(38,004)
Collective allowance made (Note 8 (viii))	**59,096**	111,089
Bad financing		
- Written off	**15,622**	1,906
- Recovered	**(102,353)**	(47,790)
	(27,611)	55,650

25. Income attributable to depositors

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Deposits from customers		
- Mudharabah fund	**568,209**	231,042
- Non-mudharabah fund	**787,180**	322,272
Deposits and placements of banks and other financial institutions		
- Mudharabah fund	**345,931**	171,792
- Non-mudharabah fund	**51,737**	1,422
	1,753,057	726,528

26. Overhead expenses

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Personnel expenses		
- Salaries and wages	**11,995**	4,702
- Allowances and bonuses	**6,418**	3,186
- Social security cost	**76**	27
- Pension cost - defined contribution plan	**3,168**	1,718
- Share options granted under ESS	**1,409**	968
- Other staff related expenses	**4,427**	841
	27,493	11,442
Establishment costs		
- Rental of premises	**1,148**	587
- Repairs, servicing and maintenance	**352**	68
- Information technology expenses	**1,172**	485
	2,672	1,140
Marketing costs		
- Advertisement and publicity	**5,798**	4,126
- Others	**35**	87
	5,833	4,213
Administration and general expenses		
- Fees and brokerage	**6,258**	6,601
- Administrative expenses	**5,892**	2,304
- General expenses	**(2,191)**	5,158
- Auditors' remuneration		
- Statutory audit	**400**	282
- Other services	**162**	25
- Directors' fees and other remunerations (Note 27)	**460**	103
- Shared service costs paid/payable to Maybank	**602,754**	261,313
	613,735	275,786
Total	**649,733**	292,581

27. Chief executive officer, directors and Shariah committee members' remuneration

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Chief executive officer:		
Salary and other remuneration, including meeting allowance	**775**	378
ESS costs	**389**	100
Estimated monetary value of benefit-in-kind	**152**	51
Pension cost - defined contribution plan	**137**	67
	1,453	529
Non-executive directors:		
Fees	**413**	87
Other remunerations	**47**	16
	460	103
Shariah committee members	**370**	174
Total	**2,283**	806
Total (excluding benefit-in-kind)	**2,131**	755

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

Non-executive directors:		
Below RM 50,000	**-**	5
RM 50,001 - 100,000	**5**	-

28. Finance cost

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Islamic Subordinated Sukuk	**41,913**	21,186

29. Taxation

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Tax expense for the year/period	**304,702**	150,579
Deferred tax (Note 17):		
Deferred tax in relation to origination and reversal of temporary differences	**(16,186)**	(28,822)
	288,516	121,757

Domestic current income tax is calculated at the statutory tax rate of 25% of the estimated assessable profit for the period.

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

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Profit before taxation	**1,190,072**	515,536
Taxation at Malaysian statutory tax rate of 25%	**297,518**	128,884
Income not subject to tax	**(7,358)**	(4,005)
Expenses not deductible for tax purposes	**151**	63
Effect of zakat deduction	**(1,795)**	(3,185)
Tax expense for the year/period	**288,516**	121,757

30. Earnings per share ("EPS")

The basic and diluted EPS of the Bank are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	1.1.2012 to 31.12.2012	**1.7.2011 to 31.12.2011**
Profit for the year/period attributable to equity holder of the Bank (RM' 000)	**886,327**	388,508
Weighted average number of ordinary shares in issue ('000)	**125,770**	110,600
Basic/diluted EPS (sen)	**704.7**	351.3

31. Dividends

	1.1.2012 to 31.12.2012 RM'000	**1.7.2011 to 31.12.2011 RM'000**
Interim tax exempt (single-tier) dividend of RM3.27, on 132,720,000 ordinary shares in respect of the financial year ended 31 December 2012	**433,994**	-
Final tax exempt (single-tier) dividend of RM2.00, on 110,600,000 ordinary shares in respect of the financial year ended 31 December 2011	**221,200**	-
Final tax exempt (single-tier) dividend of RM2.82, on 110,600,000 ordinary shares in respect of the financial year ended 30 June 2011	**-**	311,892
	655,194	311,892

An interim tax-exempt (single tier) dividend in respect of the current financial year ended 31 December 2012 of RM3.27 per share on 132,720,000 ordinary shares, amounting to a dividend payable of RM433,994,400 was approved and declared on 18 December 2012. The dividend has been paid on 10 January 2013 subsequent to the year-end.

32. Significant related party transactions and balances

(a) The Bank's significant transactions and balances with related parties are as follows:

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Holding company		
Expenditure		
Income attributable on deposits and placements	**170,407**	53,184
Shared service cost paid/payable to Maybank	**602,754**	261,313
Other expenses	**2,465**	1,067
	775,626	315,564
Related company		
Income		
Profit income on deposits and placement with banks and other financial institutions	**5,819**	-
	5,819	-
Expenditure		
Income attributable on deposits and placements	**2,881**	1,407
Other expenses	**595**	-
	3,476	1,407

(b) Included in the statement of financial position of the Bank are amounts due to holding company represented by the following:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Holding company			
Amount due from:			
Current accounts and deposits	**656,705**	17,663	27,003
Derivative assets	**10,913**	666	-
Others	**4,169,838**	3,726,670	3,770,087
	4,837,456	3,744,999	3,797,090

32. Significant related party transactions and balances (cont'd)

(b) Included in the statement of financial position of the Bank are amounts due to holding company represented by the following (cont'd):

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Holding company			
Amount due to:			
Current accounts and deposits	**686,957**	1,071,178	1,001,754
Negotiable instruments of deposits			
- Remaining maturity less than one year	**3,059,633**	1,596,921	1,577,936
- Remaining maturity more than one year	**706,425**	2,224,807	2,738,328
Derivative liabilities	**37,325**	54,206	-
Others	**-**	-	2,100,424
	4,490,340	4,947,112	7,418,442
Related company			
Amount due from:			
Current accounts and deposits	**24**	458,828	33,279
	24	458,828	33,279
Amount due to:			
Current accounts and deposits	**37,603**	10,202	-
General investment deposits	**10,896**	42,503	40,421
Fixed return investment deposits	**55,204**	38,104	117,090
	103,703	90,809	157,511

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent parties.

32. Significant related party transactions and balances (cont'd)

(c) Key management personnel compensation

The remuneration of directors and other members of key management during the year are as disclosed in Note 27. The movement in share options of key management personnel is as follows:

	1.1.2012 to 31.12.2012 '000	1.7.2011 to 31.12.2011 '000
At beginning of year/period	**47**	-
Vested and exercisable	**100**	47
Adjustment*	**15**	-
At end of year/period	**162**	47

* Adjustment relates to ESOS allocated in prior year but accepted during the financial year

The share options were granted on the same terms and conditions as those offered to other employees of Maybank Group.

(d) Government-related entities

Permodalan Nasional Berhad ("PNB"), a government linked entity is a shareholder with significant influence on the Bank, with direct shareholding of 5.08% (31.12.2011: 5.21%; 1.7.2011: 5.58%) and indirect shareholding of 40.58% (31.12.2011: 46.05%; 1.7.2011: 45.77%) via Amanah Raya Trustee Berhad (Skim Amanah Saham Bumiputera) as at 31 December 2012. PNB and entities directly controlled by PNB are collectively referred to as government-related entities to the Bank.

All the transactions entered into by the Bank with the government-related entities are conducted in the ordinary course of the Bank's business on terms comparable to those with other entities that are not government-related. The Bank has established credit policies, pricing strategy and approval process for financing and advances, which are independent of whether the counterparties are government-related entities or not.

(i) Individually significant transaction with PNB because of size of transaction

	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Transactions during the year/period:		
Financing income	**42,575**	31,653

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Balances as at:			
Financing and advances	**1,150,000**	1,150,000	1,150,000

32. Significant related party transactions and balances (cont'd)

(d) Government-related entities (cont'd)

(ii) Collectively, but not individually, significant transactions

The Bank has transactions with other government-related entities including but not limited to provision of financings, deposits placement, brokerage fees and insurance premium.

For the financial year ended 31 December 2012, management estimate that the aggregate amount of the Bank's significant transactions with other government-related entities are at least 1.5% of its total financing income (31.12.2011: 2.3%) and 1.9% of its total financing and advances (31.12.2011: 2.2%; 1.7.2011: 2.4%).

(e) Credit exposure arising from credit transactions with connected parties

	31.12.2012	**31.12.2011**	**As at 1.7.2011**
Outstanding credit exposure with connected parties (RM'000)	**2,042,280**	2,332,784	4,112,713
Percentage of outstanding credit exposure to connected parties as a proportion of total credit exposure	**2.8%**	4.6%	8.8%
Percentage of outstanding credit exposure to connected parties which are non-performing or in default	**-**	-	-

The credit exposure above are derived based on paragraph 9.1 of the Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected

Based on these guidelines, a connected party refers to the following:
(i) Directors of the Bank and their close relatives;
(ii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;
(iii) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
(iv) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iii) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
(v) Any person for whom the persons listed in (i) to (iii) above is a guarantor; and
(vi) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and financing commitments.

33. Commitments and contingencies

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

The risk-weighted exposures of the Bank as at 31 December are as follows:

	31.12.2012			31.12.2011			As at 1.7.2011		
	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
Credit-related									
Direct credit substitutes	**786,803**	**773,639**	**519,972**	353,389	353,389	218,717	258,825	258,825	153,932
Certain transaction-related contingent items	**1,092,100**	**528,713**	**506,466**	988,725	488,589	420,439	953,946	474,813	425,774
Short-term self-liquidating trade-related contingencies	**173,295**	**25,222**	**16,097**	275,875	54,868	33,029	103,689	20,696	14,814
Irrevocable commitments to extend credit:									
- maturity within one year	**16,595,356**	**1,800,273**	**1,028,067**	13,278,525	367,560	216,612	11,800,348	173,764	58,462
- maturity more than one year	**4,472,758**	**2,509,371**	**708,572**	2,183,909	1,117,988	333,118	1,573,404	345,905	208,332
Miscellaneous commitments and contingencies	**4,752**	**-**	**-**	12,662	-	-	13,076	-	-
Derivative financial instruments									
Foreign exchange related contracts:									
- less than one year	**1,037,118**	**29,530**	**14,511**	1,498,332	43,650	12,648	1,029,364	18,174	3,635
- one year to less than five years	**559,132**	**58,462**	**41,464**	618,000	62,723	29,045	-	-	-
Profit rate related contracts:									
- less than one year	**600,000**	**568**	**114**	-	-	-	537,300	16,716	3,343
- one year to less than five years	**3,809,087**	**184,196**	**93,840**	1,850,000	39,897	7,979	1,600,000	34,252	6,850
- more than five years	**-**	**-**	**-**	150,000	9,000	1,800	-	-	-
Commodity related contracts:									
- less than one year	**-**	**-**	**-**	35,500	89	18	36,000	91	19
	29,130,401	**5,909,974**	**2,929,103**	21,244,917	2,537,753	1,273,405	17,905,952	1,343,236	875,161

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

34. Financial risk management

(a) Financial risk management overview

The Bank adopts the same principles and standards as Maybank ("the Group") in setting its risk management framework while ensuring the framework is consistent with Shariah requirements set out by the Islamic Financial Services Board ("IFSB") and Bank Negara Malaysia ("BNM"). At present, the Bank manages its credit and operational risks while the management of market and liquidity risk relating to Islamic banking is carried out by Risk Management at Maybank Group Level.

Risk Management is a critical pillar of the Group's operating model, complementing the other two pillars, which are customer sector and support and services sector. A dedicated Board-level Risk Management Committee provides risk oversight of all material risks across the Group.

At the management level, the Executive Risk Committee and the Asset and Liability Management Committee ensures all key risks are managed in line with their respective Terms of Reference.

The Bank's approach to risk management is premised on the following Seven Broad Principles of Risk Management:

(a) The risk management approach is premised on the three lines of defence concept – risk taking units, risk control units and internal audit.

(b) The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this is Internal Audit which provides independent assurance of the effectiveness of the risk management approach.

(c) Risk Management provides risk oversight for the major risk categories including credit, market, liquidity and operational risk.

(d) Risk Management ensures that the core risk policies of the Bank are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.

(e) Risk Management is functionally and organisationally independent of business sectors and other risk taking units within the Bank.

(f) The Board, through the Risk Management Committee, maintains overall responsibility for the risk oversight function within the Bank.

(g) Risk Management ensures the execution of various risk policies and related decisions empowered by the Board.

34. Financial risk management (cont'd)

(b) Financial instrument by category

31.12.2012	Held-for-trading RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Financing and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets							
Cash and short term funds	-	-	-	13,017,282	13,017,282	-	13,017,282
Deposits and placements with banks and other financial institutions	-	-	-	271,375	271,375	-	271,375
Securities portfolio	4,098,406	5,411,549	-	-	9,509,955	-	9,509,955
Financing and advances	-	-	-	61,308,071	61,308,071	-	61,308,071
Derivative assets	48,227	-	-	-	48,227	-	48,227
Other assets	-	-	-	4,473,901	4,473,901	205,559	4,679,460
Statutory deposits with Bank Negara Malaysia	-	-	-	2,399,000	2,399,000	-	2,399,000
Deferred tax assets	-	-	-	-	-	199,000	199,000
TOTAL ASSETS	4,146,633	5,411,549	-	81,469,629	91,027,811	404,559	91,432,370

31.12.2012	Held-for-trading RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities					
Deposits from customers	-	70,984,469	70,984,469	-	70,984,469
Deposits and placements of banks and other financial institutions	-	13,133,630	13,133,630	-	13,133,630
Bills and acceptances payable	-	419,749	419,749	-	419,749
Derivative liabilities	113,980	-	113,980	-	113,980
Other liabilities	-	97,391	97,391	87,949	185,340
Provision for taxation and zakat	-	-	-	133,868	133,868
Subordinated sukuk	-	1,010,782	1,010,782	-	1,010,782
Recourse obligation on financing sold to Cagamas		905,181	905,181		905,181
TOTAL LIABILITIES	113,980	86,551,202	86,665,182	221,817	86,886,999

34. Financial risk management (cont'd)

(b) Financial instrument by category

31.12.2011	Held-for-trading RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Financing and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets							
Cash and short term funds	-	-	-	9,419,350	9,419,350	-	9,419,350
Deposits and placements with banks and other financial institutions	-	-	-	406,110	406,110	-	406,110
Securities portfolio	2,214,891	6,000,084	50,424	-	8,265,399	-	8,265,399
Financing and advances	-	-	-	51,438,821	51,438,821	-	51,438,821
Derivative assets	28,198	-	-	-	28,198	-	28,198
Other assets	-	-	-	3,745,522	3,745,522	198,071	3,943,593
Statutory deposits with Bank Negara Malaysia	-	-	-	1,834,800	1,834,800	-	1,834,800
Deferred tax assets	-	-	-	-	-	176,667	176,667
TOTAL ASSETS	2,243,089	6,000,084	50,424	66,844,603	75,138,200	374,738	75,512,938

31.12.2011	Held-for-trading RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities					
Deposits from customers	-	58,740,632	58,740,632	-	58,740,632
Deposits and placements of banks and other financial institutions	-	9,362,905	9,362,905	-	9,362,905
Bills and acceptances payable	-	501,753	501,753	-	501,753
Derivative liabilities	96,179	-	96,179	-	96,179
Other liabilities	-	37,781	37,781	71,907	109,688
Provision for taxation and zakat	-	-	-	80,305	80,305
Subordinated sukuk	-	1,010,723	1,010,723	-	1,010,723
Recourse obligation on financing sold to Cagamas		1,499,270	1,499,270	-	1,499,270
TOTAL LIABILITIES	96,179	71,153,064	71,249,243	152,212	71,401,455

34. Financial risk management (cont'd)

(b) Financial instrument by category

As at 1.7.2011	Held-for-trading RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Financing and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets							
Cash and short term funds	-	-	-	9,674,441	9,674,441	-	9,674,441
Deposits and placements with banks and other financial institutions	-	-	-	460,595	460,595	-	460,595
Securities portfolio	272,633	6,043,570	50,542	-	6,366,745	-	6,366,745
Financing and advances	-	-	-	46,526,898	46,526,898	-	46,526,898
Derivative assets	14,615	-	-	-	14,615	-	14,615
Other assets	-	-	-	2,323,756	2,323,756	170,497	2,494,253
Statutory deposits with Bank Negara Malaysia	-	-	-	913,900	913,900	-	913,900
Deferred tax assets	-	-	-	-	-	160,433	160,433
TOTAL ASSETS	287,248	6,043,570	50,542	59,899,590	66,280,950	330,930	66,611,880

As at 1.7.2011	Held-for-trading RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities					
Deposits from customers	-	48,334,114	48,334,114	-	48,334,114
Deposits and placements of banks and other financial institutions	-	11,341,726	11,341,726	-	11,341,726
Bills and acceptances payable	-	1,053,540	1,053,540	-	1,053,540
Derivative liabilities	53,504	-	53,504	-	53,504
Other liabilities	-	26,412	26,412	107,051	133,463
Provision for taxation and zakat	-	-	-	39,571	39,571
Subordinated sukuk	-	1,010,637	1,010,637	-	1,010,637
Recourse obligation on financing sold to Cagamas		682,679	682,679	-	682,679
TOTAL LIABILITIES	53,504	62,449,108	62,502,612	146,622	62,649,234

34. Financial risk management policies (cont'd)

(c) Credit risk management

1. Credit Risk Management

Credit risk management

Risk appetite for credit risk is an expression of the amount of risk that the Bank is willing to take in pursuing its strategic objectives. It reflects the Bank's capacity to sustain potential losses arising from a range of potential consequences under different stress scenarios. This is defined in terms of both impact to earnings and maintenance of minimum regulatory capital requirements.

Identifying the risk appetite and risk capacity of the business is an important starting point for Enterprise Risk Management. A key element of the Risk Appetite Framework is the Risk Appetite Statement, which is a Board-approved document that defines the self-imposed constraints and drivers which we have chosen to limit or otherwise influence the amount of risk undertaken. This document shall have a set of quantitative and qualitative key measures, and shall be regularly reviewed, updated and approved by the Board Risk Management Committee and Board.

The Board has approved the Risk Appetite Statement and Framework for implementation by the Bank. The risk appetite statements were articulated to better link our business strategies with our risk taking capacities and optimise risk-return tradeoffs.

Credit risk definition

Credit risk arises as a result of customers or counter-parties' failure or unwillingness to fulfil their financial and contractual obligations as and when they arise. These obligations arise from the Bank's direct lending operations, trade finance and its funding, investment and trading activities undertaken by the Bank. As the Bank's primary business is in commercial banking, the Bank's exposure to credit risk is primarily from its lending activities and financing to consumer retail, small and medium-sized enterprises ("SMEs") and corporate customers. Other activities such as trading or holding of debt securities, settlement of transactions, also expose the Bank to credit risk and counterparty credit risk.

Management of credit risk

Corporate and institutional credit risks are assessed by business units and approved by an independent party (Group Credit Management) where each customer is assigned a credit rating based on the assessment of relevant factors including customer's financial position, types of facilities and securities offered.

34. Financial risk management policies (cont'd)

(c) Credit risk management (cont'd.)

1. Credit Risk Management (cont'd.)

Management of credit risk (cont'd.)

Reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic condition and account conduct. Corrective actions are taken when the accounts show signs of credit deterioration.

Retail credit exposures are managed on a programme basis. Credit programmes are assessed jointly between credit risk and business units.

Reviews on credit programmes are conducted at least once a year to assess the performance of the portfolio.

Bank wide hierarchy of credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently throughout the Bank.

To manage large exposures, the Bank has in place, amongst others, the following limits and related lending guidelines to avoid undue concentration of credit risk in its financing portfolio:

- Countries
- Business Segments
- Economic Sectors
- Single Customer Groups
- Banks & Non-Bank Financial Institutions
- Counterparties
- Collaterals

To effectively manage vulnerable corporate and institutional credits of the Bank, there are dedicated teams comprising Corporate Remedial Management at Head Office and Loan Management Centres at Regional Offices. Vulnerable consumer credits are managed by the Recovery Management Unit at Head Office and Asset Quality Management Centres at Regional Offices. Special attention is given to these vulnerable credits where more frequent and intensive reviews are performed in order to accelerate remedial action.

34. Financial risk management policies (cont'd)

(c) Credit risk management (cont'd)

1. Credit Risk Management (cont'd)

Management of credit risk (cont'd)

A post-approval evaluation of credit facilities is emplaced and performed by the Credit Review team, with checks to ensure that credit facilities are properly appraised and approved. The team also reviews credit applications with overrides and/or policy breaches to assess the adequacy of justification and mitigation when approving such overrides/breaches. This is to ensure that the Bank’s credit evaluation process is properly benchmarked against best practices and that credit policies and product guidelines are continuously enhanced to ensure that they remain relevant in managing credit risks. Findings of the Credit Review team are tabled at the risk committees for review and remedial actions.

A dedicated Credit Policy and Portfolio Management team designs strategies to achieve a desired ideal portfolio risk tolerance level. The teams also prepare regular credit risk reports which are submitted to the various risk committees as part of on-going monitoring and review of borrowers and financing portfolios. Periodic credit stress testing exercises under selected scenarios are also performed and the results reported.

Credit Risk Management ("CRM") Framework

The CRM framework includes comprehensive credit risk policies, frameworks, tools and methodologies for identification, measurement, monitoring and control of credit risk on a consistent basis. Components of the CRM framework constitute:

- Strong emphasis in creating and enhancing credit risk awareness.
- Comprehensive selection and training of lending personnel in the management of credit risk.
- Leveraging on knowledge sharing tools including e-learning courses to enhance credit skills within the Group.

The Bank’s credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. The CRM sub-sector is responsible for developing, enhancing and communicating an effective and consistent credit risk management framework across the Bank to ensure appropriate credit policies are in place to identify, measure, control and monitor such risks.

In view that authority limits are directly related to the risk levels of the borrower and transaction, a Risk-Based Authority Limit structure was implemented based on the Expected Loss framework and internally developed Credit Risk Rating System ("CRRS").

34. Financial risk management policies (cont'd)

(c) Credit risk management (cont'd)

2. Maximum exposure to credit risk

The following analysis represents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial assets, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For off balance sheet assets, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers.

	Maximum Exposure		
			As at
	31.12.2012	31.12.2011	1.7.2011
	RM'000	RM'000	RM'000
Credit exposure for on-balance sheet assets:			
Cash and short term funds	**13,017,282**	9,419,350	9,674,441
Deposits and placements with banks and other financial institutions	**271,375**	406,110	460,595
Securities portfolio	**9,509,955**	8,265,399	6,366,745
Financing and advances	**61,308,071**	51,438,821	46,526,898
Derivative assets	**48,227**	28,198	14,615
Other financial assets	**4,473,901**	3,745,522	2,323,756
Statutory deposits with Bank Negara Malaysia	**2,399,000**	1,834,800	913,900
	91,027,811	75,138,200	66,280,950
Credit exposure for off-balance sheet items:			
Direct credit substitutes	**786,803**	353,389	258,825
Certain transaction-related contingent items	**1,092,100**	988,725	953,946
Short-term self-liquidating trade-related contingencies	**173,295**	275,875	103,689
Irrevocable commitments to extend credit	**21,068,114**	15,462,434	13,373,752
Miscellaneous	**4,752**	12,662	13,076
	23,125,064	17,093,085	14,703,288
Total maximum credit risk exposure	**114,152,875**	92,231,285	80,984,238

The financial effect of collateral (quantification of the extent to which collateral and other enhancements mitigate credit risk) held for financings and advances for the Bank is at 67% as at 31 December 2012, respectively (31 December 2011:56% and 1 July 2011:58%). The financial effect of collateral held for other financial assets is not significant.

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

3. Credit risk concentration profile

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank analysed the concentration credit risk by geographic purpose and industry segment as follows:

(a) Concentration of credit risk for both on and off balance sheet exposures analysed by geographic purpose are as follows:

31.12.2012	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	13,017,282	271,375	9,509,955	61,903,588	48,227	4,473,901	2,399,000	91,623,328	23,125,064
Less: Collective allowance	-	-	-	(595,517)	-	-	-	(595,517)	-
	13,017,282	271,375	9,509,955	61,308,071	48,227	4,473,901	2,399,000	91,027,811	23,125,064

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

3. Credit risk concentration profile (cont'd)

31.12.2011	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	9,419,350	406,110	8,265,399	52,070,479	28,198	3,745,522	1,834,800	75,769,858	17,093,085
Less: Collective allowance	-	-	-	(631,658)	-	-	-	(631,658)	-
	9,419,350	406,110	8,265,399	51,438,821	28,198	3,745,522	1,834,800	75,138,200	17,093,085

As at 1.7.2011	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	9,674,441	460,595	6,366,745	47,102,793	14,615	2,323,756	913,900	66,856,845	14,703,288
Less: Collective allowance	-	-	-	(575,895)	-	-	-	(575,895)	-
	9,674,441	460,595	6,366,745	46,526,898	14,615	2,323,756	913,900	66,280,950	14,703,288

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

3. Credit risk concentration profile (cont'd)

(b) Concentration of credit risk for both on and off balance sheet exposures analysed by industry sector are as follows:

31.12.2012	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	116,700	1,324,887	-	-	-	1,441,587	363,846
Mining and quarrying	-	-	-	202,930	-	-	-	202,930	51,218
Manufacturing	-	-	400,010	3,492,620	67	-	-	3,892,697	982,489
Construction	-	-	276,351	2,661,086	3,520	-	-	2,940,957	742,276
Electricity, gas and water supply	-	-	230,909	677,878	27,245	-	-	936,032	236,248
Wholesale, retail trade, restaurants and hotels	-	-	-	2,787,261	-	-	-	2,787,261	703,484
Finance, insurance, real estate and business	13,017,282	271,375	1,522,654	8,272,204	17,391	4,473,901	2,399,000	29,973,807	7,565,173
Transport, storage and communication	-	-	609,604	2,326,309	-	-	-	2,935,913	741,003
Education, health and others	-	-	-	945,565	-	-	-	945,565	238,654
Household	-	-	-	38,747,361	-	-	-	38,747,361	9,779,553
Others	-	-	6,353,727	465,487	4	-	-	6,819,218	1,721,120
Less: Collective allowance	-	-	-	(595,517)	-	-	-	(595,517)	-
	13,017,282	271,375	9,509,955	61,308,071	48,227	4,473,901	2,399,000	91,027,811	23,125,064

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

3. Credit risk concentration profile (cont'd)

31.12.2011	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	131,969	642,739	-	-	-	774,708	174,768
Mining and quarrying	-	-	-	8,788	-	-	-	8,788	1,983
Manufacturing	-	-	228,275	3,731,181	-	-	-	3,959,456	893,222
Construction	-	-	41,955	2,398,860	-	-	-	2,440,815	550,629
Electricity, gas and water									-
supply	-	-	290,848	72,353	-	-	-	363,201	81,935
Wholesale, retail trade,									-
restaurants and hotels	-	-	-	1,888,469	-	-	-	1,888,469	426,024
Finance, insurance,									-
real estate and business	9,419,350	406,110	1,856,181	7,867,076	28,198	3,745,522	1,834,800	25,157,237	5,675,275
Transport, storage									-
and communication	-	-	373,045	2,876,183	-	-	-	3,249,228	733,000
Education, health and others	-	-	15,536	511,237	-	-	-	526,773	118,836
Household	-	-	-	31,469,061	-	-	-	31,469,061	7,099,173
Others	-	-	5,327,590	604,532	-	-	-	5,932,122	1,338,240
Less: Collective allowance	-	-	-	(631,658)	-	-	-	(631,658)	-
	9,419,350	406,110	8,265,399	51,438,821	28,198	3,745,522	1,834,800	75,138,200	17,093,085

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(Incorporated in Malaysia)

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

3. Credit risk concentration profile (cont'd)

As at 1.7.2011	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	70,349	506,987	-	-	-	577,336	126,969
Mining and quarrying	-	-	-	21,900	-	-	-	21,900	4,816
Manufacturing	-	-	-	4,010,893	-	-	-	4,010,893	882,083
Construction	-	-	173,805	1,756,815	-	-	-	1,930,620	424,586
Electricity, gas and water									-
supply	-	-	611,763	157,109	-	-	-	768,872	169,092
Wholesale, retail trade,									-
restaurants and hotels	-	-	-	1,622,839	-	-	-	1,622,839	356,898
Finance, insurance,									-
real estate and business	9,674,441	460,595	1,390,396	6,295,261	14,615	2,323,756	913,900	21,072,964	4,634,408
Transport, storage									-
and communication	-	-	208,819	1,814,292	-	-	-	2,023,111	444,926
Education, health and others	-	-	-	384,276	-	-	-	384,276	84,511
Household	-	-	70,938	29,939,178	-	-	-	30,010,116	6,599,883
Others	-	-	3,840,675	593,243	-	-	-	4,433,918	975,116
Less: Collective allowance	-	-	-	(575,895)	-	-	-	(575,895)	-
	9,674,441	460,595	6,366,745	46,526,898	14,615	2,323,756	913,900	66,280,950	14,703,288

34. Financial risk management policies (cont'd)

(c) Credit risk management (cont'd)

4. Collateral

The main types of collateral obtained by the Bank to mitigate credit risk are as follows:

• For mortgages - charges over residential properties
• For auto financing - ownership claims over the vehicle financed
• For commercial property financing - charges over the properties being financed
• For other financing - charges over business assets such as premises, inventories, trade receivable or deposits

5. Credit quality of financial assets

Credit classification for financial assets

For the purposes of disclosure relating to FRS 7, all financial assets are categorised into the following:

- neither past due nor impaired
- past due but not impaired
- past due and impaired

The four credit quality classification set out and defined below describe the credit quality of the Bank's lending. These classifications encompass a range of more granular, internal gradings assigned to financing and advances whilst external gradings are applied to securities. There is no direct correlation between the internal and external ratings at a granular level, except the extent each falls within a single credit quality band.

Exposure to credit risk	Probability of default ("PD") Grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 - 5	AAA to A-	AAA to AA
Low	6 - 10	A- to BBB-	AA to A
Moderate	11 - 15	BB+ to B+	A to BBB
High	16 - 21	B+ to CCC	BBB to C
Impaired	Impaired	Impaired	Impaired

34. Financial risk management policies (cont'd)

(c) Credit risk management (cont'd)

5. Credit quality of financial assets (cont'd)

Risk category is as described below:

Very low: Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.

Low: Obligors rated in this category have a good capacity to meet financial commitments with very low credit risk.

Moderate: Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.

High: Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/ default: Obligors with objective evidence of impairment as a result of one or more events that has an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in the financial statements.

Unrated: Refer to borrower which are currently not assigned with borrowers' ratings due to unavailability of ratings models.

Sovereign: Refer to obligors which are governments and/or government-related agencies.

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

6. Credit quality of financial assets - gross financing and advances

Risk categories of gross financing and advances of the Bank have been assessed based on four credit quality classification as described below:

31.12.2012		**Past due but not impaired**					
	Neither past due nor impaired RM'000	**Due within 30 days RM'000**	**Due within 31 to 60 days RM'000**	**Due within 61 to 90 days RM'000**	**Total RM'000**	**Impaired RM'000**	**Total RM'000**
Cashline	2,179,801	11,668	5,790	3,068	20,526	127,198	2,327,525
Term financing	43,573,683	4,756,919	1,337,840	396,855	6,491,614	370,669	50,435,966
Other financing	9,187,159	18,702	5,410	890	25,002	22,112	9,234,273
Gross financing and advances	54,940,643	4,787,289	1,349,040	400,813	6,537,142	519,979	61,997,764
Less:							
- Individual allowance							(94,176)
- Collective allowance							(595,517)
							(689,693)
							61,308,071
As a percentage of total gross financing and advances	88.62%	7.72%	2.18%	0.65%	10.54%	0.84%	100.00%

31.12.2012	**Neither past due nor impaired**					
	Very low RM'000	**Low RM'000**	**Moderate RM'000**	**High RM'000**	**Unrated RM'000**	**Total RM'000**
Cashline	586,583	305,529	451,605	180,412	655,672	2,179,801
Term financing	12,361,794	16,722,401	8,707,586	1,616,637	4,165,265	43,573,683
Other financing	1,328,492	2,465,557	1,716,317	267,144	3,409,649	9,187,159
Gross financing and advances	14,276,869	19,493,487	10,875,508	2,064,193	8,230,586	54,940,643
As a percentage of total gross financing and advances	23.03%	31.44%	17.54%	3.33%	13.28%	88.62%

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

6. Credit quality of financial assets - gross financing and advances

31.12.2011	Neither past due nor impaired RM'000	Past due but not impaired Due within 30 days RM'000	Due within 31 to 60 days RM'000	Due within 61 to 90 days RM'000	Total RM'000	Impaired RM'000	Total RM'000
Cashline	1,803,837	4,918	4,421	-	9,339	290,724	2,103,900
Term financing	40,612,183	241,294	94,581	57,527	393,402	482,517	41,488,102
Other financing	8,720,730	15,410	1,737	708	17,855	38,732	8,777,317
Gross financing and advances	51,136,750	261,622	100,739	58,235	420,596	811,973	52,369,319
Less:							
- Individual allowance							(298,840)
- Collective allowance							(631,658)
							(930,498)
							51,438,821
As a percentage of total gross financing and advances	97.65%	0.50%	0.19%	0.11%	0.80%	1.55%	100.00%

31.12.2011	Neither past due nor impaired Very low RM'000	Low RM'000	Moderate RM'000	High RM'000	Unrated RM'000	Total RM'000
Cashline	575,458	223,272	323,991	177,992	503,124	1,803,837
Term financing	11,226,519	11,897,868	11,083,981	3,389,649	3,014,166	40,612,183
Other financing	1,156,098	2,197,492	1,671,166	201,200	3,494,774	8,720,730
Gross financing and advances	12,958,075	14,318,632	13,079,138	3,768,841	7,012,064	51,136,750
As a percentage of total gross financing and advances	24.74%	27.34%	24.97%	7.20%	13.39%	97.65%

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

6. Credit quality of financial assets - gross financing and advances

As at 1.7.2011		Past due but not impaired					
	Neither past due nor impaired RM'000	Due within 30 days RM'000	Due within 31 to 60 days RM'000	Due within 61 to 90 days RM'000	Total RM'000	Impaired RM'000	Total RM'000
Cashline	1,651,277	20,891	10,780	71,287	102,958	265,521	2,019,756
Term financing	34,993,761	850,211	200,197	538,306	1,588,714	628,086	37,210,561
Other financing	8,174,307	12,721	4,446	748	17,915	34,942	8,227,164
Gross financing and advances	44,819,345	883,823	215,423	610,341	1,709,587	928,549	47,457,481
Less:							
- Individual allowance							(354,688)
- Collective allowance							(575,895)
							(930,583)
							46,526,898
As a percentage of total gross financing and advances	94.44%	1.86%	0.45%	1.29%	3.60%	1.96%	100.00%

As at 1.7.2011	Neither past due nor impaired					
	Very low RM'000	Low RM'000	Moderate RM'000	High RM'000	Unrated RM'000	Total RM'000
Cashline	586,036	220,708	531,716	254,037	58,780	1,651,277
Term financing	16,148,771	11,000,867	5,428,453	1,340,864	1,074,806	34,993,761
Other financing	469,308	2,602,526	2,138,253	356,842	2,607,378	8,174,307
Gross financing and advances	17,204,115	13,824,101	8,098,422	1,951,743	3,740,964	44,819,345
As a percentage of total gross financing and advances	36.25%	29.13%	17.06%	4.11%	7.88%	94.44%

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

7. Credit quality of financial assets - securities portfolio and other financial assets

31.12.2012

	Neither past due nor impaired RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net total RM'000
Cash and short term funds	13,017,282	-	13,017,282	-	13,017,282
Deposits and placements with banks and other financial institutions	271,375	-	271,375	-	271,375
Securities portfolio	9,509,955	-	9,509,955	-	9,509,955
Derivative assets	48,227	-	48,227	-	48,227
Other financial assets	4,473,901	-	4,473,901	-	4,473,901
Statutory deposits with Bank Negara Malaysia	2,399,000	-	2,399,000	-	2,399,000
	29,719,740	-	29,719,740	-	29,719,740
As a percentage of gross balance	100.00%	-	100.00%		

Neither past due nor impaired:

31.12.2012	Sovereign (no rating) RM'000	Very low RM'000	Low RM'000	Moderate RM'000	High RM'000	Unrated RM'000	Total RM'000
Cash and short term funds	9,200,741	757,219	699,145	95,085	-	2,265,092	13,017,282
Deposits and placements of banks and other financial institutions	41	-	195,158	76,176	-	-	271,375
Securities portfolio	6,179,563	2,115,374	433,877	-	-	781,141	9,509,955
Derivative assets	-	14,433	64	7		33,723	48,227
Other financial assets	-	-	-	-	-	4,473,901	4,473,901
Statutory deposits with Bank Negara Malaysia	2,399,000	-	-		-	-	2,399,000
	17,779,345	2,887,026	1,328,244	171,268	-	7,553,857	29,719,740
As a percentage of gross balance	59.82%	9.71%	4.47%	0.58%	-	25.42%	100.00%

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

7. Credit quality of financial assets - securities portfolio and other financial assets

31.12.2011

	Neither past due nor impaired RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net total RM'000
Cash and short term funds	9,419,350	-	9,419,350	-	9,419,350
Deposits and placements with banks and other financial institutions	406,110	-	406,110	-	406,110
Securities portfolio	8,265,399	-	8,265,399	-	8,265,399
Derivative assets	28,198	-	28,198	-	28,198
Other financial assets	3,745,522	-	3,745,522	-	3,745,522
Statutory deposits with Bank Negara Malaysia	1,834,800	-	1,834,800	-	1,834,800
	23,699,379	-	23,699,379	-	23,699,379
As a percentage of gross balance	100.00%	-	100.00%		

Neither past due nor impaired:

31.12.2011	Sovereign (no rating) RM'000	Very low RM'000	Low RM'000	Moderate RM'000	High RM'000	Unrated RM'000	Total RM'000
Cash and short term funds	5,970,185	295,066	576,972	819,226	-	1,757,901	9,419,350
Deposits and placements of banks and other financial institutions	211	90,572	280,248	35,079	-	-	406,110
Securities portfolio	5,709,505	1,800,426	384,962	-	-	370,506	8,265,399
Derivative assets	-	27,476	-	-	-	722	28,198
Other financial assets	-	3,726,670	-	-	-	18,852	3,745,522
Statutory deposits with Bank Negara Malaysia	1,834,800	-	-	-	-	-	1,834,800
	13,514,701	5,940,210	1,242,182	854,305	-	2,147,981	23,699,379
As a percentage of gross balance	57.03%	25.06%	5.24%	3.60%	0.00%	9.06%	100.00%

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

7. Credit quality of financial assets - securities portfolio and other financial assets

As at 1.7.2011

	Neither past due nor impaired RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net total RM'000
Cash and short term funds	9,674,441	-	9,674,441	-	9,674,441
Deposits and placements with banks and other financial institutions	460,595	-	460,595	-	460,595
Securities portfolio	6,366,745	-	6,366,745	-	6,366,745
Derivative assets	14,615	-	14,615	-	14,615
Other financial assets	2,323,756	-	2,323,756	-	2,323,756
Statutory deposits with Bank Negara Malaysia	913,900	-	913,900	-	913,900
	19,754,052	-	19,754,052	-	19,754,052
As a percentage of gross balance	100.00%	-	100.00%		

Neither past due nor impaired:

As at 1.7.2011	Sovereign (no rating) RM'000	Very low RM'000	Low RM'000	Moderate RM'000	High RM'000	Unrated RM'000	Total RM'000
Cash and short term funds	8,034,132	-	-	125,000	-	1,515,309	9,674,441
Deposits and placements of banks and other financial institutions	337	27,003	-	400,000	33,255	-	460,595
Securities portfolio	4,360,077	1,494,804	430,851	81,013	-	-	6,366,745
Derivative assets	-	12,184	-	-	-	2,431	14,615
Other financial assets	-	1,575,303	-	-	-	748,453	2,323,756
Statutory deposits with Bank Negara Malaysia	913,900	-	-	-	-	-	913,900
	13,308,446	3,109,294	430,851	606,013	33,255	2,266,193	19,754,052
As a percentage of gross balance	67.37%	15.74%	2.18%	3.07%	0.17%	11.47%	100.00%

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34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

8. Credit quality of impaired financial assets

Impaired financial assets analysed by geography are as follows:

31.12.2012	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	**-**	**-**	**-**	**519,979**	**-**	**-**	**-**	**519,979**	**-**

31.12.2011	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	-	-	-	811,973	-	-	-	811,973	-

Maybank Islamic Berhad
(Incorporated in Malaysia)

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

8. Credit quality of impaired financial assets (cont'd)

As at 1.7.2011	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	-	-	-	928,549	-	-	-	928,549	-

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

8. Credit quality of impaired financial assets (cont'd)

Impaired financial assets analysed by industry sectors are as follows:

31.12.2012

	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	11,277	-	-	-	11,277	-
Mining and quarrying	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	99,832	-	-	-	99,832	-
Construction	-	-	-	33,028	-	-	-	33,028	-
Electricity, gas and water supply	-	-	-	250	-	-	-	250	-
Wholesale, retail trade, restaurants and hotels	-	-	-	44,062	-	-	-	44,062	-
Finance, insurance, real estate and business	-	-	-	35,480	-	-	-	35,480	-
Transport, storage and communication	-	-	-	117,575	-	-	-	117,575	-
Education, health and others	-	-	-	1,186	-	-	-	1,186	-
Household	-	-	-	174,815	-	-	-	174,815	-
Others	-	-	-	2,474	-	-	-	2,474	-
	-	-	-	519,979	-	-	-	519,979	-

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

8. Credit quality of impaired financial assets (cont'd)

31.12.2011	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	16,800	-	-	-	16,800	-
Mining and quarrying	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	124,103	-	-	-	124,103	-
Construction	-	-	-	62,346	-	-	-	62,346	-
Electricity, gas and water supply	-	-	-	1,293	-	-	-	1,293	-
Wholesale, retail trade, restaurants and hotels	-	-	-	54,023	-	-	-	54,023	-
Finance, insurance, real estate and business	-	-	-	89,720	-	-	-	89,720	-
Transport, storage and communication	-	-	-	79,531	-	-	-	79,531	-
Education, health and others	-	-	-	80,425	-	-	-	80,425	-
Household	-	-	-	240,182	-	-	-	240,182	-
Others	-	-	-	63,550	-	-	-	63,550	-
	-	-	-	811,973	-	-	-	811,973	-

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

8. Credit quality of impaired financial assets (cont'd)

As at 1.7.2011

	Cash and short term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Securities portfolio RM'000	Financing and advances RM'000	Derivative assets RM'000	Other financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	10,040	-	-	-	10,040	-
Mining and quarrying	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	80,949	-	-	-	80,949	-
Construction	-	-	-	69,819	-	-	-	69,819	-
Electricity, gas and water supply	-	-	-	1,310	-	-	-	1,310	-
Wholesale, retail trade, restaurants and hotels	-	-	-	55,976	-	-	-	55,976	-
Finance, insurance, real estate and business	-	-	-	62,922	-	-	-	62,922	-
Transport, storage and communication	-	-	-	126,828	-	-	-	126,828	-
Education, health and others	-	-	-	80,590	-	-	-	80,590	-
Household	-	-	-	798	-	-	-	798	-
Others	-	-	-	439,317	-	-	-	439,317	-
	-	-	-	928,549	-	-	-	928,549	-

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

9. Reconciliation of allowance account

Movements in allowances for impairment losses for financial assets are as follows:

31.12.2012	Financing and advances RM'000	Securities AFS RM'000	Securities HTM RM'000	Other financial assets RM'000	Total RM'000
Individual allowance					
At beginning of the period	298,840	-	-	-	298,840
Allowance made during the period	61,887	-	-	-	61,887
Amount written back in respect of recoveries	(61,863)	-	-	-	(61,863)
Amount written off	(204,688)	-	-	-	(204,688)
At end of the period	94,176	-	-	-	94,176
Collective allowance					
At beginning of the period	631,658	-	-	-	631,658
Allowance made during the period	59,096	-	-	-	59,096
Amount written off	(95,237)	-	-	-	(95,237)
At end of the period	595,517	-	-	-	595,517

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

9. Reconciliation of allowance account (cont'd)

31.12.2011	Financing and advances RM'000	Securities AFS RM'000	Securities HTM RM'000	Other financial assets RM'000	Total RM'000
Individual allowance					
At beginning of the year	354,688	-	-	-	354,688
Allowance made during the year	28,449	-	-	-	28,449
Amount written back in respect of recoveries	(38,004)	-	-	-	(38,004)
Amount written off	(45,554)	-	-	-	(45,554)
Transfer to collective allowance	(739)	-	-	-	(739)
At end of the year	298,840	-	-	-	298,840
Collective allowance					
At beginning of the year	575,895	-	-	-	575,895
Allowance made during the year	111,089	-	-	-	111,089
Amount written off	(56,065)	-	-	-	(56,065)
Transfer from individual allowance	739	-	-	-	739
At end of the year	631,658	-	-	-	631,658

34. Financial risk management (cont'd)

(c) Credit risk management (cont'd)

9. Reconciliation of allowance account (cont'd)

As at 1.7.2011	Financing and advances RM'000	Securities AFS RM'000	Securities HTM RM'000	Other financial assets RM'000	Total RM'000
Individual allowance					
At beginning of the year	473,823	-	-	-	473,823
Allowance made during the year	94,775	-	-	-	94,775
Amount written back in respect of recoveries	(41,822)	-	-	-	(41,822)
Amount written off	(165,650)	-	-	-	(165,650)
Transfer to collective allowance	(6,438)	-	-	-	(6,438)
At end of the year	354,688	-	-	-	354,688
Collective allowance					
At beginning of the year	713,938	-	-	-	713,938
Allowance made during the year	16,749	-	-	-	16,749
Amount written off	(161,230)	-	-	-	(161,230)
Transfer from individual allowance	6,438	-	-	-	6,438
At end of the year	575,895	-	-	-	575,895

34. Financial risk management policies (cont'd)

(d) Market risk management

1. Market risk management overview

Market risk management

The Bank recognises market risk as the risk of losses on and off balance sheet arising from movements in market prices. Market risk arises through the Bank's trading and balance sheet activities. The primary categories of market risk for the Bank are :

Profit rate risk : arising from changes in yield curves, credit spreads and implied volatilities on profit rate options;

Foreign exchange rate risk : arising from changes in exchange rates and implied volatilities on foreign exchange options;

Commodity price risk : arising from changes in commodity prices and commodity option implied volatilities; and

Equity price risk : arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

2. Management of market risk

The Risk Management Committee ("RMC") approves the Group's Market Risk Management Framework and Risk Appetite taking into account of business volumes, targeted returns, market volatility and ranges of products and services.

The Executive Risk Committee ("ERC") is the Management Committee that recommends frameworks and policies to identify, measure, monitor, manage and control the material risks to RMC for approval.

The Asset and Liability Management Committee ("ALCO") is responsible, under the authority delegated by the RMC, for setting market risk limits by entity, business level, geographical location and portfolio level. ALCO is also responsible for policies, limits and control standards for managing market risk and overseeing their effective implementation. The Bank has an approved Trading Book Policy Statement with clearly defined policies and procedures to determine exposures arising from trading activities for regulatory capital calculation. This is in accordance with Bank Negara Malaysia's requirement as per Risk Weighted Capital Adequacy Framework (Basel II – Risk Weighted Asset Computation) guidelines dated 30 June 2007.

34. Financial risk management policies (cont'd)

(d) Market risk management (cont'd)

2. Management of market risk (cont'd)

Market Risk Management (“MRM”) is the independent risk control unit and is responsible for ensuring efficient implementation of market risk management frameworks and that adequate risk controls are in place to support business growth. Its primary objective is to facilitate risk/return decisions, reduce volatility in earnings, highlight transparent market risk and liquidity risk profile to senior management, ALCO, ERC, RMC, Board of Directors and regulators.

3. Market risk management framework

The market risk management framework serves as the base for overall and consistent management of market risk. Its covers key risk management activities such as identification, measurement, monitoring, control and reporting of market risk exposures, which are benchmarked against industry leading practices and regulatory requirements. This framework facilitates the Bank to manage its market risk exposures in a systematic and consistent manner.

Measurement and monitoring

The Bank’s traded market risk exposures are primarily from proprietary trading and customer driven activities. The risk measurement techniques employed by the Bank comprise of both quantitative and qualitative measures.

Value at Risk

Value at Risk (“VaR”) measures the potential loss of value resulting from movement over a specified period of time within a specified probability of occurence, under a normal business situation. The Bank’s Proprietary Trading VaR is computed daily using a one-day holding period with other parameters unchanged. To ensure the relevance and accuracy of the VaR computation, VaR is independently validated on a periodic basis.

Besides VaR, the Bank utilises other non-statistical risk measures such as profit rate sensitivity e.g. exposure to a one basis point increase in yield (“PV01”), net open position ("NOP") limit for managing foreign currency exposure and greek limits for controlling options risk. These measures provide granular information on the Bank’s market risk exposures and are used for control and monitoring purposes.

34. Financial risk management policies (cont'd)

(d) Market risk management (cont'd)

3. Market Risk Management Framework (cont'd)

Measurement and monitoring (cont'd)

Valuation

All trading positions are marked to market on a consistent and daily basis using quoted prices within active markets. If this is not possible, positions are marked to model using models, which have been independently validated. The valuations are reviewed on a regular basis and there are valuation adjustments to incorporate counterparty risk, bid/ask spreads and market liquidity, which is in line with FRS 139 standards. The Bank also performs Independent Price Verification ("IPV") to ensure the consistency and accuracy of the valuations of all trading positions.

Stress Testing

The Bank performs Stress Test to further augment and measure the losses arising beyond the VaR confidence interval. By evaluating the size of the unexpected losses, the Group is able to understand the risk profiles and potential exposures to unlikely but plausible events in abnormal markets using multiple scenarios and undertake the appropriate measures. Scenarios are updated dynamically and may be redefined on an ongoing basis to reflect current market conditions. The Stress Test results, trends and explanations are reported and deliberated to Senior Management to facilitate and manage risk with more transparency.

Qualitative Measures

The goal of the risk measurement process is to attempt to quantify the risk exposures. However, not all risks are quantifiable. Where risk quantification is not an effective option, qualitative/judgmental measures are applied, e.g. notification alert upon 75% utilisation of risk limits, monitoring of large ticket items, etc.

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

4. Profit rate risk

The Bank is exposed to the risk associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows. The fluctuations in yield/profit rate can be influenced by changes in profit rates that affect the value of financial instruments. Yield/Profit rate risk is monitored and managed by the Asset and Liability Management Committee ("ALCO") to protect total net profit income from changes in market profit rates.

The table below summarises the Bank's exposure to yield/profit rate risk. The table indicates effective average yield/profit rates at the reporting date and the periods in which the financial instruments either reprice or mature, whichever is earlier.

31.12.2012	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds	10,752,190	-	-	-	-	2,265,092	-	13,017,282	2.97
Deposits and placements with banks and other financial institutions	-	271,334	-	-	-	41	-	271,375	3.27
Securities held-for-trading	-	-	-	-	-	-	4,098,406	4,098,406	3.07
Securities available-for-sale	910,034	510,534	93,071	1,561,684	2,336,226	-	-	5,411,549	3.51
Financing and advances									
- Performing	28,286,515	2,161,750	1,559,616	10,108,149	19,361,755	-	-	61,477,785	5.25
- Impaired*	425,803	-	-	-	-	-	-	425,803	-
- Collective allowance	-	-	-	-	-	(595,517)	-	(595,517)	-
Derivative assets	-	-	-	-	-	-	48,227	48,227	-
Other assets	-	-	-	-	-	7,277,460	-	7,277,460	-
Total assets	40,374,542	2,943,618	1,652,687	11,669,833	21,697,981	8,947,076	4,146,633	91,432,370	

* This is arrived after deducting the individual impairment from the gross impaired financing and advances outstanding.

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

4. Profit rate risk (cont'd)

31.12.2012	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Liabilities and shareholder's equity									
Deposits from customers	52,281,283	1,140,386	5,238,780	12,324,020	-	-	-	70,984,469	2.38
Deposits and placements of banks and other financial institutions	2,538,142	2,383,342	2,727,484	807,746	-	4,676,916	-	13,133,630	3.13
Bills and acceptances payable	189,034	109,718	-	-	-	120,997	-	419,749	3.10
Derivative liabilities	-	-	-	-	-	-	113,980	113,980	-
Subordinated sukuk	-	-	-	1,010,782	-	-	-	1,010,782	4.22
Other liabilities	-	-	-	-	-	319,208	-	319,208	-
Recourse obligation on financing sold to Cagamas	-	114,979	-	790,202	-	-	-	905,181	3.83
Total liabilities	55,008,459	3,748,425	7,966,264	14,932,750	-	5,117,121	113,980	86,886,999	
Shareholder's equity	-	-	-	-	-	4,545,371	-	4,545,371	
Total liabilities and shareholder's equity	55,008,459	3,748,425	7,966,264	14,932,750	-	9,662,492	113,980	91,432,370	
On-balance sheet profit rate sensitivity gap	(14,633,917)	(804,807)	(6,313,577)	(3,262,917)	21,697,981	(715,416)	4,032,653	-	
Cumulative profit rate sensitivity gap	(14,633,917)	(15,438,724)	(21,752,301)	(25,015,218)	(3,317,237)	(4,032,653)	-		

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

4. Profit rate risk (cont'd)

	Non-trading book								
31.12.2011	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-profit sensitive RM'000**	**Trading books RM'000**	**Total RM'000**	**Effective profit rate %**
Assets									
Cash and short-term funds	7,159,556	-	-	-	-	2,259,794	-	9,419,350	2.98
Deposits and placements with banks and other financial institutions	-	370,820	35,079	-	-	211	-	406,110	3.34
Securities held-for-trading	-	-	-	-	-	-	2,214,891	2,214,891	2.37
Securities available-for-sale	391,424	534,537	365,533	2,433,134	2,275,456	-	-	6,000,084	2.65
Securities held-to-maturity	-	50,424	-	-	-	-	-	50,424	3.79
Financing and advances									
- Performing	19,899,072	2,034,749	983,607	9,677,574	18,962,271	73	-	51,557,346	5.22
- Impaired*	513,133	-	-	-	-	-	-	513,133	-
- Collective allowance	-	-	-	-	-	(631,658)	-	(631,658)	-
Derivative assets	-	-	-	-	-	-	28,198	28,198	-
Other assets	-	-	-	-	-	5,955,060	-	5,955,060	-
Total assets	27,963,185	2,990,530	1,384,219	12,110,708	21,237,727	7,583,480	2,243,089	75,512,938	

* This is arrived after deducting the individual impairment from the gross impaired financing and advances outstanding.

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

4. Profit rate risk (cont'd)

31.12.2011	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Liabilities and shareholder's equity									
Deposits from customers	34,911,552	5,546,872	9,685,454	8,475,131	121,623	-	-	58,740,632	2.46
Deposits and placements of banks and other financial institutions	1,796,967	179,019	1,624,717	1,837,715	538,044	3,386,443	-	9,362,905	3.07
Bills and acceptances payable	242,614	103,139	119,601	-	-	36,399	-	501,753	3.15
Derivative liabilities	-	-	-	-	-	-	96,179	96,179	-
Subordinated sukuk	-	-	-	1,010,723	-	-	-	1,010,723	4.22
Other liabilities	-	-	-	-	-	189,993	-	189,993	-
Recourse obligation on financing sold to Cagamas	-	-	298,882	1,200,388	-	-	-	1,499,270	3.73
Total liabilities	36,951,133	5,829,030	11,728,654	12,523,957	659,667	3,612,835	96,179	71,401,455	
Shareholder's equity	-	-	-	-	-	4,111,483	-	4,111,483	
Total liabilities and shareholder's equity	36,951,133	5,829,030	11,728,654	12,523,957	659,667	7,724,318	96,179	75,512,938	
On-balance sheet profit rate sensitivity gap	(8,987,948)	(2,838,500)	(10,344,435)	(413,249)	20,578,060	(140,838)	2,146,910	-	
Cumulative profit rate sensitivity gap	(8,987,948)	(11,826,448)	(22,170,883)	(22,584,132)	(2,006,072)	(2,146,910)	-		

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

4. Profit rate risk (cont'd)

As at 1.7.2011	Non-trading book								
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds	8,159,132	-	-	-	-	1,515,309	-	9,674,441	3.04
Deposits and placements with banks and other financial institutions	-	400,000	-	-	-	60,595	-	460,595	3.24
Securities held-for-trading	-	-	-	-	-	-	272,633	272,633	2.90
Securities available-for-sale	275,350	354,743	333,002	2,316,598	2,763,877	-	-	6,043,570	3.81
Securities held-to-maturity	-	-	50,542	-	-	-	-	50,542	3.83
Financing and advances									
- Performing	16,146,530	2,004,102	944,184	5,866,697	21,567,419	-	-	46,528,932	5.33
- Impaired*	573,861	-	-	-	-		-	573,861	-
- Collective allowance	-	-	-	-	-	(575,895)	-	(575,895)	-
Derivative assets	-	-	-	-	-	-	14,615	14,615	-
Other assets	-	-	-	-	-	3,568,586	-	3,568,586	-
Total assets	25,154,873	2,758,845	1,327,728	8,183,295	24,331,296	4,568,595	287,248	66,611,880	

* This is arrived after deducting the individual impairment from the gross impaired financing and advances outstanding.

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

4. Profit rate risk (cont'd)

As at 1.7.2011	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Liabilities and shareholder's equity									
Deposits from customers	24,425,471	7,392,799	8,079,521	8,436,323	-	-	-	48,334,114	2.55
Deposits and placements of banks and other financial institutions	4,186,984	65,221	1,599,977	2,338,657	564,516	2,586,371	-	11,341,726	3.22
Bills and acceptances payable	370,242	607,468	41,179	-	-	34,651	-	1,053,540	3.11
Derivative liabilities	-	-	-	-	-	-	53,504	53,504	-
Subordinated sukuk	-	-	-	1,010,637	-	-	-	1,010,637	4.22
Other liabilities	-	-	-	-	-	173,034	-	173,034	-
Recourse obligation on financing sold to Cagamas	-	-	-	682,679	-	-	-	682,679	3.54
Total liabilities	28,982,697	8,065,488	9,720,677	12,468,296	564,516	2,794,056	53,504	62,649,234	
Shareholder's equity	-	-	-	-	-	3,962,646	-	3,962,646	
Total liabilities and shareholder's equity	28,982,697	8,065,488	9,720,677	12,468,296	564,516	6,756,702	53,504	66,611,880	
On-balance sheet profit rate sensitivity gap	(3,827,824)	(5,306,643)	(8,392,949)	(4,285,001)	23,766,780	(2,188,107)	233,744	-	
Cumulative profit rate sensitivity gap	(3,827,824)	(9,134,467)	(17,527,416)	(21,812,417)	1,954,363	(233,744)	-		

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

5. Sensitivity analysis for profit rate risk

The table below shows the sensitivity of the Bank's profit after tax and revaluation reserve to an up and down 100 basis point parallel rate shock:

		1.1.2012 to 31.12.2012			1.7.2011 to 31.12.2011	
	Tax rate	RM'000 + 100 basis points	RM'000 - 100 basis points	Tax rate	RM'000 + 100 basis points	RM'000 - 100 basis points
Impact to profit before tax		**(131,978)**	**131,978**		(128,006)	128,006
Impact to profit after tax	**25%**	**(98,984)**	**98,984**	**25%**	(96,004)	96,004

Impact to profit after tax is measured using Earnings-at-Risk ("EaR") methodology on statement of financial position which is simulated based on a set of standardised rate shock on the profit rate gap profile. The profit rate gap is the mismatch of rate sensitive assets and rate sensitive liabilities taking consideration the earlier of repricing or remaining maturity, behavioural assumptions of certain indeterminate maturities products such as current and savings deposits, to reflect the actual sensitivity behaviour of these profit bearing liabilities.

Impact to reserve is assessed by applying rate shock to the yield curve to model the impact on mark-to-market for financial assets of Available-for-Sale ("AFS") portfolio:

	31.12.2012		31.12.2011		As at 1.7.2011	
	RM'000 + 100 basis points	RM'000 - 100 basis points	RM'000 + 100 basis points	RM'000 - 100 basis points	RM'000 + 100 basis points	RM'000 - 100 basis points
Impact to reserve	(2,269,263)	2,269,263	(213,928)	213,928	251,351	(251,351)

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

6. Foreign exchange risk

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates.

The banking activities of providing financial products and services to customers expose the Bank to foreign exchange risk. Foreign exchange risk is managed by treasury function, and monitored by Group Risk Management against delegated limits. The Bank's policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures. Hedging against foreign exchange exposures is mainly to protect the real economic value, rather than to avoid the short-term accounting impact.

The table below analyses the net foreign exchange positions of the Bank by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, the Great Britain Pound, Hong Kong Dollar, United States Dollar, Indonesia Rupiah and Euro. The "others" foreign exchange risk include mainly exposure to India Rupee, Japanese Yen, New Zealand Dollar, Canadian Dollar, Australian Dollar and Papua New Guinea Kina.

31.12.2012	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	9,230,439	230,082	298,218	55,735	2,498,044	37,961	183,639	483,164	13,017,282
Deposits and placements with banks and other financial institutions	225,497	-	-	-	45,878	-	-	-	271,375
Securities portfolio	9,441,678	-	-	-	68,277	-	-	-	9,509,955
Financing and advances	60,164,271	-	-	-	1,142,144	-	-	1,656	61,308,071
Derivative assets	38,843	-	-	-	8,704	309	-	371	48,227
Other assets	2,862,920	(57,793)	7,990	(1,299)	1,797,636	(3,420)	(33,519)	106,945	4,679,460
Statutory deposits with Bank Negara Malaysia	2,399,000	-	-	-	-	-	-	-	2,399,000
Deferred tax assets	199,000	-	-	-	-	-	-	-	199,000
Total assets	84,561,648	172,289	306,208	54,436	5,560,683	34,850	150,120	592,136	91,432,370

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

6. Foreign exchange risk (cont'd)

31.12.2012	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	70,369,239	591	5,837	16,298	560,688	-	13,906	17,910	70,984,469
Deposits and placements of banks and other financial institutions	8,002,452	160,950	296,080	51,294	3,873,134	34,374	120,147	595,199	13,133,630
Bills and acceptances payable	419,749	-	-	-	-	-	-	-	419,749
Derivative liabilities	79,063	-	-	-	34,917	-	-	-	113,980
Other liabilities	166,014	-	-	-	18,270	-	1,182	(126)	185,340
Provision for taxation and zakat	133,868	-	-	-	-	-	-	-	133,868
Subordinated sukuk	1,010,782	-	-	-	-	-	-	-	1,010,782
Recourse obligation on financing sold to Cagamas	905,181	-	-	-	-	-	-	-	905,181
Total liabilities	81,086,348	161,541	301,917	67,592	4,487,009	34,374	135,235	612,983	86,886,999
On-balance sheet open position	3,475,300	10,748	4,291	(13,156)	1,073,674	476	14,885	(20,847)	4,545,371
Less: Derivative assets	(38,843)	-	-	-	(8,704)	(309)	-	(371)	(48,227)
Add: Derivative liabilities	79,063	-	-	-	34,917	-	-	-	113,980
Net open position	3,515,520	10,748	4,291	(13,156)	1,099,887	167	14,885	(21,218)	4,611,124

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

6. Foreign exchange risk (cont'd)

31.12.2011	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	10,033,999	50,969	(1,848)	1,986	(1,080,971)	929	15,248	399,038	9,419,350
Deposits and placements with banks and other financial institutions	405,405	-	-	-	12	-	-	693	406,110
Securities portfolio	8,198,097	-	-	-	67,302	-	-	-	8,265,399
Financing and advances	50,200,925	-	3,035	-	1,231,840	-	-	3,021	51,438,821
Derivative assets	8,001	2	-	-	20,190	-	-	5	28,198
Other assets	2,843,237	(49,304)	3,273	(997)	1,139,973	88	(19,423)	26,746	3,943,593
Statutory deposits with Bank Negara Malaysia	1,834,800	-	-	-	-	-	-	-	1,834,800
Deferred tax assets	176,667	-	-	-	-	-	-	-	176,667
Total assets	73,701,131	1,667	4,460	989	1,378,346	1,017	(4,175)	429,503	75,512,938

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

6. Foreign exchange risk (cont'd)

31.12.2011	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	58,650,398	9,480	2,119	3	75,824	-	1,339	1,469	58,740,632
Deposits and placements of banks and other financial institutions	8,180,412	-	644	-	760,852	-	-	420,997	9,362,905
Bills and acceptances payable	501,753	-	-	-	-	-	-	-	501,753
Derivative liabilities	76,459	-	-	-	19,690	-	16	14	96,179
Other liabilities	109,688	-	-	-	-	-	-	-	109,688
Provision for taxation and zakat	80,305	-	-	-	-	-	-	-	80,305
Subordinated sukuk	1,010,723	-	-	-	-	-	-	-	1,010,723
Recourse obligation on financing sold to Cagamas	1,499,270	-	-	-	-	-	-	-	1,499,270
Total liabilities	70,109,008	9,480	2,763	3	856,366	-	1,355	422,480	71,401,455
On-balance sheet open position	3,592,123	(7,813)	1,697	986	521,980	1,017	(5,530)	7,023	4,111,483
Less: Derivative assets	(8,001)	(2)	-	-	(20,190)	-	-	(5)	(28,198)
Add: Derivative liabilities	76,459	-	-	-	19,690	-	16	14	96,179
Net open position	3,660,581	(7,815)	1,697	986	521,480	1,017	(5,514)	7,032	4,179,464

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Maybank Islamic Berhad
(Incorporated in Malaysia)

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

6. Foreign exchange risk (cont'd)

As at 1.7.2011	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	10,239,822	28,828	6,570	974	(615,504)	40	31,885	(18,174)	9,674,441
Deposits and placements with banks and other financial institutions	400,337	7,959	6,041	457	33,253	94	8,782	3,672	460,595
Securities portfolio	6,306,699	-	-	-	60,046	-	-	-	6,366,745
Financing and advances	45,328,868	-	-	-	1,195,429	-	-	2,601	46,526,898
Derivative assets	5,684	4	-	-	8,927	-	-	-	14,615
Other assets	2,494,253	-	-	-	-	-	-	-	2,494,253
Statutory deposits with Bank Negara Malaysia	913,900	-	-	-	-	-	-	-	913,900
Deferred tax assets	160,433	-	-	-	-	-	-	-	160,433
Total assets	65,849,996	36,791	12,611	1,431	682,151	134	40,667	(11,901)	66,611,880

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

6. Foreign exchange risk (cont'd)

As at 1.7.2011	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	48,250,934	5,019	5,275	-	63,058	19	8,280	1,529	48,334,114
Deposits and placements of banks and other financial institutions	10,253,701	-	862	-	1,083,712	-	-	3,451	11,341,726
Bills and acceptances payable	1,053,540	-	-	-	-	-	-	-	1,053,540
Derivative liabilities	44,642	-	-	-	8,860	-	-	2	53,504
Other liabilities	133,463	-	-	-	-	-	-	-	133,463
Provision for taxation and zakat	39,571	-	-	-	-	-	-	-	39,571
Subordinated sukuk	1,010,637	-	-	-	-	-	-	-	1,010,637
Recourse obligation on financing sold to Cagamas	682,679	-	-	-	-	-	-	-	682,679
Total liabilities	61,469,167	5,019	6,137	-	1,155,630	19	8,280	4,982	62,649,234
On-balance sheet open position	4,380,829	31,772	6,474	1,431	(473,479)	115	32,387	(16,883)	3,962,646
Less: Derivative assets	(5,684)	(4)	-	-	(8,927)	-	-	-	(14,615)
Add: Derivative liabilities	44,642	-	-	-	8,860	-	-	2	53,504
Net open position	4,419,787	31,768	6,474	1,431	(473,546)	115	32,387	(16,881)	4,001,535

34. Financial risk management (cont'd)

(d) Market risk management (cont'd)

7. Sensitivity analysis for foreign exchange risk

Foreign currency risk

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Bank and the foreign currency positions.

	1.1.2012 to 31.12.2012		1.7.2011 to 31.12.2011	
	RM'000	RM'000	RM'000	RM'000
	1% appreciation	1% depreciation	1% appreciation	1% depreciation
Impact to profit after tax and reserves	**5,680**	**(5,680)**	(150)	150

Interpretation of impact

The Bank measures the foreign exchange sensitivity based on the foreign exchange net open positions (including of foreign exchange structural position) under an adverse movement in all foreign currencies against reporting currency (MYR). The result implies that the Bank may subject to additional translation (loss) / gain if MYR appreciated/depreciated against other currencies and vice versa.

34. Financial risk management policies (cont'd)

(e) Liquidity risk management

1. Liquidity risk management overview

Liquidity risk management

Liquidity is the ability of the Bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses.

Generally, there are two types of liquidity risk which are funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the firm will not be able to meet efficiently both expected and unexpected current and future cash flow needs without affecting either daily operations or the financial condition of the firm. Market liquidity risk is the risk that a firm cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

Liquidity Risk Management Framework

The Bank employs BNM's Liquidity Framework and leading practices as a foundation to manage and measure its liquidity risk exposure. The Bank also uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals, liquidity indicators and stress testing. The liquidity positions of the Bank are monitored regularly against the established policies, procedures and limits.

Diversification of liquidity sources

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, provider, product and term. The Bank has a diversified liability structure to meet its funding requirements. The primary source of funding include customer deposits, interbank deposits, debt securities, swap market, bank financing syndication and medium term funds. The Bank also initiates and implements strategic fund raising programmes as well as institutes standby lines with external parties on a need basis.

The Bank's funding diversification is augmented with monitoring of concentration by maturity to avoid having many debt repayments at any one time.

The stable growth in deposits is attained through Maybank's large branch network and its reputation as one of the leading financial institutions in the domestic market. Based on customer behavioural profiling study, the rollover rate of traditional deposits has been consistent, hence providing the Bank with a steady source of funding. The Bank's financial strength and strong credit rating also provide the basis for continued customer confidence and long-term growth in the years to come.

34. Financial risk management policies (cont'd)

(e) Liquidity risk management (cont'd)

1. Liquidity risk management overview (cont'd)

Liquidity buffers

The Bank maintains a portfolio of highly liquid instruments on its statement of financial position that can be drawn upon when needed. These liquid assets include cash and government bonds and high credit quality private securities that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow.

Stress Testing and Contingency Funding Plan

The Group uses stress testing and scenario analysis to evaluate the impact of sudden stress events on liquidity position. Scenarios are based on hypothetical events that include bank specific crisis and general market crisis scenarios. The stress test result provides an insight of the Bank’s funding requirements during different levels of stress environment and is closely linked to the Group’s Contingency Funding Plan ("CFP"), which provides a systemic approach in handling any unexpected liquidity disruptions. The plan encompasses strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios. The CFP is being tested regularly to ensure the effectiveness and robustness of the plan.

The Group performs CFP test regularly to ensure the effectiveness and operational feasibility of the CFP. The key aspects of the testing are to focus on the readiness of key senior management and their respective alternate in handling a simulated distress funding situation. It also provides exposure and develops capabilities on how to respond to a liquidity crisis situation and operate effectively with each other under challenging circumstances.

34. Financial risk management (cont'd)

(e) Liquidity risk management (cont'd)

2. Contractual maturity of total assets and liabilities

The table below analyses assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenures based on remaining contractual maturities. The disclosure is made in accordance with the requirement of revised BNM GP8 "Guidelines on Financial Reporting for Banking Institutions":

2012	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short term funds	13,017,282	-	-	-	-	-	-	-	13,017,282
Deposits and placements with banks and other financial institutions	41	271,334	-	-	-	-	-	-	271,375
Securities portfolio	3,352,050	2,166,924	37,252	55,818	489,305	1,072,379	2,336,227	-	9,509,955
Financing and advances	28,116,800	2,161,750	1,043,381	516,236	4,879,895	5,228,254	19,361,755	-	61,308,071
Derivative assets	79	6,233	6	3,132	9,842	28,935	-	-	48,227
Other financial assets	-	-	-	4,473,901	-	-	-	205,559	4,679,460
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	2,399,000	2,399,000
Deferred tax assets	-	-	-	-	-	-	-	199,000	199,000
Total assets	44,486,252	4,606,241	1,080,639	5,049,087	5,379,042	6,329,568	21,697,982	2,803,559	91,432,370
Liabilities									
Deposits from customers	41,967,488	14,210,977	7,948,348	6,289,912	71,217	496,527	-	-	70,984,469
Deposits and placements of banks and other financial institutions	7,215,059	2,383,342	2,138,343	589,140	759,939	47,807	-	-	13,133,630
Bills and acceptances payable	310,031	109,718	-	-	-	-	-	-	419,749
Derivative liabilities	958	6,268	2,212	3,082	14,940	24,126	62,394	-	113,980
Other financial liabilities	-	-	-	130,645	-	-	-	54,695	185,340
Provision for taxation and zakat	-	-	-	-	-	-	-	133,868	133,868
Subordinated sukuk	-	-	-	-	-	-	1,010,782	-	1,010,782
Recourse obligation on financing sold to Cagamas	-	114,979	-	-	790,202	-	-	-	905,181
Total liabilities	49,493,536	16,825,284	10,088,903	7,012,779	1,636,298	568,460	1,073,176	188,563	86,886,999
Net liquidity gap	(5,007,284)	(12,219,043)	(9,008,264)	(1,963,692)	3,742,744	5,761,108	20,624,806	2,614,996	4,545,371

34. Financial risk management (cont'd)

(e) Liquidity risk management (cont'd)

2. Contractual maturity of total assets and liabilities (cont'd)

2011	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short term funds	9,419,350	-	-	-	-	-	-	-	9,419,350
Deposits and placements with banks and other financial institutions	211	370,820	35,079	-	-	-	-	-	406,110
Securities portfolio	391,424	1,740,881	1,122,944	86,101	957,533	1,568,015	2,398,501	-	8,265,399
Financing and advances	4,695,900	2,034,749	778,368	208,918	1,460,026	8,568,515	33,692,345	-	51,438,821
Derivative assets	341	10,663	9,193	-	175	7,826	-	-	28,198
Other financial assets	-	-	-	3,745,522	-	-	-	198,071	3,943,593
Statutory deposits with Bank Negara Malaysia	1,834,800	-	-	-	-	-	-	-	1,834,800
Deferred tax assets	-	-	-	-	-	-	-	176,667	176,667
Total assets	16,342,026	4,157,113	1,945,584	4,040,541	2,417,734	10,144,356	36,090,846	374,738	75,512,938
Liabilities									
Deposits from customers	22,242,664	13,214,095	7,034,360	7,624,887	5,515,223	2,987,781	121,622	-	58,740,630
Deposits and placements of banks and other financial institutions	5,183,409	179,019	1,104,116	520,602	1,799,865	37,849	538,045	-	9,362,905
Bills and acceptances payable	279,013	103,139	119,601	-	-	-	-	-	501,753
Derivative liabilities	82	10,593	9,045	-	15,207	27,939	33,313	-	96,179
Other financial liabilities	-	-	-	54,994	-	-	-	54,694	109,688
Provision for taxation and zakat	-	-	-	-	-	-	-	80,305	80,305
Subordinated sukuk	-	-	-	-	-	-	1,010,723	-	1,010,723
Recourse obligation on financing sold to Cagamas	-	-	-	298,882	1,200,388	-	-	-	1,499,270
Total liabilities	27,705,168	13,506,846	8,267,122	8,499,365	8,530,683	3,053,569	1,703,703	134,999	71,401,453
Net liquidity gap	(11,363,142)	(9,349,733)	(6,321,538)	(4,458,824)	(6,112,949)	7,090,787	34,387,143	239,739	4,111,485

34. Financial risk management (cont'd)

(e) Liquidity risk management (cont'd)

2. Contractual maturity of total assets and liabilities (cont'd)

1.7.2011	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short term funds	9,674,441	-	-	-	-	-	-	-	9,674,441
Deposits and placements with banks and other financial institutions	60,595	400,000	-	-	-	-	-	-	460,595
Securities portfolio	527,818	354,743	60,628	322,917	671,329	1,655,319	2,773,991	-	6,366,745
Financing and advances	3,697,861	2,125,953	163,480	783,146	1,933,172	4,152,108	33,671,178	-	46,526,898
Derivative assets	3,768	5,164	2,431	-	3,252	-	-	-	14,615
Other financial assets	-	-	-	2,323,756	-	-	-	170,497	2,494,253
Statutory deposits with Bank Negara Malaysia	913,900	-	-	-	-	-	-	-	913,900
Deferred tax assets	-	-	-	-	-	-	-	160,433	160,433
Total assets	14,878,383	2,885,860	226,539	3,429,819	2,607,753	5,807,427	36,445,169	330,930	66,611,880
Liabilities									
Deposits from customers	31,153,061	10,010,742	4,115,247	2,556,459	130,505	368,100	-	-	48,334,114
Deposits and placements of banks and other financial institutions	4,186,925	65,281	505,417	1,094,560	2,297,720	40,937	564,516	2,586,370	11,341,726
Bills and acceptances payable	404,893	607,468	41,179	-	-	-	-	-	1,053,540
Derivative liabilities	3,788	5,074	-	3,705	3	40,934	-	-	53,504
Other financial liabilities	-	-	-	26,412	-	-	-	107,051	133,463
Provision for taxation and zakat	-	-	-	-	-	-	-	39,571	39,571
Subordinated sukuk	-	-	-	-	-	-	1,010,637	-	1,010,637
Recourse obligation on financing sold to Cagamas	-	-	-	-	682,679	-	-	-	682,679
Total liabilities	35,748,667	10,688,565	4,661,843	3,681,136	3,110,907	449,971	1,575,153	2,732,992	62,649,234
Net liquidity gap	(20,870,284)	(7,802,705)	(4,435,304)	(251,317)	(503,154)	5,357,456	34,870,016	(2,402,062)	3,962,646

34. Financial risk management (cont'd)

(e) Liquidity risk management (cont'd)

2. Contractual maturity of total assets and liabilities (cont'd)

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

2012	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Deposits from customers	41,967,488	14,210,977	7,948,348	6,293,643	72,113	574,413	-	71,066,982
Deposits and placements of banks and other financial institutions	7,217,548	2,395,737	2,156,462	590,001	759,939	47,807	-	13,167,494
Bills and acceptances payable	310,030	109,718	-	-	-	-	-	419,748
Other financial liabilities	-	-	-	97,391	-	-	-	97,391
Subordinated sukuk	-	21,100	-	21,100	126,600	84,400	1,105,500	1,358,700
Recourse obligation on financing sold to Cagamas	-	115,631	-	-	836,628	-	-	952,259
	49,495,066	16,853,163	10,104,810	7,002,135	1,795,280	706,620	1,105,500	87,062,574

	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Commitments and contingencies								
Direct credit substitutes	19,514	35,660	59,323	118,112	74,640	100,280	330,001	737,530
Certain transaction-related contingent items	52,937	72,661	89,675	148,320	276,472	134,263	317,772	1,092,100
Short-term self-liquidating trade-related contingencies	30,531	105,326	18,141	52,018	16,552	-	-	222,568
Irrevocable commitments to extend credit	-	-	-	16,595,356	4,472,758	-	-	21,068,114
Miscellaneous	4,752	-	-	-	-	-	-	4,752
	107,734	213,647	167,139	16,913,806	4,840,422	234,543	647,773	23,125,064

34. Financial risk management (cont'd)

(e) Liquidity risk management (cont'd)

2. Contractual maturity of total assets and liabilities (cont'd)

2011	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Deposits from customers	22,334,140	13,307,135	7,142,742	7,750,222	5,525,663	3,026,810	150,895	59,237,607
Deposits and placements of banks and other financial institutions	5,183,447	179,201	1,115,127	520,751	1,821,267	38,088	538,045	9,395,926
Bills and acceptances payable	279,013	103,139	119,601	-	-	-	-	501,753
Other financial liabilities	-	-	-	54,994	-	-	-	54,994
Subordinated sukuk	-	21,100	-	21,100	126,600	84,400	1,147,700	1,400,900
Recourse obligation on financing sold to Cagamas	-	-	-	308,793	1,303,118	-	-	1,611,911
	27,796,600	13,610,575	8,377,470	8,655,860	8,776,648	3,149,298	1,836,640	72,203,091

	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Commitments and contingencies								
Direct credit substitutes	29,379	47,030	42,093	127,242	5,751	21,888	80,006	353,389
Certain transaction-related contingent items	101,016	41,209	91,730	111,059	249,047	82,481	312,183	988,725
Short-term self-liquidating trade-related contingencies	40,114	111,137	124,231	393	-	-	-	275,875
Irrevocable commitments to extend credit	-	-	-	13,278,525	2,183,909	-	-	15,462,434
Miscellaneous	12,662	-	-	-	-	-	-	12,662
	183,171	199,376	258,054	13,517,219	2,438,707	104,369	392,189	17,093,085

34. Financial risk management (cont'd)

(e) Liquidity risk management (cont'd)

2. Contractual maturity of total assets and liabilities (cont'd)

1.7.2011	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Deposits from customers	30,106,861	10,969,094	4,035,437	3,035,364	138,674	381,812	-	48,667,242
Deposits and placements of banks and other financial institutions	6,768,802	74,385	587,684	1,094,750	2,648,083	43,293	3,225,762	14,442,759
Bills and acceptances payable	404,893	607,468	41,179	-	-	-	-	1,053,540
Other financial liabilities	-	-	-	26,412	-	-	-	26,412
Subordinated sukuk	-	21,100	-	21,100	84,400	84,400	1,211,000	1,422,000
Recourse obligation on financing sold to Cagamas	-	-	-	-	720,664	-	-	720,664
	37,280,556	11,672,047	4,664,300	4,177,626	3,591,821	509,505	4,436,762	66,332,617

	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Commitments and contingencies								
Direct credit substitutes	11,986	101,003	32,775	89,287	23,764	10	-	258,825
Certain transaction-related contingent items	25,088	73,154	91,648	148,924	231,561	42,809	340,762	953,946
Short-term self-liquidating trade-related contingencies	23,543	24,315	32,787	23,044	-	-	-	103,689
Irrevocable commitments to extend credit	-	-	-	11,800,348	1,573,404	-	-	13,373,752
Miscellaneous	13,076	-	-	-	-	-	-	13,076
	73,693	198,472	157,210	12,061,603	1,828,729	42,819	340,762	14,703,288

34. Financial risk management (cont'd)

(e) Liquidity risk management (cont'd)

3. Contractual maturity of financial liabilities on an undiscounted basis

The table below analyses the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

31.12.2012	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	-	-	-	-	-	-	-	-
- Profit rate derivatives	774	-	-	725	2,899	(1,192)	-	3,206
- Equity related derivatives	-	-	-	-	-	-	-	-
- Credit related contracts	-	-	-	-	-	-	-	-
Hedging derivatives								
- Profit rate derivatives	(358)	(1,765)	(1,942)	(3,669)	(11,599)	(3,695)	-	(23,028)
	416	(1,765)	(1,942)	(2,944)	(8,700)	(4,887)	-	(19,822)

31.12.2012	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives:								
- Outflow	-	(336,251)	(495,671)	(325,602)	-	-	-	(1,157,524)
- Inflow	-	-	-	-	-	-	-	-
	-	(336,251)	(495,671)	(325,602)	-	-	-	(1,157,524)

34. Financial risk management (cont'd)

(e) Liquidity risk management (cont'd)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

The table below analyzes the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

31.12.2011	**Up to 1 month RM'000**	**> 1 to 3 months RM'000**	**> 3 to 6 months RM'000**	**> 6 months to 1 year RM'000**	**> 1 to 3 years RM'000**	**> 3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Net settled derivatives								
Derivative financial liabilities								
Hedging derivatives								
- Profit rate derivatives	-	(1,485)	(2,561)	(5,547)	(13,779)	(1,416)	-	(24,788)
	-	(1,485)	(2,561)	(5,547)	(13,779)	(1,416)	-	(24,788)

31.12.2011	**Up to 1 month RM'000**	**> 1 to 3 months RM'000**	**> 3 to 6 months RM'000**	**> 6 months to 1 year RM'000**	**> 1 to 3 years RM'000**	**> 3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives:								
- Outflow	(20,033)	(308,005)	-	-	-	-	-	(328,038)
- Inflow	-	-	89,040	-	-	-	-	89,040
	(20,033)	(308,005)	89,040	-	-	-	-	(238,998)

34. Financial risk management (cont'd)

(e) Liquidity risk management (cont'd)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

The table below analyzes the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

As at 1.7.2011	**Up to 1 month RM'000**	**> 1 to 3 months RM'000**	**> 3 to 6 months RM'000**	**> 6 months to 1 year RM'000**	**> 1 to 3 years RM'000**	**> 3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Net settled derivatives								
Derivative financial liabilities								
Hedging derivatives								
- Profit rate derivatives	-	(726)	(375)	(501)	153	1,205	-	(244)
	-	(726)	(375)	(501)	153	1,205	-	(244)

As at 1.7.2011	**Up to 1 month RM'000**	**> 1 to 3 months RM'000**	**> 3 to 6 months RM'000**	**> 6 months to 1 year RM'000**	**> 1 to 3 years RM'000**	**> 3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives:								
- Outflow	(30,211)	-	-	-	-	-	-	(30,211)
- Inflow	197,175	308,350	-	-	-	-	-	505,525
	166,964	308,350	-	-	-	-	-	475,314

34. Financial risk management policies (cont'd)

(f) Operational risk management

Under the Bank’s three lines of defence concept, risk taking units (Business/Support Sectors) constitute an integral part of the operational risk management framework and are primarily responsible for the management of day-to-day operational risks inherent in their respective business and functional areas. They are responsible for putting in place and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with Maybank Group’s operational risk management framework.

The Operational Risk Management team, as the second line of defence, is responsible for the formulation and implementation of operational risk management framework within Maybank Group, which encompasses the operational risk management strategy and governance structure. The above also include the maintenance and analysis of operational loss database, development and implementation of various operational risk management tools and methodologies to identify, measure, monitor and control operational risks.

Finally, Internal Audit acts as the third line of defence by overseeing compliance in respect of day-to-day management of operational risks at all organisational levels by providing independent assurance in respect of the overall effectiveness of the operational risk management process.

35. Fair values of financial assets and financial liabilities

Financial instruments comprise financial assets, financial liabilities and also derivatives. The Bank has an established framework and policies which provides guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The valuations of financial instruments are determined by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgment is

Valuation adjustment is also an integral part of valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making valuation adjustment, the Bank follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices / inputs in the market and uncertainties in the assumptions / parameters.

In addition, the Bank continuously enhances its design and validation methodologies and processes used to produce valuations. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for its intended use.

Determination of fair value

Amendments to MFRS 7 Financial Instruments: Disclosures issued in March 2010 requires an entity to classify its financial instruments measured at fair value according to the following hierarchy:

(a) Level 1: Quoted Prices

Refers to financial instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices which represent actual and regularly occurring market transactions on an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

(b) Level 2: Valuation techniques using observable inputs

Refers to inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of level 2 financial instruments include over–the–counter (OTC) derivatives, corporate and other government bonds and less liquid equities.

35. Fair values of financial assets and financial liabilities (cont'd.)

(c) Level 3: Valuation techniques using significant unobservable inputs

Refers to financial instruments where Fair Value is measured using significant unobservable market inputs. The valuation technique is consistent with the Level 2. The chosen valuation technique incorporates Banks' own assumptions and data. Examples of level 3 instruments include corporate bonds in illiquid markets and private equity investments.

The following table shows the Bank's financial assets and liabilites that are measured at fair value analysed by level within the fair value hierarchy.

Fair value disclosures based on 3-level hierarchy

Classification of financial instruments measured at fair values using the following fair value hierarchies:

	Quoted Market Price Level 1 RM'000	Valuation Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	Total RM'000
As at 31 December 2012				
Financial assets measured at fair values:				
Securities HFT	**4,048,385**	**50,021**	**-**	**4,098,406**
Securities AFS	**267,011**	**5,144,538**	**-**	**5,411,549**
Derivative assets	**-**	**48,227**	**-**	**48,227**
	4,315,396	**5,242,786**	**-**	**9,558,182**
Financial liabilities measured at fair values:				
Derivative liabilities	**-**	**51,586**	**62,394**	**113,980**
	-	**51,586**	**62,394**	**113,980**
As at 31 December 2011				
Financial assets measured at fair values:				
Securities HFT	1,882,848	332,044	-	2,214,892
Securities AFS	3,576	5,996,508	-	6,000,084
Derivative assets	-	27,476	722	28,198
	1,886,424	6,356,028	722	8,243,174
Financial liabilities measured at fair values:				
Derivative liabilities	-	55,298	40,881	96,179
	-	55,298	40,881	96,179

Maybank Islamic Berhad
(Incorporated in Malaysia)

35. Fair values of financial assets and financial liabilities (cont'd.)

(c) Level 3: Valuation techniques using significant unobservable inputs (cont'd.)

	Quoted Market Price Level 1 RM'000	Valuation Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	Total RM'000
As at 1 July 2011				
Financial assets measured at fair values:				
Securities HFT	-	272,633	-	272,633
Securities AFS	-	6,043,570	-	6,043,570
Derivative assets	-	12,184	2,431	14,615
	-	6,328,387	2,431	6,330,818
Financial liabilities measured at fair values:				
Derivative liabilities	-	9,915	43,589	53,504
	-	9,915	43,589	53,504

35. Fair values of financial assets and financial liabilities (cont'd.)

(c) Level 3: Valuation techniques using significant unobservable inputs (cont'd.)

Valuation techniques

The valuation techniques used for the financial instruments that are not determined by reference to quoted prices (Level 1), are described below.

Derivatives

The fair values of the Group's and the Bank's derivative instruments, where no market price is available, are derived using discounted cash flow analysis, option pricing models and benchmarking.

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	Derivative assets RM'000	Derivative liabilities RM'000
At 1 January 2012	722	40,881
(Losses)/gain recognised in income statement	(722)	2,812
Issues	-	86,330
Settlements	-	(67,629)
At 31 December 2012	-	62,394
Total (losses)/gain recognised in income statement for financial instruments measured at fair value at the end of the reporting period	(722)	2,812
Total losses recognised in other comprehensive statement for financial instruments measured at fair value at the end of the reporting period	-	-

35. Fair values of financial assets and financial liabilities (cont'd.)

(c) Level 3: Valuation techniques using significant unobservable inputs (cont'd.)

	Derivative assets RM'000	Derivative liabilities RM'000
At 1 July 2011	2,431	43,588
Losses recognised in income statement	(1,709)	(1,913)
Issues	-	32,197
Settlements	-	(32,991)
At 31 December 2011	722	40,881
Total losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	(1,709)	(1,913)
Total losses recognised in other comprehensive statement for financial instruments measured at fair value at the end of the reporting period	-	-

	Derivative assets RM'000	Derivative liabilities RM'000
At 1 July 2010	13,749	15,391
Losses recognised in income statement	(11,318)	(11,010)
Issues	-	39,208
At 30 June 2011	2,431	43,589
Total losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	(11,318)	(11,010)
Total losses recognised in other comprehensive statement for financial instruments measured at fair valueat the end of the reporting period	-	-

35. Fair values of financial assets and financial liabilities (cont'd.)

Fair values of financial instruments not carried at fair value

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

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

The financial assets and financial liabilities of the Bank whose fair values are required to be disclosed in accordance with MFRS 132: Financial Instruments: Presentation comprise all its assets and liabilities with the exception of provision for current and deferred taxation.

The estimated fair values of these financial assets and financial liabilities as at the reporting date approximate their carrying amounts shown in the statement of financial position, except for the following financial assets and liabilities.

	31.12.2012		31.12.2011		As at 1.7.2011	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets						
Securities held-to-maturity	-	-	50,424	50,445	50,542	50,568
Financing and advances	**61,308,071**	**61,807,085**	51,438,821	52,801,077	46,526,898	47,436,588

35. Fair values of financial assets and financial liabilities (cont'd.)

Fair values of financial instruments not carried at fair value (cont'd.)

	31.12.2012		31.12.2011		As at 1.7.2011	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial liabilities						
Deposits from customers	**70,984,469**	**71,032,829**	58,740,632	58,791,430	48,334,114	48,355,616
Deposits and placements of banks and other financial institutions	**13,133,630**	**13,137,312**	9,362,905	9,478,964	11,341,726	11,398,011
Subordinated sukuk	**1,010,782**	**1,034,112**	1,010,723	1,036,178	1,010,637	1,011,446
Recourse obligation on financing sold to Cagamas	**905,181**	**916,544**	1,499,270	1,529,035	682,679	682,270

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

(a) Securities

Fair values of securities that are actively traded is determined by quoted prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including net tangible assets, earnings multiples and discounted cash flow analysis. Where discounted cash flow technique is used, the estimated future cash flow are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(b) Financing and advances

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

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

The fair values of deposits are estimated to approximate their carrying values at the profit rates determined at the end of their holding periods based on the actual profits generated from the assets invested.

35. Fair values of financial assets and financial liabilities (cont'd.)

Fair values of financial instruments not carried at fair value (cont'd.)

(d) Recourse obligation on financing sold to Cagamas

The fair values of recourse obligation on hire purchase financing sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates at reporting date.

(e) Subordinated Sukuk

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for borrowings with similar risks profiles.

36. Capital management

A strong capital position is essential to the Bank's business strategy and competitive position. The Bank's capital strategy focuses on long-term stability, which enables it to build and invest in market leading businesses. Senior management considers the implications on the Bank's capital strength prior to making any decision on future business activities. In addition, considering the Bank's earnings outlook, senior management evaluates all sources and uses of capital and makes decisions to vary any source or use to preserve the Bank's capital strength.

The Bank's objective in managing its capital resources is to maintain sufficient and adequate capital resources given current and future requirements. The Bank manages requirements for capital from organic and inorganic growth which ensures that resources remain in excess of minimum regulatory requirements and internal targets (which provide a buffer above minimum requirements).

The Bank's capital management activities seek to maximise shareholder's value by optimising the level and mix of its capital resources.

The Bank's capital management objectives are to hold capital sufficient to:

a) Maintain Core Capital Ratio and Risk Weighted Capital Ratio at levels sufficiently above the current minimum requirements of BNM;
b) Support the Bank's credit rating;
c) Allocate capital to businesses to support the Bank's strategic objectives and optimize returns on capital;
d) Remain flexible to take advantage of future growth opportunities;
e) Build and invest in businesses, even in a reasonably stressed environment;
f) Optimise returns to shareholder; and
g) Withstand capital demands under market shocks and stress conditions.

The quality and composition of capital are key factors in senior management's evaluation of the Bank's capital adequacy. The Bank strongly emphasises the quality of its capital and, accordingly, holds a significant amount of its capital in the form of equity.

The Bank's capital management policies are to diversify its sources of capital; to allocate capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses; and to meet the expectations of key stakeholders, including investors, regulators and rating agencies.

36. Capital management (cont'd.)

Capital management plans are drawn up annually covering at least a three year horizon and approved by the Board. The capital management plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Bank to support its business strategy.

In its pursuit of an efficient and healthy capital structure, the Bank has undertaken an initiative by issuing Tier 2 RM1.0 billion Subordinated Sukuk due in 2021 to strengthen its capital position.

The capital adequacy of the Bank in relation to its risk profile is assessed through a process articulated in the Internal Capital Adequacy Assessment Process ("ICAAP") at Maybank.

Further disclosure on the ICAAP is included in Maybank's financial statements.

37. Capital adequacy

(a) Compliance and application of capital adequacy ratios

On 29 June 2010, the Bank has received approval from BNM to migrate to Internal Ratings-Based approach for credit risk under Basel II Capital Adequacy Framework for Islamic Banks ("CAFIB") from 1 July 2010 onwards.

With effect from 1 July 2010, the capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia’s Basel II CAFIB issued on 29 June 2007 as follows:

(i) Credit risk under Internal-Ratings Based Approach
(ii) Market risk under Standardised Approach
(iii) Operational risk under Basic Indicator Approach

(b) The capital adequacy ratios of the Bank

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

The current year's core capital ratios and risk-weighted capital ratios were computed using reported amounts which form part of the current year financial statements which have been prepared in accordance with MFRS. Core capital ratios and risk-weighted capital ratios as at 31 December 2011 and 1 July 2011 were computed using reported amounts which form part of the prior six-month financial period's financial statements which were prepared in accordance with FRS in Malaysia as modified by BNM Guidelines.

Based on the above, the capital adequacy ratios of the Bank as at the balance sheet dates, are as follows:

			As at
	31.12.2012	**31.12.2011**	**1.7.2011**
(i) Before deducting proposed dividend*:			
Core capital ratio	**10.83%**	9.89%	10.31%
Risk-weighted capital ratio	**12.59%**	12.61%	13.02%
(ii) After deducting proposed dividend:			
Core capital ratio	**10.83%**	9.32%	9.46%
Risk-weighted capital ratio	**12.59%**	12.04%	12.17%

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

37. Capital adequacy (cont'd.)

(c) Components of Tier 1 and Tier 2 capital

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Eligible Tier 1 capital			
Paid-up share capital	**132,720**	110,600	110,600
Share premium	**2,687,480**	2,488,400	2,488,400
Other reserves	**1,659,441**	1,428,308	1,351,692
Less: Deferred tax assets (Note 17)[1]	**(199,000)**	(177,446)	(160,844)
Total Eligible Tier 1 capital	**4,280,641**	3,849,862	3,789,848
Eligible Tier 2 capital			
Subordinated sukuk	**1,000,000**	1,000,000	1,000,000
Collective allowance on non-impaired financing and advances	**85,396**	97,411	96,557
Less: Surplus of total EL over total EP[2]	**(390,447)**	(36,645)	(101,883)
Total Eligible Tier 2 capital	**694,949**	1,060,766	994,674
Capital base	**4,975,590**	4,910,628	4,784,522

[1] Under Bank Negara Malaysia Guidelines, deferred tax asset is required to be excluded from Tier I capital.

[2] EL is defined as expected loss and EP is defined as eligible provision.

(d) The breakdown of Assets and Credit Equivalent values (for Off Balance Sheet items) according to Risk Weights are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
Standardised Approach exposure	**2,411,358**	4,153,679	3,753,922
Internal Ratings-Based Approach exposure after scaling factor	**32,563,904**	28,214,051	23,571,746
Total risk-weighted assets for credit risk	**34,975,262**	32,367,730	27,325,668
Total risk-weighted assets for credit risk absorbed by the parent^	**(127,317)**	(205,926)	(206,402)
Total risk-weighted assets for market risk	**747,905**	307,942	149,810
Total risk-weighted assets for operational risk	**2,959,425**	2,573,751	2,334,044
Additional risk-weighted asset due to capital floor	**968,148**	3,891,670	7,154,554
Total risk-weighted assets	**39,523,423**	38,935,167	36,757,674

^ 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 ratio ("RWCR") calculation.