Today, we stand by Asia with assets in excess of RM495 billion.

Today, we stand by Asia with assets in excess of RM495 billion. Maybank, one of Southeast Asia's largest banks, has been supporting your aspirations for more than 50 years. Serving you in 20 countries across the globe and connecting you to new opportunities through 2,200 offices across Southeast Asia, Greater China and the world. We are **Humanising Financial Services Across Asia.**

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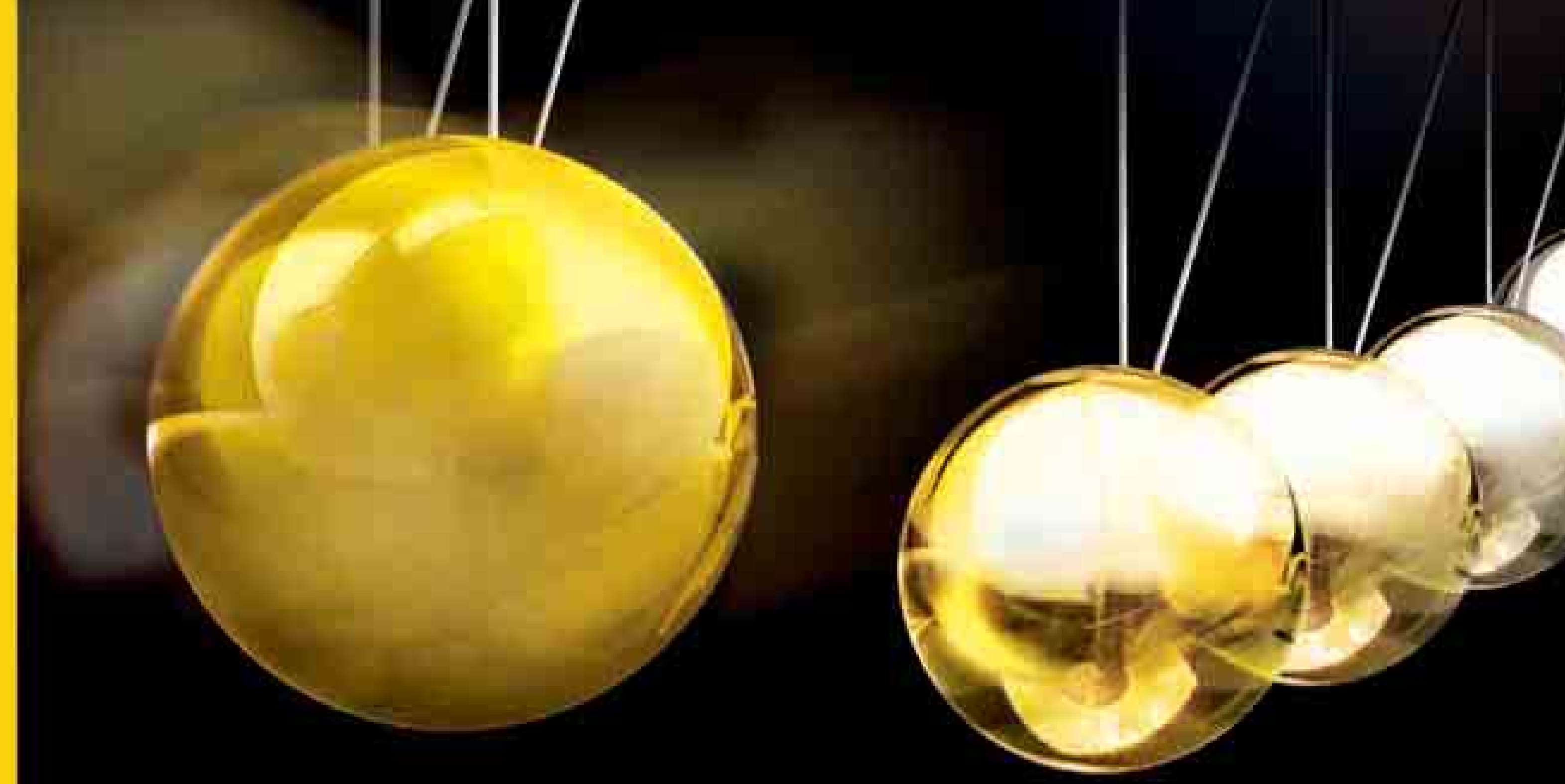
Maybank

Humanising Financial Services Across Asia.

Maybank ANNUAL REPORT 2012 FINANCIAL STATEMENTS MALAYAN BANKING BERHAD (3813-K)

LeadingAsia

ANNUAL REPORT 2012
FINANCIAL STATEMENTS
Maybank



RM495 billion
Total Assets
Strong Balance Sheet

Double Digit Loans Growth in Home Markets
Malaysia: 12%, Singapore: 11%
Indonesia: 21%

Landmark Equity Placement Ahead of Basel 3
Core Equity Tier 1 of 11%
(based on 85% reinvestment rate)

Record Earnings

Net Profit of RM5.74 billion

Leading

WE'RE LEADING ASIA in more ways than one. With a presence in 10 Southeast Asian countries and expansion of our business footprint across the region, we have accelerated our momentum across Asia and we're confident of our role in contributing to Asia's prosperity and sustainability. We offer consistent service with seamless banking and a wider spectrum of value-added services. We provide our customers with easy access to financial services, fair terms and pricing and advise them on their financial needs. At the same time, we remain committed to being at the heart of the communities we serve.

AS ASIA CONTINUES to grow in spite of a challenging world economy, we remain committed to its people and its diverse communities. In the spirit of Maybank, we continue to humanise financial services and provide enhanced value in the diversity of our products and services.

OVER 2,200
OFFICES

47,000
MAYBANKERS

20
COUNTRIES

22
MILLION CUSTOMERS

ASIA

TOTAL ASSETS
RM495 BILLION

NET PROFIT
RM5.74 BILLION

MARKET CAPITALISATION
RM77 BILLION

CONTENTS

OUR PERFORMANCE

THE FINANCIALS

BASEL II PILLAR 3

HIGHLIGHTS OF 2012

NET PROFIT

RM5.74 billion

+17.6%

Record earnings with profit after tax and minority interest (PATAMI), growing 17.6% to RM5.74 billion on the back of sustained growth in net fund based income and fee based income, supported by improved cost efficiency.

Refer to page 78 for Group Financial Review in Annual Report 2012

INTERNATIONAL PBT CONTRIBUTION

30%

CY2011: 23.8%

PBT from international operations surged to 30.2% from 23.8% a year earlier as international revenue grew 15.5% on the back of a 12.9% growth in Gross international loans.

Refer to page 82 in Group Financial Review in Annual Report 2012

Maybank Kim Eng

Maybank Kim Eng integration on track, and creating value for the Global Wholesale Banking sector (now known as Global Banking). Notable deals in 2012 included IPOs, M&As, private placements and project financing in Malaysia, Singapore, Hong Kong & Philippines.

Refer to page 104 for Investment Banking in Annual Report 2012

10

SOUTHEAST ASIAN COUNTRIES

We strengthened our regional presence, and are now in 10 Southeast Asian countries with the opening of offices in Myanmar and Laos in 2012 and enhanced focus in Greater China after opening our new Beijing branch.

Refer to page 118 for International Operations in Annual Report 2012

STRENGTHENED CAPITAL POSITION AHEAD OF

BASEL III

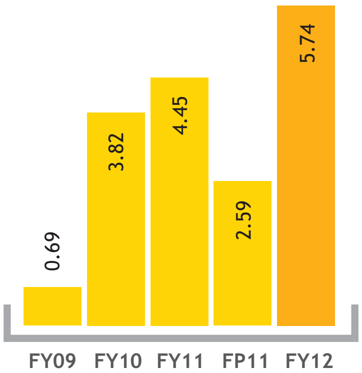
Completed a landmark equity placement of RM3.66 billion, the largest in Malaysian corporate history to strengthen our capital position ahead of Basel III, and support the Group's operations.

Refer to page 85 in Group Financial Review in Annual Report 2012

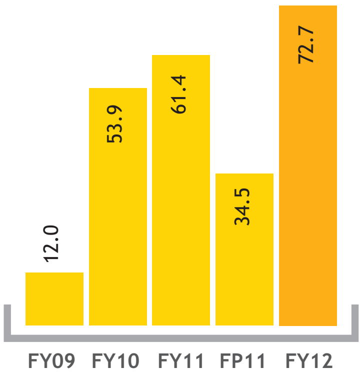
Note:
The Group has changed its financial year-end from 30 June to 31 December. Comparatives are for 12 months results beginning 1 January 2011 to 31 December 2011. The figures are unaudited, and are referred to as CY2011 in this Annual Report. Figures for FP2011 are audited results for the six-months financial period ended 31 Dec 2011 as part of the Group's transition to a December financial year end. Figures for FY2009-FY2011 are twelve-months audited figures for the financial year ended 30 June.

FINANCIAL HIGHLIGHTS

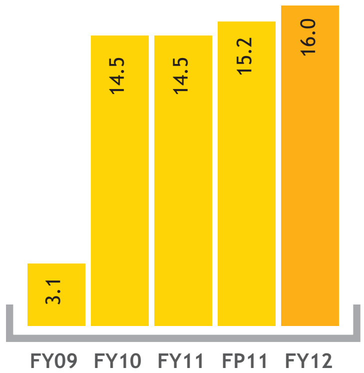
Profit Attributable to
Equity Holders of the Bank
RM5.74 billion



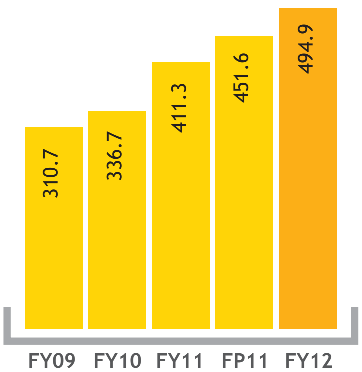
Earnings Per Share
72.7 sen



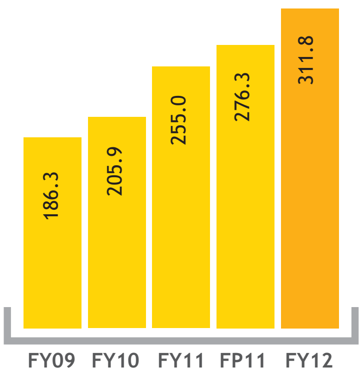
Return on Equity
16.0 %



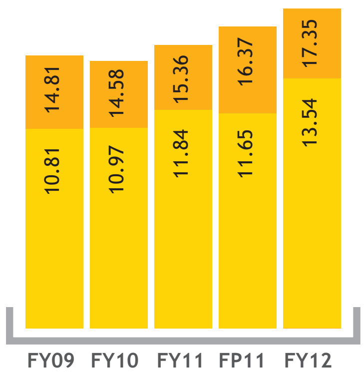
Total Assets
RM494.9 billion



Loans, Advances and Financing
RM311.8 billion

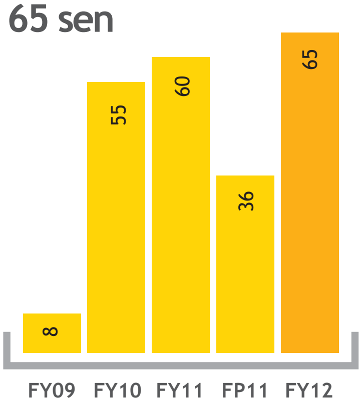


Capital Adequacy Ratio
RWCR: 17.35%

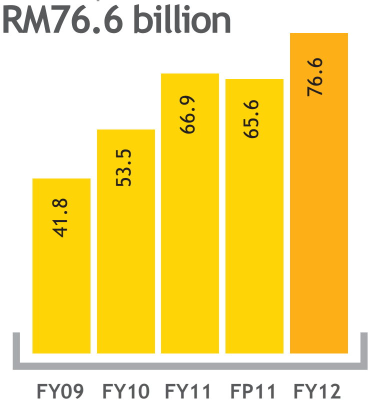


* assuming full reinvestment of DRP

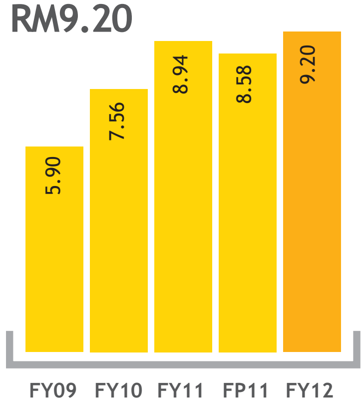
Dividend Per Share
65 sen



Market Capitalisation
RM76.6 billion



Share Price
RM9.20



NON-FINANCIAL HIGHLIGHTS

Human Capital
47,000 Maybankers worldwide

Global Network
2,200 offices 20 countries

Customers
22 million worldwide

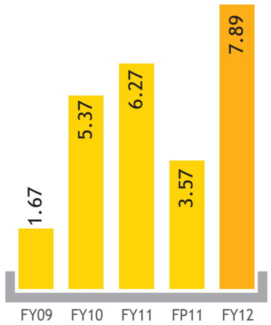
FIVE-YEAR GROUP FINANCIAL SUMMARY

	Group				
	<---- FY 30 June ----		---->	FP 31 Dec	FY 31 Dec
	2009	2010	2011	2011[1]	2012
OPERATING RESULT (RM' million)[2]					
Operating revenue	17,586	18,560	21,040	12,892	**27,532**
Operating profit	3,064	5,249	6,135	3,497	**7,742**
Profit before taxation	1,674	5,370	6,270	3,571	**7,895**
Profit attributable to equity holders of the Bank	692	3,818	4,450	2,587	**5,745**
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM' million)[2]					
Total assets	310,739	336,700	411,254	451,595	**494,866**
Financial investments portfolio[3]	70,132	68,885	76,871	84,669	**92,820**
Loans, advances and financing	186,252	205,894	255,018	276,253	**311,825**
Total liabilities	284,971	308,035	377,522	415,584	**450,912**
Deposits from customers	212,599	236,910	282,797	314,692	**347,156**
Commitments and contingencies	221,587	232,273	292,109	369,792	**379,695**
Paid-up capital	7,078	7,078	7,478	7,639	**8,440**
Shareholders' equity	24,899	27,877	32,395	34,456	**42,229**
SHARE INFORMATION[2]					
Per share (sen)					
Basic earnings[4]	12.0	53.9	61.4	34.5	**72.7**
Diluted earnings[4]	12.0	53.9	61.4	34.5	**72.7**
Gross dividend	8.0	55.0	60.0	36.0	**65.0**
Net assets (sen)	351.8	393.9	433.2	451.1	**500.3**
Share price as at 31 Dec/30 June (RM)	5.90	7.56	8.94	8.58	**9.20**
Market capitalisation (RM'million)	41,758	53,510	66,855	65,546	**76,551**
FINANCIAL RATIOS (%)[2]					
Profitability Ratios/Market Share					
Net interest margin on average interest-earning assets	2.8	2.9	2.6	2.5[8]	**2.4**
Net interest on average risk-weighted assets	3.4	3.5	3.6	4.0[8]	**3.9**
Net return on average shareholders' funds	3.1	14.5	14.5	15.2[8]	**16.0**
Net return on average assets	0.2	1.2	1.2	1.2[8]	**1.2**
Net return on average risk-weighted assets	0.3	1.6	1.8	2.0[8]	**2.1**
Cost to income ratio[5]	52.2	46.5	49.2	49.7	**48.6**
Domestic market share in:					
Loans, advances and financing	17.8	17.6	18.1	17.9	**18.2**
Deposits from customers - Savings Account	26.6	27.7	27.9	27.6	**27.7**
Deposits from customers - Current Account	21.3	20.5	20.7	19.5	**20.2**
CAPITAL ADEQUACY RATIOS (%)[2]					
(after deducting proposed final dividend)					
Core capital ratio[6]	10.8	10.1-11.0	11.2-11.8	11.0-11.7	**12.8-13.5**
Risk-weighted capital ratio[6]	14.8	13.7-14.6	14.7-15.4	15.7-16.4	**16.6-17.4**
ASSET QUALITY RATIOS[2]					
Net impaired loans/non-performing loans ratio (%)	1.6	1.2	2.3	1.9	**1.1**
Loan loss coverage (%)	112.9	124.5	82.3	86.9	**105.6**
Net loans to deposit ratio (%)	87.4	86.8	90.2	87.8	**89.8**
Deposits to shareholders' fund (times)	8.5	8.5	8.7	9.1	**8.2**
VALUATIONS ON SHARE[2]					
Gross dividend yield (%)	1.4	7.3	6.7	4.2	**7.1**
Dividend payout ratio (%)	61.4	76.5	74.9	79.9	**74.7**
Price to earnings multiple (times)[7]	49.1	14.0	14.6	24.9	**12.7**
Price to book multiple (times)	1.7	1.9	2.1	1.9	**1.8**

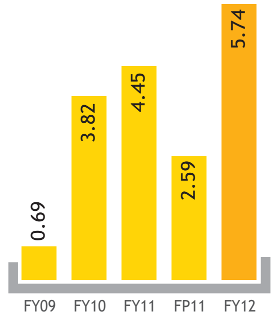
1 The results consist of six-months financial period ended 31 December 2011 due to the change of financial year end from 30 June to 31 December.
2 Comparative figures were restated due to first-time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework and changes in accounting policies.
3 Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.
4 Adjusted for rights issue completed on 30 April 2009 and bonus issue of 1:4 completed on 20 February 2008 and Maybank Group Employees' Share Scheme relating to the Restricted Share Unit as at 31 December 2011.
5 Cost to income ratio is computed using total cost over the net income. The total cost of the Group is the total overhead expenses, excluding amortisation of intangible assets for PT Bank International Indonesia Tbk and Maybank Kim Eng Holdings Limited.
6 The capital adequacy ratios for Dec 2012, Dec 2011, June 2011 and June 2010 present the two range of extreme possibilities, i.e.
(i) where the full electable portion is not reinvested; and
(ii) where the full electable portion is reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan.
7 Price to earnings multiple (times); (2009) 12.8 times (before impairment of goodwill/associate).
8 Annualised.

Bank	
FP 31 Dec 2011[1]	FY 31 Dec 2012
8,175	17,346
2,670	5,498
2,670	5,498
2,065	4,306
324,000	342,557
55,956	60,643
194,174	214,852
294,365	305,661
222,895	237,402
336,480	338,799
7,639	8,440
29,634	36,895
27.5	54.5
27.5	54.5
36.0	65.0
387.9	437.1
–	–
–	–
2.2[8]	2.1
3.3[8]	3.1
14.3[8]	13.8
1.3[8]	1.3
2.2[8]	2.2
41.7	43.3
17.9	18.2
27.6	27.7
19.5	20.2
14.7-15.7	16.3-17.3
14.7-15.7	16.3-17.3
2.1	1.1
83.3	106.8
87.1	90.5
7.5	6.4
–	–
–	–
–	–
–	–

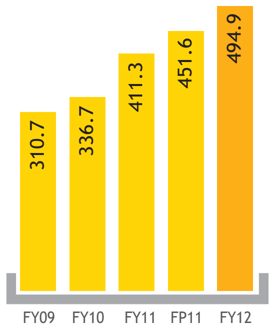
Profit Before Taxation
RM7.89 billion



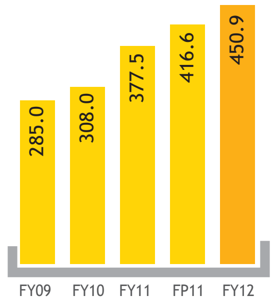
Profit Attributable to Equity Holders of the Bank
RM5.74 billion



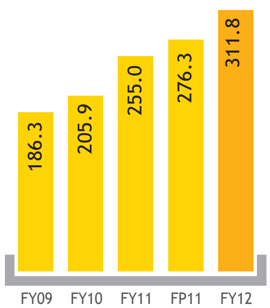
Total Assets
RM494.9 billion



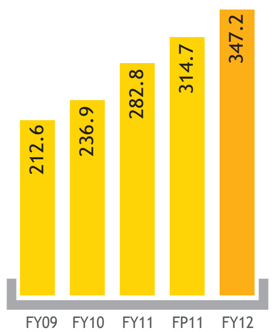
Total Liabilities
RM450.9 billion



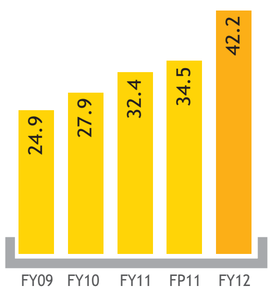
Loans, advances and financing
RM311.8 billion



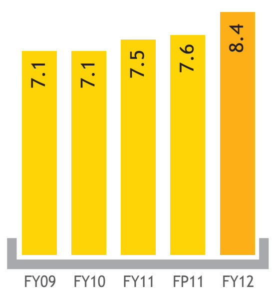
Deposits from Customers
RM347.2 billion



Shareholders' Equity
RM42.2 billion

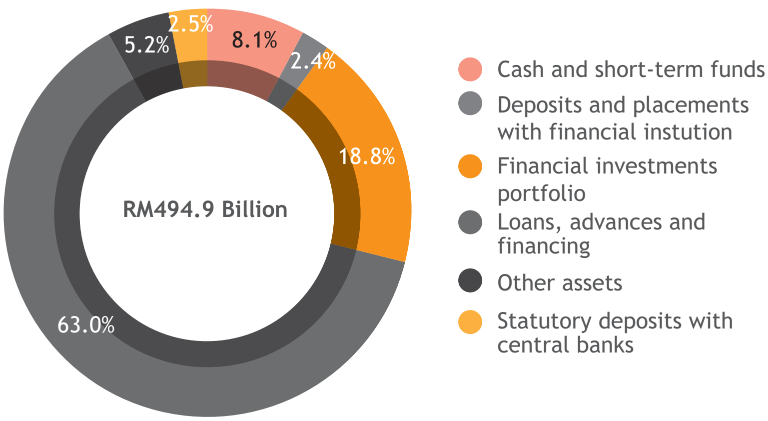


Paid-up Capital
RM8.4 billion



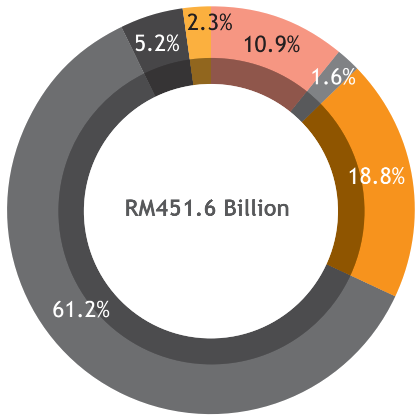
SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

Assets



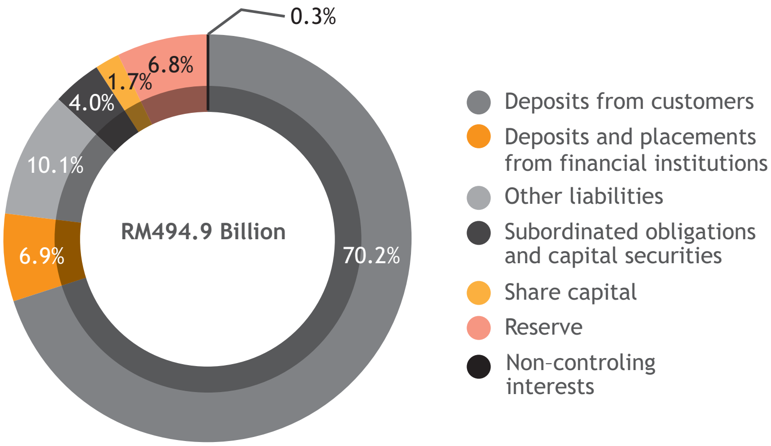
As at 31 December 2012

Assets



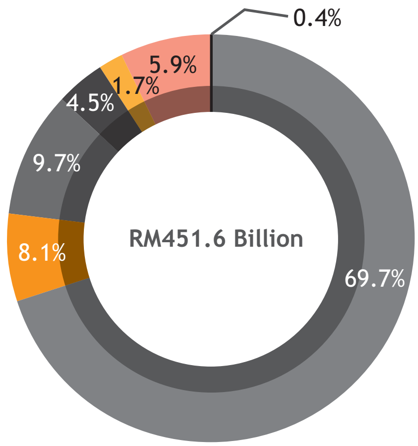
As at 31 December 2011

Liabilities & Shareholders' Equity



As at 31 December 2012

Liabilities & Shareholders' Equity



As at 31 December 2011

GROUP QUARTERLY FINANCIAL PERFORMANCE

RM' million	FYE 31 December 2012 Q1	Q2	Q3	Q4	YEAR
Operating revenue	6,658	6,876	6,971	7,027	27,532
Net interest income (including income from Islamic banking business)	2,556	2,673	2,727	2,721	10,677
Net income from insurance/takaful business	87	170	91	304	652
Operating profit	1,860	1,978	1,989	1,915	7,742
Profit before taxation and zakat	1,895	2,026	2,025	1,949	7,895
Net profit attributable to equity holders of the Bank	1,347	1,437	1,501	1,460	5,745
Earnings per share (sen)	17.63	18.64	19.11	17.29	72.67
Dividend per share (sen)	–	32.00	–	33.00	65.00

RM' million	FPE 31 December 2011[1] Q1	Q2	6M
Operating revenue	6,155	6,737	12,892
Net interest income (including income from Islamic banking business)	2,390	2,644	5,034
Net income from insurance/takaful business	177	250	427
Operating profit	1,804	1,693	3,497
Profit before taxation and zakat	1,840	1,731	3,571
Net profit attributable to equity holders of the Bank	1,328	1,259	2,587
Earnings per share (sen)	17.76	16.72	34.48
Dividend per share (sen)	–	36.00	36.00

1 The results consist of six-months financial period ended 31 December 2011 due to the change of financial year end from 30 June to 31 December. The results were restated due to first-time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework and changes in accounting policies.

KEY INTEREST BEARING ASSETS AND LIABILITIES

	FYE 31 Dec 2012		
	As at 31 December RM' million	Effective Interest Rate %	Interest Income/ Expense RM' million
Interest earning assets			
Loans, advances and financing	**311,825**	**6.38**	**15,131**
Cash and short-term fund & deposits and placements with financial institutions	**51,968**	**1.79**	**792**
Financial assets at fair value through profit or loss	**29,157**	**3.89**	**103**
Financial investments available-for-sale	**60,792**	**3.38**	**1,695**
Financial investments held-to-maturity	**2,871**	**3.56**	**327**
Interest bearing liabilities			
Deposits from customers	**347,156**	**1.78**	**5,957**
Deposits and placements from financial institutions	**33,887**	**2.03**	**861**
Borrowings	**10,714**	**3.29**	**389**
Subordinated obligations	**13,510**	**4.46**	**562**
Capital securities	**6,150**	**6.54**	**401**

	FPE 31 Dec 2011[1]		
	As at 31 December RM' million	Effective Interest Rate %	Interest Income/ Expense RM' million
Interest earning assets			
Loans, advances and financing	276,253	6.46	7,017
Cash and short-term fund & deposits and placements with financial institutions	56,550	2.19	385
Financial assets at fair value through profit or loss	18,394	3.21	67
Financial investments available-for-sale	63,585	3.66	851
Financial investments held-to-maturity	2,690	3.67	232
Interest bearing liabilities			
Deposits from customers	314,692	1.92	2,725
Deposits and placements from financial institutions	36,761	1.90	393
Borrowings	7,185	4.00	153
Subordinated obligations	14,161	4.27	236
Capital securities	6,114	6.54	201

1 The results consist of six-months financial period ended 31 December 2011 due to the change of financial year end from 30 June to 31 December. The results were restated due to first-time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework and changes in accounting policies.

STATEMENT OF VALUE ADDED

VALUE ADDED	FPE 31 Dec 2011[1] RM'000	FYE 31 Dec 2012 RM'000
Net interest income	4,026,278	**8,480,717**
Income from Islamic Banking Scheme operations	1,008,037	**2,196,259**
Net income from insurance/takaful business	426,519	**652,445**
Other operating income	2,374,180	**5,273,749**
Overhead expenses excluding personnel expenses, depreciation and amortisation	(1,662,651)	**(3,198,880)**
Allowances for impairment losses on loans, advances and financing, net	(329,080)	**(642,711)**
Allowances for impairment losses on financial investments, net	(67,237)	**(60,216)**
Share of profits of associates	74,234	**152,476**
Value added available for distribution	5,850,280	**12,853,839**

DISTRIBUTION OF VALUE ADDED	FPE 31 Dec 2011[1] RM'000	FYE 31 Dec 2012 RM'000
To employees:		
Personnel expenses	2,096,715	**4,589,373**
To the Government:		
Taxation	888,993	**1,977,306**
To providers of capital:		
Dividends paid to shareholders	1,794,772	**3,944,958**
Non-controlling interests	95,047	**172,597**
To reinvest to the Group:		
Depreciation and amortisation	182,473	**369,867**
Retained profits	792,280	**1,799,738**
Value added available for distribution	5,850,280	**12,853,839**

1 The results consist of six-months financial period ended 31 December 2011 due to the change of financial year end from 30 June to 31 December. The results were restated due to first-time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework and changes in accounting policies.

SEGMENTAL INFORMATION

ANALYSIS BY GEOGRAPHICAL LOCATION

		FPE 31 Dec 2011[1]		FYE 31 Dec 2012	
	NET INCOME	RM'000	Composition	RM'000	Composition
1	Malaysia	5,048,289	64%	**10,663,215**	**64%**
2	Singapore	1,254,328	16%	**2,463,826**	**15%**
3	Indonesia	1,161,984	15%	**2,562,083**	**15%**
4	Other Locations	370,413	5%	**914,046**	**6%**
		7,835,014	100%	**16,603,170**	**100%**

		FPE 31 Dec 2011[1]		FYE 31 Dec 2012	
	PROFIT BEFORE TAXATION	RM'000	Composition	RM'000	Composition
1	Malaysia	2,632,796	74%	**5,510,254**	**70%**
2	Singapore	569,336	16%	**1,138,759**	**14%**
3	Indonesia	166,318	5%	**553,985**	**7%**
4	Other Locations	202,642	5%	**691,601**	**9%**
		3,571,092	100%	**7,894,599**	**100%**

1 The results consist of six-months financial period ended 31 December 2011 due to the change of financial year end from 30 June to 31 December. The results were restated due to first-time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework and changes in accounting policies.

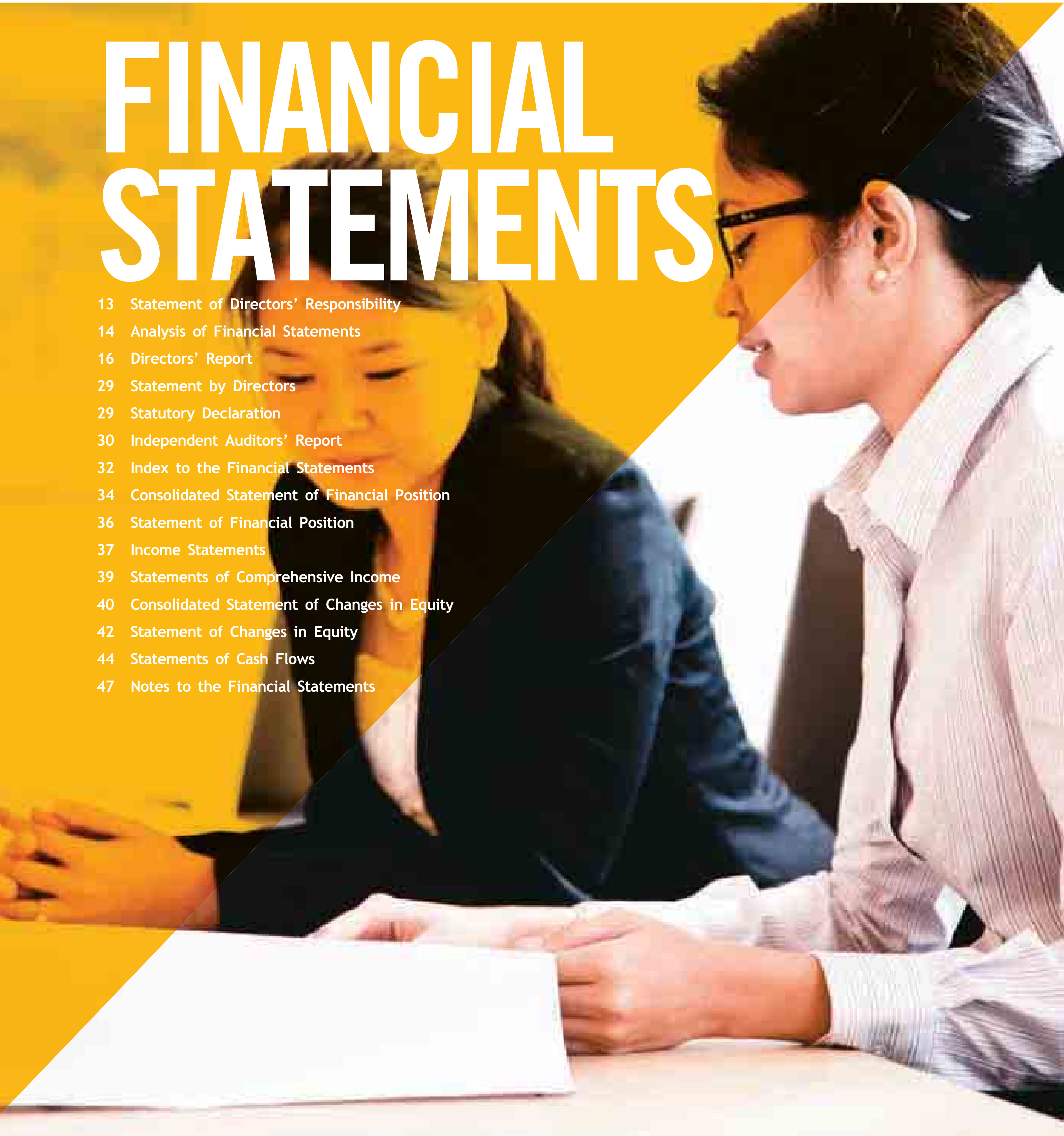
ANALYSIS BY ACTIVITY

NET INCOME	FPE 31 Dec 2011[1] RM'000	FYE 31 Dec 2012 RM'000
1 Community Financial Services	3,386,321	**6,870,524**
2 Global Banking	2,146,607	**5,291,516**
3 International Banking	2,438,392	**5,172,399**
4 Insurance, Takaful and Asset Management	602,358	**1,197,020**
5 Head Office and Others	(738,664)	**(1,928,289)**
	7,835,014	**16,603,170**

PROFIT BEFORE TAXATION	FPE 31 Dec 2011[1] RM'000	FYE 31 Dec 2012 RM'000
1 Community Financial Services	1,688,834	**3,024,238**
2 Global Banking	1,250,300	**3,808,135**
3 International Banking	977,262	**2,292,913**
4 Insurance, Takaful and Asset Management	393,360	**697,602**
5 Head Office and Others	(738,664)	**(1,928,289)**
	3,571,092	**7,894,599**

1 The results consist of six-months financial period ended 31 December 2011 due to the change of financial year end from 30 June to 31 December. The results were restated due to first-time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework and changes in accounting policies.

FINANCIAL STATEMENTS



STATEMENT OF DIRECTORS' RESPONSIBILITY

In Respect of the Audited Financial Statements

The directors are responsible for ensuring that the annual audited financial statements of the Group and of the Bank are drawn up in accordance with the requirements of the applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, the requirements of the Companies Act, 1965, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Bank are prepared with reasonable accuracy from the accounting records of the Group and of the Bank so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2012, and of their financial performance and cash flows for the year then ended.

In preparing the annual audited financial statements, the directors have:

- considered the applicable approved accounting standards in Malaysia;
- adopted and consistently applied appropriate accounting policies;
- made judgments and estimates that are prudent and reasonable; and
- prepared the financial statements on a going concern basis as the directors have a reasonable expectation, having made enquiries, that the Group and the Bank have adequate resources to continue in operational existence for the foreseeable future.

The directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Group and the Bank to prevent and detect fraud and other irregularities.

ANALYSIS OF FINANCIAL STATEMENTS

ANALYSIS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

RM billion	Dec 2012	Dec 2011	Variance	% change
Cash and short-term funds	40.0	49.4	(9.4)	-19.0%
Deposits and placements with financial institutions	12.0	7.2	4.8	66.7%
Financial investments portfolio	92.8	84.7	8.1	9.7%
Loans, advances and financing	311.8	276.2	35.6	12.9%
Derivative assets	2.9	2.0	0.9	45.0%
Reinsurance/retakaful assets and other insurance receivables	2.6	2.2	0.4	18.2%
Statutory deposits with central banks	12.3	10.6	1.7	16.0%
Interest in associates	2.2	2.4	(0.2)	-8.3%
Intangible assets	6.5	6.7	(0.2)	-3.0%
Other assets	11.8	10.2	1.6	14.7%
TOTAL ASSETS	494.9	451.6	43.3	9.6%
Deposits from customers	347.2	314.7	32.5	10.3%
Deposits and placements from financial institutions	33.9	36.7	(2.8)	-7.6%
Derivative liabilities	2.4	2.2	0.2	9.1%
Insurance/takaful contract liabilities and other insurance payables	21.9	20.1	1.8	9.0%
Borrowings	10.7	7.2	3.5	48.6%
Subordinated obligations	13.5	14.2	(0.7)	-4.9%
Capital securities	6.1	6.1	(0.0)	-0.0%
Other liabilities	15.2	14.4	0.8	5.6%
TOTAL LIABILITIES	450.9	415.6	35.3	8.5%
Shareholders' equity	42.2	34.4	7.8	22.7%
Non-controlling interests	1.8	1.6	0.2	12.5%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	494.9	451.6	43.3	9.6%

TOTAL ASSETS

For the year ended 31 December 2012, the Group's total assets grew RM43.3 billion or 9.6% to RM494.9 billion compared to a growth of 9.8% for the 6-month period ended 31 December 2011. The Group's total assets growth was attributed mainly to the growth in loans, advances and financing of RM35.6 billion or 12.9% and growth of the financial investments portfolio by RM8.1 billion or 9.7% but was offset by a decline in cash and short-term funds of RM9.4 billion or 19.0%.

DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

The Group's deposits and placements with financial institutions rose RM4.8 billion or 66.7% to RM12.0 billion.

FINANCIAL INVESTMENTS PORTFOLIO

The Group's financial investments portfolio increased by RM8.1 billion or 9.7% to RM92.8 billion mainly due to the increase in financial assets at fair value through profit or loss of RM10.8 billion. This was mitigated by a decrease in financial investments available-for-sale of RM2.8 billion.

The financial investments portfolio comprised 65.5% in financial investments available-for-sale, 31.4% in financial assets at fair value through profit or loss and the remainder 3.1% was in financial investments held-to-maturity.

LOANS, ADVANCES AND FINANCING

Net Group loans growth remained in double-digit territory with a healthy 12.9% rise to RM311.8 billion. Gross Group loans, grew by 12.2% with Malaysia and Singapore operations growing ahead of industry rate of 10.4% in both locations, reaching 11.8% and 10.5% respectively. Indonesia saw loans growing at a more robust pace of 20.8% while other international markets registered a rise of 12.9%.

TOTAL LIABILITIES

Total liabilities for the Group increased by RM35.3 billion or 8.5% to RM450.9 billion. The increase in deposits from customers was the main contributor to the growth in total liabilities.

DEPOSITS FROM CUSTOMERS

The Group's customer deposits expanded strongly across the three home markets, reinforcing the Group's regional franchise, with higher growth momentum recorded in Indonesia. Group's deposits from customers increased by RM32.5 billion or 10.3% to RM347.2 billion, led by a 22.3% rise in Indonesia with Singapore and Malaysia registering a 12.7% and 8.5% rise respectively.

The Group's continued focus on growing low cost deposits has also showed an overall improvement in the funding mix with lower cost of funds consisting of savings and demand deposits growing at 15.1% to RM122.1 billion. As a result, the CASA (current and savings account) ratio improved from 33.6% a year ago to 35.1% for the current financial year.

DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

Deposits and placements from financial institutions which mainly consist of interbank borrowings, decreased by RM2.8 billion or 7.6% to RM33.9 billion as at 31 December 2012 due to the Group's funding and gapping activities.

SHAREHOLDERS' EQUITY

The Group's shareholders' equity grew by RM7.8 billion or 22.7% to RM42.2 billion mainly due to the increase in share capital and share premium arising from shares issued pursuant to the Private Placement and the Dividend Reinvestment Plan.

ANALYSIS OF CONSOLIDATED INCOME STATEMENT

RM million	FY2012	CY2011*	Variance	% change
Net interest income	8,480.7	7,624.4	856.3	11.2%
Net fund based income (Islamic Banking)	1,699.4	1,560.9	138.5	8.9%
Net fund based income	10,180.1	9,185.3	994.8	10.8%
Non-interest income	5,273.7	4,499.7	774.0	17.2%
Fee based income (Islamic Banking)	496.9	278.0	218.9	78.7%
Net income from insurance business	652.4	856.0	(203.6)	-23.8%
Net fee based income	6,423.0	5,633.7	789.3	14.0%
Net income	16,603.2	14,819.0	1,784.2	12.0%
Overhead expenses	(8,158.1)	(7,457.9)	(700.2)	9.4%
Allowances for impairment losses on loans	(642.7)	(449.0)	(193.7)	43.1%
Impairment losses on financial investments	(60.2)	(177.0)	116.8	-66.0%
Operating profit	7,742.1	6,735.1	1,007.0	15.0%
Share of profits in associates	152.5	140.1	12.4	8.9%
Profit before taxation and zakat	7,894.6	6,875.2	1,019.4	14.8%
Taxation and zakat	(1,977.3)	(1,753.6)	(223.7)	12.8%
Non-controlling interest	172.6	237.6	(65.0)	-27.4%
Profit attributable to equity holders of bank	5,744.7	4,884.0	860.7	17.6%
EPS - Basic (sen)	72.7	65.1	7.6	11.7%

** unaudited*

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

NET FUND BASED INCOME

The Group recorded double digit growth in net fund based income. The Group's net interest income and Islamic banking fund based income for the financial year ended 31 December 2012 increased by RM994.8 million or 10.8% compared to the corresponding 12 months financial period ended 31 December 2011. This was largely due to the 12.9% year-on-year growth in the Group's net loans and advances (including Islamic finance).

NET FEE BASED INCOME

Net fee based income grew RM789.3 million or 14.0%. Fee income increased mainly contributed by higher fee income from the Bank, higher wakalah fee earned by Etiqa Takaful Berhad and higher fee income from Maybank Kim Eng during the financial year ended 31 December 2012 whereas in the preceding period, Maybank Kim Eng's results were consolidated for eight months as Maybank Kim Eng's acquisition was completed in May 2011.

The Group also benefited from higher gain on sale of financial investments portfolio and higher unrealised gain on revaluation of financial assets at fair value through profit or loss and derivatives of RM231.2 million and RM343.8 million respectively. The increase was, however, offset by lower foreign exchange profit and lower gain on sale of development properties of RM334.8 million and RM71.1 million respectively.

OVERHEAD EXPENSES

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

The Group's cost-to-income ratio improved by 130 basis points to 48.6% from 49.9% in the corresponding twelve-month financial period ended 31 December 2011.

Net Income grew ahead of overhead expenses, a result of continuous efforts in improving efficiency and the implementation of a vigorous cost management exercise.

ALLOWANCES FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

Allowance for impairment losses on loans, advances and financing increased by RM193.7 million to RM642.7 million for the year ended 31 December 2012. The increase was mainly due to higher individual allowances made. The Group's net impaired loans ratio improved to 1.09% as at 31 December 2012, compared to 1.86% as at 31 December 2011. In addition, the loan loss coverage ratio as at 31 December 2012 improved to 105.6% from 86.9% as at 31 December 2011.

TAXATION

The effective tax rate of the Group is 25.0% which is in line with the Malaysian statutory tax rate of 25.0%.

Note: For further financial analysis please refer to the Group Financial Review (Management's Discussions and Analysis) on pages 78 to 87 of the Annual Report.

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking and related financial services.

The subsidiaries are principally engaged in the businesses of banking and finance, Islamic banking, investment banking including stock broking, underwriting of general and life insurance, general and family takaful, trustee and nominee services, asset management and venture capital. Further details of the subsidiaries are described in Note 58 to the financial statements.

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

RESULTS

	Group RM'000	Bank RM'000
Profit before taxation and zakat	7,894,599	5,498,158
Taxation and zakat	(1,977,306)	(1,192,254)
Profit for the year	5,917,293	4,305,904
Attributable to:		
Equity holders of the Bank	5,744,696	4,305,904
Non-controlling interests	172,597	–
	5,917,293	4,305,904

There were no material transfers to or from reserves or provisions during the financial year other than those as disclosed in Notes 10, 11, 41 and 42 and the statements of changes in equity of the financial statements.

In the opinion of the directors, the results of the operations of the Group and the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the first-time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework and changes in accounting policies as disclosed in Note 2.4 to the financial statements.

The MFRS Framework as issued by the Malaysian Accounting Standards Board ("MASB") is fully compliant with International Financial Reporting Standards ("IFRS") that comprises standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012.

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2011 were as follows:

	RM'000
In respect of the six-month financial period ended 31 December 2011 as reported in the directors' report of that period:	
Final dividend of 36 sen less 25% taxation consists of cash portion of 4 sen (net 3 sen) per ordinary share and an electable portion of 32 sen (net 24 sen) per ordinary share, on 7,639,448,883 ordinary shares, declared on 29 March 2012 and paid on 4 June 2012	2,062,651
In respect of the financial year ended 31 December 2012:	
A first interim dividend of 32 sen less 25% taxation consists of cash portion of 4 sen (net 3 sen) per ordinary share and an electable portion of 28 sen (net 21 sen) per ordinary share, on 7,854,397,802 ordinary shares, declared on 16 August 2012 and paid on 25 October 2012	1,885,055
	3,947,706

DIVIDENDS (CONT'D.)

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2012 of 18 sen less 25% taxation and 15 sen single-tier dividend on 8,440,046,735 ordinary shares of RM1.00 each, amounting to a net dividend payable of RM2,405,413,319 (net 28.5 sen per ordinary share) will be proposed for the shareholders' approval.

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

The electable portion can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 31(b) to the financial statements and subject to the relevant regulatory approvals as well as shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 31 December 2013.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS")

The Maybank Group Employees' Share Scheme ("ESS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It is in force for a maximum period of seven (7) years from the effective date and is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of Employee Share Option Scheme ("ESOS") and Restricted Share Unit ("RSU").

The ESS Committee may, from time to time during the ESS period, make further RSU grants designated as Supplemental RSU ("SRSU") grant to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU grants may contain terms and conditions which may vary from earlier RSU grants made to selected senior management.

A separate cash-settled performance-based scheme ("CESS") comprising of Cash-settled Performance-based Option Scheme ("CESOS") and Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") will be made available at the appropriate time to the eligible employees of overseas branches and subsidiaries of the Bank which include PT Bank Internasional Indonesia Tbk, PT Bank Maybank Syariah Indonesia, Maybank Philippines Incorporated and Maybank (PNG) Limited, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") (CONT'D.)

Further details on the key features of the ESOS, RSU and CESS are disclosed in Note 31(c) to the financial statements. Details of ESOS granted, vested and exercised under the ESS are as follows:

(a) ESOS Granted

Grant date	Number of share options '000	Original exercise price RM/option	Exercise period
23.6.2011 – ESOS First Grant	405,309#	8.82*	30.6.2011 – 30.6.2016
30.4.2012 – ESOS Second Grant	62,339#	8.83*	30.4.2012 – 22.6.2018

The aggregate maximum allocation of ESOS to Chief Executive Officer and senior management of the Group and the Bank shall not exceed 50%. The actual allocation of share options to Chief Executive Officer and senior management is 4.0% as at 31 December 2012.

The estimated number of share options to be granted to the eligible employees that are expected to meet average performance target.

* The ESS Committee approved the reductions of the ESOS exercise price following the issuance of new ordinary shares of RM1.00 each pursuant to the implementation of DRP. The revisions on the exercise price made are as follows:

Grant date	Exercise price RM/option	Exercise period
23.6.2011 – ESOS First Grant	8.82	23.6.2011 – 28.12.2011
	8.78	29.12.2011 – 4.6.2012
	8.76	5.6.2012 – 28.10.2012
	8.75	29.10.2012 – 30.6.2016
30.4.2012 – ESOS Second Grant	8.83	30.4.2012 – 28.10.2012
	8.82	29.10.2012 – 22.6.2018

During the financial year ended 31 December 2012, a total of 42,136,100 under ESOS First Grant (31 December 2011: Nil) and 6,185,800 under ESOS Second Grant had been vested to a selected group of eligible employees.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") (CONT'D.)

(a) ESOS Granted (cont'd.)

The movements of ESOS vested in relation to the ESOS First and Second Grant vested are as follows:

ESOS First Grant (Vested)

Vesting date	Outstanding as at 1.1.2012 '000	Movements during the year Adjustment** '000	Vested '000	Exercised^ '000	Forfeited '000	Expired '000	Outstanding as at 31.12.2012 '000	Exercisable as at 31.12.2012 '000
23.6.2011	80,070	160	-	(798)	(2,449)	-	76,983	76,983
30.4.2012	-	-	42,136	(320)	(533)	-	41,283	41,283
Total	80,070	160	42,136	(1,118)	(2,982)	-	118,266	118,266

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

^ 7,500 of the options exercised during the financial year ended 31 December 2012 were only issued and listed on the next financial year.

ESOS Second Grant (Vested)

Vesting date	Outstanding as at 1.1.2012 '000	Movements during the year Vested '000	Exercised '000	Forfeited '000	Expired '000	Outstanding as at 31.12.2012 '000	Exercisable as at 31.12.2012 '000
30.4.2012	-	6,186	(8)	(217)	-	5,961	5,961

(b) RSU Granted

Grant date	Number of share options '000	Vesting date
23.6.2011 — RSU First Grant	3,590	3-year cliff vesting from the grant date and performance metrics
30.4.2012 — RSU Second Grant	4,355	

None of the RSU has been vested as at 31 December 2012.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") (CONT'D.)

(c) SRSU Granted

During the financial year ended 31 December 2012, a total of 119,000 SRSU (31 December 2011: 283,900 SRSU) had been granted to a selected group of eligible employees. A total of 37,500 SRSU (31 December 2011: Nil) had been vested as at 31 December 2012.

The movements of SRSU granted and vested are as follows:

SRSU Granted

Grant date	Outstanding as at 1.1.2012 '000	Movements during the year		Outstanding as at 31.12.2012 '000
		Granted '000	Vested '000	
31.03.2011	209	–	–	209
3.10.2011	75	–	(37)	38
16.4.2012	–	15	–	15
7.5.2012	–	15	–	15
1.6.2012	–	24	–	24
1.6.2012	–	15	–	15
2.7.2012	–	30	–	30
15.12.2012	–	20	–	20
	284	119	(37)	366

(d) CESOS Granted

During the financial year ended 31 December 2012, a second tranche amounting to 394,800 CESOS (31 December 2011: Nil) under the CESOS First Grant had been granted to a selected group of eligible employees in overseas branches.

In addition to the above, the Bank had also granted a total of 554,000 CESOS under the CESOS Second Grant to the confirmed new recruits in overseas branches and selected key retention employees of PT Bank Internasional Indonesia Tbk.

The movements of CESOS granted are as follows:

CESOS First Grant

Grant date	Outstanding as at 1.1.2012 '000	Movements during the year					Outstanding as at 31.12.2012 '000
		Adjustment*** '000	Granted '000	Exercised '000	Forfeited '000	Expired '000	
23.6.2011	720	7	–	–	(74)	–	653
30.4.2012	–	–	395	–	(22)	–	373
	720	7	395	–	(96)	–	1,026

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

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") (CONT'D.)

(d) CESOS Granted (cont'd.)

CESOS Second Grant

Grant date	Outstanding as at 1.1.2012 '000	Movements during the year				Outstanding as at 31.12.2012 '000
		Granted '000	Exercised '000	Forfeited '000	Expired '000	
23.2.2012	–	430	–	–	–	430
30.4.2012	–	124	–	(10)	–	114
	–	554	–	(10)	–	544

None of the CESOS granted has been vested as at 31 December 2012.

(e) CRSU Granted

During the financial year ended 31 December 2012, a total of 15,000 CRSU had been granted to eligible senior management of the Group and the Bank. None of the CRSU granted has been vested as at 31 December 2012.

The Bank has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options which have been vested to subscribe for less than 300,000 ordinary shares of RM1.00 each during the financial year.

The maximum number of ordinary shares of RM1.00 each in the Bank available under the ESS and CESS should not exceed 10% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme. Other principal features of the ESS are disclosed in Note 31(c) – (f) to the financial statements.

The names of option holders who were granted options which have been vested to subscribe for at least 300,000 ordinary shares of RM1.00 each during the financial year are as follows:

Name	Number of share options				
	As at 1.1.2012 '000	Adjustment* '000	Vested '000	Exercised '000	As at 31.12.2012 '000
Dato' Sri Abdul Wahid bin Omar	500	–	250	–	750
Datuk Lim Hong Tat	200	–	125	–	325
John Chong Eng Chuan	200	–	125	–	325
Hans de Cuyper	200	–	100	–	300
Dato' Khairussaleh bin Ramli	200	–	125	–	325
Datuk Abdul Farid bin Alias	200	–	125	–	325
Tengku Dato' Zafrul Bin Tengku Abdul Aziz	192	–	125	–	317
Sim Sio Hoong	150	50	125	–	325
Normala @ Noraizah Binti A. Manaf	150	50	100	–	300
Geoffrey Michael Stecyk	150	50	100	–	300

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") (CONT'D.)

All the options were granted on 23 June 2011 at an original exercise price of RM8.82, which was revised to RM8.78 on 29 December 2011, then further revised to RM8.76 on 5 June 2012 and to RM8.75 on 29 October 2012, which can then be exercised within a period of five (5) years.

* Adjustment relates to additional ESOS allocated to selected senior management during the financial year.

ISSUE OF SHARE CAPITAL

During the current financial year, the Bank increased its issued and paid-up capital from RM7,639,437,483 to RM8,440,046,735 via:

(a) Issuance of 1,118,700 new ordinary shares of RM1.00 each for cash, to eligible persons who exercised their options under the ESS, as disclosed in Note 31(d)(ii) to the financial statements;

(b) Issuance of 202,854,119 new ordinary shares of RM1.00 each arising from the Dividend Reinvestment Plan ("DRP") relating to electable portion of the final dividend of 24 sen (net) in respect of financial period ended 31 December 2011, as disclosed in Note 46(c)(i) to the financial statements;

(c) Issuance of 173,144,233 new ordinary shares (including 286,367 new ordinary shares issued to ESOS Trust Fund ("ETF") Pool) of RM1.00 each arising from the Dividend Reinvestment Plan ("DRP") relating to the interim dividend of 21 sen (net) in respect of financial year ended 31 December 2012, as disclosed in Note 46(c)(ii) to the financial statements;

(d) Issuance of 11,454,700 new ordinary shares of RM1.00 each to be held in the ESOS Trust Fund ("ETF") Pool pursuant to the current ESS, as disclosed in Note 31(c)(v) to the financial statements;

(e) Issuance of 412,000,000 new ordinary shares of RM1.00 each arising from the Private Placement, as disclosed in Note 55(l) to the financial statements; and

(f) Issuance of 37,500 new ordinary shares of RM1.00 each arising from the Supplemental Restricted Share Unit ("SRSU"), as disclosed in Note 31(e)(iv) to the financial statements.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Bank.

DIRECTORS

The directors who served since the date of the last report and the date of this report are:

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman)
Dato' Mohd Salleh bin Hj Harun (Vice Chairman)
Dato' Sri Abdul Wahid bin Omar (President and Chief Executive Officer)
Tan Sri Datuk Dr Hadenan bin A. Jalil
Dato' Seri Ismail bin Shahudin
Dato' Dr Tan Tat Wai
Encik Zainal Abidin bin Jamal
Dato' Johan bin Ariffin
Mr Cheah Teik Seng
Mr Alister Maitland
Datuk Mohaiyani binti Shamsudin
Mr Erry Riyana Hardjapamekas (appointed on 25 June 2012)
Dato' Sreesanthan Eliathamby (retired on 29 March 2012)

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 or its subsidiary was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Bank or any other body corporate, other than those arises from the share options and the RSU 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 a benefit included in the aggregate amount of emoluments received or due and receivable by the directors from the Bank and related corporations, or the fixed salary of a full time employee of the Bank as disclosed in Note 40 to the financial statements) 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, share options and RSU of the Bank during the financial year were as follows:

	Number of ordinary shares of RM1.00 each			
Direct interest	As at 1.1.2012	Acquired	Issued pursuant to DRP	As at 31.12.2012
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	36,039	–	2,009	**38,048**
Dato' Mohd Salleh bin Hj Harun	314,782	–	7,869	**322,651**
Dato' Seri Ismail bin Shahudin	23,242	–	–	**23,242**
Dato' Johan bin Ariffin	126,337	25,774	8,362	**160,473**

	Number of ordinary shares of RM1.00 each			
Indirect interest	As at 1.1.2012	Acquired	Issued pursuant to DRP	As at 31.12.2012
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor *	26,688	–	1,487	**28,175**
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor **	31,718	–	1,766	**33,484**
Dato' Dr Tan Tat Wai *	5,467	–	–	**5,467**

* Interest by virtue of shares held by spouse.
** Interest by virtue of shares held via children's account.

DIRECTORS' INTERESTS (CONT'D.)

	Number of options over ordinary shares of RM1.00 each					
	Exercise Price (RM)	Granted on 23.6.2011	As at 1.1.2012	Vested	Exercised	As at 31.12.2012
Dato' Sri Abdul Wahid bin Omar	8.82#	2,500,000	500,000	250,000	–	**750,000**

Revised to RM8.75 on 29 October 2012 which is based on ESOS First Grant.

	Number of restricted unit ("RSU") of ordinary shares of RM1.00 each				
	Grant Date	Granted	As at 1.1.2012	Vested	As at 31.12.2012
Dato' Sri Abdul Wahid bin Omar	23.6.2011	200,000	–	–	–
	30.4.2012	200,000	–	–	–

The remaining share options and RSU which were granted to the director have not been vested as at 31 December 2012. The remaining share options and RSU will be vested and exercisable upon fulfilment of vesting conditions or predetermined performance metrics including service period, performance targets and performance period.

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

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Rating received
Moody's Investors Service	29 August 2012	Long-term Foreign Currency Bank Deposit/Outlook	A3/Stable
		Short-term Foreign Currency Bank Deposit	P-2/Stable
		Long-term Local Currency Bank Deposit/Outlook	A1/Stable
		Short-term Local Currency Bank Deposit	P-1/Stable
		Bank Financial Strength Rating/Outlook	C/Stable
		Baseline Credit Assessment	(a3)/Stable
		Adjusted Baseline Credit Assessment	(a3)/Stable
		Jr Subordinate	Baa2/Stable

RATING BY EXTERNAL RATING AGENCIES (CONT'D.)

Details of the Bank's ratings are as follows (cont'd.):

Rating agency	Date	Rating classification	Rating received
Standard & Poor's ("S&P")	20 December 2011	Long-term counterparty	A-
		Short-term counterparty	A-2
		Certificate of Deposit	A-
		Preferred Stock (1 Issue)	BBB-
		Subordinated (2 Issues)	BBB+
		Outlook	Stable
	19 July 2012	Senior Unsecured (1 Issue)	A-
Fitch Ratings	7 March 2012	Foreign Long-term Issuer Default Rating	A-/Stable
		Local Long-term Issuer Default Rating	A-/Stable
		Viability Rating	a-
		Support Rating	2
		Support Rating Floor	BBB
	19 April 2011	USD and SGD Sub Debt	BBB+
		SGD Tier 1 Capital Securities	BB+
RAM Ratings Services Berhad ("RAM")	30 November 2012	Long-term Financial Institution Ratings	AAA
		Short-term Financial Institution Ratings	P1
		Subordinated Bonds	AA1
		Innovative Tier-1 Capital Securities	AA2
		Non-Innovative Tier-1 Capital Securities	AA2
		Tier-2 Capital Subordinated Note Programme	AA1
		Subordinated Note Programme	AA1
		Outlook (Long Term)	Stable
Malaysian Rating Corporation Bhd	12 July 2012	Long-term Financial Institution Ratings	AAA
		Short-term Financial Institution Ratings	MARC-1
		Outlook	Stable

BUSINESS OUTLOOK

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

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

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

Having established its presence in all ten ASEAN countries in 2012, the Group is focused on building a truly regional organisation. Global Banking's (formerly known as Global Wholesale Banking) 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 Banking (formerly known as Global Wholesale Banking), Investment Banking, credit cards, treasury and payment operations. The Group will continue to raise the quality of customer services, embed the right robust risk culture to sustain its strong asset quality, and improve effectiveness and efficiency through an optimal cost structure.

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

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

(ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and 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 year which will or may affect the ability of the Group and of the Bank to meet their 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 Group or of the Bank for the financial year in which this report is made.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S GUIDELINES ON FINANCIAL REPORTING

In the preparation of the financial statements of the Group and the Bank, 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 Loans/Financing.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are as disclosed in Note 55 to the financial statements. There are no significant adjusting events after the statements of financial position date up to the date when the financial statements are authorised for issuance.

CHANGE OF FINANCIAL YEAR-END

The financial year end of the Bank and its subsidiaries was changed from 30 June to 31 December in the previous financial period. Accordingly, the comparative financial statements of the Group and 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 comparable for the income statements, statements of comprehensive income, statements of changes in equity, statements of cash flows and the related notes.

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 21 February 2013.

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor
Kuala Lumpur, Malaysia

Dato' Sri Abdul Wahid bin Omar

STATEMENT BY DIRECTORS

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

We, Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor and Dato' Sri Abdul Wahid bin Omar, being two of the directors of Malayan Banking Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 34 to 461 are 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 Group and of the Bank as at 31 December 2012 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 February 2013.

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor
Kuala Lumpur, Malaysia

Dato' Sri Abdul Wahid bin Omar

STATUTORY DECLARATION

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

I, Mohamed Rafique Merican bin Mohd Wahiduddin Merican, being the officer primarily responsible for the financial management of Malayan Banking Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 461 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 Mohamed Rafique Merican
bin Mohd Wahiduddin Merican
at Kuala Lumpur in the Federal
Territory on 21 February 2013

Mohamed Rafique Merican bin Mohd Wahiduddin Merican

Before me,

INDEPENDENT AUDITORS' REPORT

to the members of Malayan Banking Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Malayan Banking Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 460.

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 requirements 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2012 and of their financial performances and cash flows for the year then ended in accordance with Malaysian 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 the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 58(a) to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 61 on page 461 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance based on the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Chan Hooi Lam
No. 2844/02/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
21 February 2013

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TO THE FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

		Group		
	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	**40,018,633**	49,387,882	39,481,871
Deposits and placements with financial institutions	6	**11,949,150**	7,161,651	10,423,251
Financial assets purchased under resale agreements	7(a)	**798,180**	1,397,235	–
Financial assets at fair value through profit or loss	8	**29,156,692**	18,393,752	12,665,824
Financial investments available-for-sale	9	**60,792,374**	63,585,045	61,767,912
Financial investments held-to-maturity	10	**2,870,768**	2,689,806	2,437,441
Loans, advances and financing	11	**311,824,735**	276,252,853	255,017,693
Derivative assets	12	**2,880,492**	1,987,502	1,693,964
Reinsurance/retakaful assets and other insurance receivables	13	**2,555,727**	2,173,794	2,107,340
Other assets	14	**6,680,257**	4,749,820	4,898,654
Investment properties	15	**572,662**	542,477	525,521
Statutory deposits with central banks	16	**12,298,362**	10,577,416	7,698,425
Interest in associates	18	**2,235,233**	2,406,462	2,439,654
Property, plant and equipment	19	**2,402,821**	2,217,483	2,125,217
Intangible assets	20	**6,531,336**	6,748,053	6,637,954
Deferred tax assets	27	**1,298,871**	1,323,606	1,333,696
Total assets		**494,866,293**	451,594,837	411,254,417
LIABILITIES				
Deposits from customers	21	**347,155,510**	314,692,245	282,797,134
Deposits and placements from financial institutions	22	**33,887,376**	36,760,978	33,303,655
Obligations on financial assets sold under repurchase agreements	7(b)	**–**	267,652	373,562
Bills and acceptances payable		**2,269,513**	4,472,872	8,513,401
Derivative liabilities	12	**2,376,979**	2,162,709	1,533,935
Insurance/takaful contract liabilities and other insurance payables	23	**21,928,872**	20,090,908	19,313,540
Other liabilities	24	**9,597,742**	6,407,906	7,266,361
Recourse obligation on loans and financing sold to Cagamas	25	**1,592,974**	2,214,873	1,210,964
Provision for taxation and zakat	26	**1,051,798**	382,562	182,759
Deferred tax liabilities	27	**676,514**	672,025	658,582
Borrowings	28	**10,714,266**	7,185,230	5,447,120
Subordinated obligations	29	**13,510,041**	14,160,553	10,800,539
Capital securities	30	**6,150,351**	6,113,761	6,120,774
Total liabilities		**450,911,936**	415,584,274	377,522,326

	Note	Group		
		31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK				
Share capital	31	**8,440,046**	7,639,437	7,478,206
Share premium		**15,639,646**	9,598,847	8,583,711
Shares held-in-trust	31(c)(v)	**(102,405)**	–	–
Retained profits	32	**11,115,006**	10,393,767	10,167,728
Other reserves	33	**7,136,600**	6,824,192	6,165,573
		42,228,893	34,456,243	32,395,218
Non-controlling interests		**1,725,464**	1,554,320	1,336,873
		43,954,357	36,010,563	33,732,091
Total liabilities and shareholders' equity		**494,866,293**	451,594,837	411,254,417
Commitments and contingencies	47	**379,695,035**	369,791,836	292,109,263

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

	Note	Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	As at 1.7.2011 RM'000
ASSETS				
Cash and short-term funds	5	**23,153,242**	35,966,579	25,803,796
Deposits and placements with financial institutions	6	**10,039,999**	6,246,093	7,644,471
Financial assets purchased under resale agreements	7(a)	**650,314**	1,397,235	–
Financial assets at fair value through profit or loss	8	**10,719,937**	7,325,466	2,884,895
Financial investments available-for-sale	9	**47,366,309**	46,514,200	47,100,880
Financial investments held-to-maturity	10	**2,556,849**	2,115,933	1,638,070
Loans, advances and financing	11	**214,852,046**	194,174,085	181,572,844
Derivative assets	12	**2,812,148**	1,949,344	1,626,415
Other assets	14	**2,713,063**	2,240,433	1,420,365
Statutory deposits with central banks	16	**6,888,916**	6,095,129	4,313,116
Investment in subsidiaries	17	**17,634,469**	17,230,202	17,070,392
Interest in associates	18	**456,512**	456,512	454,412
Property, plant and equipment	19	**1,205,788**	1,083,279	1,044,934
Intangible assets	20	**697,066**	389,545	302,519
Deferred tax assets	27	**810,015**	815,573	886,484
Total assets		**342,556,673**	323,999,608	293,763,593
LIABILITIES				
Deposits from customers	21	**237,402,079**	222,895,293	201,465,408
Deposits and placements from financial institutions	22	**29,198,776**	35,555,592	31,441,675
Obligations on financial assets sold under repurchase agreements	7(b)	**–**	267,652	373,562
Bills and acceptances payable		**1,553,312**	3,610,141	7,115,673
Derivative liabilities	12	**2,243,617**	2,072,731	1,446,311
Other liabilities	24	**8,645,423**	6,351,178	4,240,156
Recourse obligation on loans and financing sold to Cagamas	25	**687,793**	715,603	528,285
Provision for taxation and zakat	26	**758,446**	–	–
Borrowings	28	**7,382,719**	4,208,282	3,420,499
Subordinated obligations	29	**11,638,850**	12,574,919	9,509,786
Capital securities	30	**6,150,351**	6,113,761	6,120,774
Total liabilities		**305,661,366**	294,365,152	265,662,129
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK				
Share capital	31	**8,440,046**	7,639,437	7,478,206
Share premium		**15,639,646**	9,598,847	8,583,711
Shares held-in-trust	31(c)(v)	**(102,405)**	–	–
Retained profits	32	**4,179,482**	4,895,012	5,140,905
Other reserves	33	**8,738,538**	7,501,160	6,898,642
		36,895,307	29,634,456	28,101,464
Total liabilities and shareholders' equity		**342,556,673**	323,999,608	293,763,593
Commitments and contingencies	47	**338,799,380**	336,480,160	265,846,025

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

INCOME STATEMENTS
for the year ended 31 December 2012

	Note	Group		Bank	
		1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Operating revenue	34	**27,532,461**	12,892,202	**17,346,458**	8,175,188
Interest income	35	**14,847,018**	7,004,319	**11,194,494**	5,359,581
Interest expense	36	**(6,366,301)**	(2,978,041)	**(4,959,002)**	(2,253,712)
Net interest income		**8,480,717**	4,026,278	**6,235,492**	3,105,869
Income from Islamic Banking Scheme operations	57	**2,196,259**	1,008,037	**–**	–
		10,676,976	5,034,315	**6,235,492**	3,105,869
Net income from insurance/takaful business	37	**652,445**	426,519	**–**	–
		11,329,421	5,460,834	**6,235,492**	3,105,869
Dividends from subsidiaries and associates		**–**	–	**856,049**	363,257
Other operating income		**5,273,749**	2,374,180	**3,076,166**	1,497,952
Non-interest income	38	**5,273,749**	2,374,180	**3,932,215**	1,861,209
Net income		**16,603,170**	7,835,014	**10,167,707**	4,967,078
Overhead expenses	39	**(8,158,120)**	(3,941,839)	**(4,403,790)**	(2,072,888)
Operating profit before impairment losses		**8,445,050**	3,893,175	**5,763,917**	2,894,190
Allowances for impairment losses on loans, advances and financing, net	41	**(642,711)**	(329,080)	**(268,844)**	(166,141)
(Allowances for)/writeback of impairment losses on financial investments, net	42	**(60,216)**	(67,237)	**3,085**	(57,864)
Operating profit		**7,742,123**	3,496,858	**5,498,158**	2,670,185
Share of profits of associates		**152,476**	74,234	**–**	–
Profit before taxation and zakat carried forward		**7,894,599**	3,571,092	**5,498,158**	2,670,185

INCOME STATEMENTS
for the year ended 31 December 2012

		Group		Bank	
	Note	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Profit before taxation and zakat brought forward		**7,894,599**	3,571,092	**5,498,158**	2,670,185
Taxation and zakat	43	**(1,977,306)**	(888,993)	**(1,192,254)**	(604,900)
Profit for the year/period		**5,917,293**	2,682,099	**4,305,904**	2,065,285
Attributable to:					
Equity holders of the Bank		**5,744,696**	2,587,052	**4,305,904**	2,065,285
Non-controlling interests		**172,597**	95,047	**–**	–
		5,917,293	2,682,099	**4,305,904**	2,065,285
Earnings per share attributable to equity holders of the Bank					
Basic (sen)	45	**72.7**	34.5		
Diluted (sen)	45	**72.7**	34.5		
Net dividends per ordinary share held by equity holders of the Bank in respect of financial year/period (sen)					
Paid – First Interim	46			**24.00**	–
Paid – Final for the financial year ended 30 June 2011	46			**–**	24.00
– Final for the financial period ended 31 December 2011	46			**27.00**	–
Proposed – Final	46			**28.50**	–
– Final				**–**	27.00

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

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Note	Group		Bank	
		1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Profit for the year/period		**5,917,293**	2,682,099	**4,305,904**	2,065,285
Other comprehensive income:					
Net gain/(loss) on revaluation of financial investments available-for-sale		**52,715**	20,454	**(31,892)**	46,833
Income tax relating to components of other comprehensive income	27	**(2,522)**	(23,387)	**7,973**	(11,549)
Foreign currency translation		**(933,136)**	55,160	**85,996**	(11,489)
Changes in other reserves		**(547)**	(220)	**–**	–
Other comprehensive income for the year/period, net of tax		**(883,490)**	52,007	**62,077**	23,795
Total comprehensive income for the year/period		**5,033,803**	2,734,106	**4,367,981**	2,089,080
Other comprehensive income for the year/period, attributable to:					
Equity holders of the Bank		**(897,033)**	45,405	**62,077**	23,795
Non-controlling interests		**13,543**	6,602	**–**	–
		(883,490)	52,007	**62,077**	23,795
Total comprehensive income for the year/period attributable to:					
Equity holders of the Bank		**4,847,663**	2,632,457	**4,367,981**	2,089,080
Non-controlling interests		**186,140**	101,649	**–**	–
		5,033,803	2,734,106	**4,367,981**	2,089,080

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

Group	Share Capital (Note31) RM'000	Share Premium RM'000	Shares Held-in-trust (Note31) RM'000	Statutory Reserve (Note33) RM'000	Capital Reserve (Note33) RM'000	Unrealised Holding Reserve (Note33) RM'000	Exchange Fluctuation Reserve (Note33) RM'000	Revaluation Reserve (Note33) RM'000	ESS Reserve (Note33) RM'000	Profit Equalisation Reserve (Note33) RM'000	*Retained Profits (Note32) RM'000	Total Shareholders' Equity RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	<---------- Attributable to equity holders of the Bank ---------->													
			<---------- Non-distributable ---------->											
At 1 January 2012														
- as reported under FRS	7,639,437	9,598,847	–	6,926,383	15,250	350,981	(969,382)	8,817	127,317	34,456	9,713,321	33,445,427	1,230,563	34,675,990
- effects of adoption of MFRS:														
- as described in Note 2.4(i)(a)	–	–	–	–	–	296,832	–	–	–	–	–	296,832	3,730	300,562
- as described in Note 2.4(iv)	–	–	–	–	–	33,538	–	–	–	–	680,446	713,984	320,027	1,034,011
At 1 January 2012, under MFRS	7,639,437	9,598,847	–	6,926,383	15,250	681,351	(969,382)	8,817	127,317	34,456	10,393,767	34,456,243	1,554,320	36,010,563
Profit for the year	–	–	–	–	–	–	–	–	–	–	5,744,696	5,744,696	172,597	5,917,293
Other comprehensive income	–	–	–	(445)	(673)	26,339	(921,423)	(831)	–	–	–	(897,033)	13,543	(883,490)
Total comprehensive income for the year	–	–	–	(445)	(673)	26,339	(921,423)	(831)	–	–	5,744,696	4,847,663	186,140	5,033,803
Share-based payment under Employees' Share Scheme ("ESS") (Note 31(c))	–	–	–	–	–	–	–	–	99,763	–	–	99,763	–	99,763
Effect of net acquisition from/ disposal to non-controlling interests	–	–	–	–	(323)	–	13,165	–	–	–	19,275	32,117	27,524	59,641
Transfer to statutory reserves	–	–	–	1,097,774	–	–	–	–	–	–	(1,097,774)	–	–	–
Issue of shares pursuant to ESS (Note 31(a)(i)&(vi))	1,156	9,659	–	–	–	–	–	–	(938)	–	–	9,877	–	9,877
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note 31(a)(ii)&(iii))	375,998	2,696,035	(2,405)	–	–	–	–	–	–	–	–	3,069,628	–	3,069,628
Issue of shares pursuant to ESOS Transfer Fund ("ETF") (Note 31(a)(iv))	11,455	88,545	(100,000)	–	–	–	–	–	–	–	–	–	–	–
Issue of shares pursuant to Private Placement (Note 31(a)(v))	412,000	3,246,560	–	–	–	–	–	–	–	–	–	3,658,560	–	3,658,560
Dividends (Note 46)	–	–	–	–	–	–	–	–	–	–	(3,944,958)	(3,944,958)	(42,520)	(3,987,478)
Total transactions with shareholders	800,609	6,040,799	(102,405)	1,097,774	(323)	–	13,165	–	98,825	–	(5,023,457)	2,924,987	(14,996)	2,909,991
At 31 December 2012	8,440,046	15,639,646	(102,405)	8,023,712	14,254	707,690	(1,877,640)	7,986	226,142	34,456	11,115,006	42,228,893	1,725,464	43,954,357

* Retained profits includes distributable and non-distributable profits arising from Non-DPF surplus of an insurance subsidiary. Refer to Note 32 for further details.

Group (cont'd)	Share Capital (Note31) RM'000	Share Premium RM'000	Statutory Reserve (Note33) RM'000	Capital Reserve (Note33) RM'000	Un-realised Holding Reserve (Note33) RM'000	Exchange Fluctuation Reserve (Note33) RM'000	Revalua-tion Reserve (Note33) RM'000	ESS Reserve (Note33) RM'000	Profit Equali-sation Reserve (Note33) RM'000	*Retained Profits (Note32) RM'000	Total Share-holders' Equity RM'000	Non-Control-ling Interests RM'000	Total Equity RM'000
	<------ Attributable to equity holders of the Bank ------>												
	<------ Non-distributable ------>												
At 1 July 2011													
- as reported under FRS	7,478,206	8,583,711	6,409,922	15,250	417,065	(1,007,977)	9,057	65,000	–	9,491,265	31,461,499	1,008,766	32,470,265
- effects of adoption of MFRS:													
- as described in Note 2.4(i)(a)	–	–	–	–	207,875	–	–	–	–	–	207,875	2,765	210,640
- as described in Note 2.4(iv)	–	–	–	–	49,381	–	–	–	–	676,463	725,844	325,342	1,051,186
At 1 July 2011, under MFRS	7,478,206	8,583,711	6,409,922	15,250	674,321	(1,007,977)	9,057	65,000	–	10,167,728	32,395,218	1,336,873	33,732,091
Profit for the period	–	–	–	–	–	–	–	–	–	2,587,052	2,587,052	95,047	2,682,099
Other comprehensive income	–	–	20	–	7,030	38,595	(240)	–	–	–	45,405	6,602	52,007
Total comprehensive income for the period	–	–	20	–	7,030	38,595	(240)	–	–	2,587,052	2,632,457	101,649	2,734,106
Effect of adopting BNM's Revised Guidelines for Profit Equalisation Reserve ("PER")	–	–	–	–	–	–	–	–	–	34,456	34,456	–	34,456
Transfer to PER	–	–	–	–	–	–	–	–	34,456	(34,456)	–	–	–
Share-based payment under Employees' Share Scheme ("ESS") (Note 31(c))	–	–	–	–	–	–	–	62,323	–	–	62,323	–	62,323
Effect of net acquisition from/disposal to non-controlling interests	–	–	–	–	–	–	–	–	–	(49,800)	(49,800)	120,262	70,462
Effect of disposal of indirect subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(1,132)	(1,132)
Transfer to statutory reserves	–	–	516,441	–	–	–	–	–	–	(516,441)	–	–	–
Issue of shares pursuant to ESS	10	84	–	–	–	–	–	(6)	–	–	88	–	88
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	161,221	1,015,052	–	–	–	–	–	–	–	–	1,176,273	–	1,176,273
Dividends (Note 46)	–	–	–	–	–	–	–	–	–	(1,794,772)	(1,794,772)	(3,332)	(1,798,104)
Total transactions with shareholders	161,231	1,015,136	516,441	–	–	–	–	62,317	34,456	(2,361,013)	(571,432)	115,798	(455,634)
At 31 December 2011	7,639,437	9,598,847	6,926,383	15,250	681,351	(969,382)	8,817	127,317	34,456	10,393,767	34,456,243	1,554,320	36,010,563

* Retained profits includes distributable and non-distributable profits arising from Non-DPF surplus of an insurance subsidiary. Refer to Note 32 for further details.

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

Bank	Share Capital (Note 31) RM'000	Share Premium RM'000	Shares Held-in-trust (Note 31) RM'000	Statutory Reserve (Note 33) RM'000	Unrealised Holding Reserve (Note 33) RM'000	Exchange Fluctuation Reserve (Note 33) RM'000	ESS Reserve (Note 33) RM'000	Distributable Retained Profits (Note32) RM'000	Total Equity RM'000
	<---- Attributable to equity holders of the Bank ---->								
	<---- Non-distributable ---->								
At 1 January 2012									
- as reported under FRS	7,639,437	9,598,847	–	6,728,866	262,434	227,772	127,317	4,895,012	29,479,685
- effects of adoption of MFRS:									
- as described in Note 2.4(i)(a)	–	–	–	–	154,771	–	–	–	154,771
At 1 January 2012, under MFRS	7,639,437	9,598,847	–	6,728,866	417,205	227,772	127,317	4,895,012	29,634,456
Profit for the year	–	–	–	–	–	–	–	4,305,904	4,305,904
Other comprehensive income	–	–	–	–	(23,919)	85,996	–	–	62,077
Total comprehensive income for the year	–	–	–	–	(23,919)	85,996	–	4,305,904	4,367,981
Share-based payment under Employees' Share Scheme ("ESS") (Note 31(c))	–	–	–	–	–	–	99,763	–	99,763
Transfer to statutory reserve	–	–	–	1,076,476	–	–	–	(1,076,476)	–
Issue of shares pursuant to ESS (Note 31(a)(i)&(vi))	1,156	9,659	–	–	–	–	(938)	–	9,877
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note 31(a)(ii)&(iii))	375,998	2,696,035	(2,405)	–	–	–	–	–	3,069,628
Issue of shares pursuant to ESOS Transfer Fund ("ETF") (Note 31(a)(iv))	11,455	88,545	(100,000)	–	–	–	–	–	–
Issue of shares pursuant to Private Placement (Note 31(a)(v))	412,000	3,246,560	–	–	–	–	–	–	3,658,560
Dividends (Note 46)	–	–	–	–	–	–	–	(3,944,958)	(3,944,958)
Total transactions with shareholders	800,609	6,040,799	(102,405)	1,076,476	–	–	98,825	(5,021,434)	2,892,870
At 31 December 2012	8,440,046	15,639,646	(102,405)	7,805,342	393,286	313,768	226,142	4,179,482	36,895,307

Bank (cont'd.)	Share Capital (Note 31) RM'000	Share Premium RM'000	Statutory Reserve (Note 33) RM'000	Unrealised Holding Reserve (Note 33) RM'000	Exchange Fluctuation Reserve (Note 33) RM'000	ESS Reserve (Note 33) RM'000	Distributable Retained Profits (Note32) RM'000	Total Equity RM'000
	<--- Attributable to equity holders of the Bank --->							
	<--- Non-distributable --->							
At 1 July 2011								
- as reported under FRS	7,478,206	8,583,711	6,212,460	278,860	239,261	65,000	5,140,905	27,998,403
- effects of adoption of MFRS:								
- as described in Note 2.4(i)(a)	–	–	–	103,061	–	–	–	103,061
At 1 July 2011, under MFRS	7,478,206	8,583,711	6,212,460	381,921	239,261	65,000	5,140,905	28,101,464
Profit for the period	–	–	–	–	–	–	2,065,285	2,065,285
Other comprehensive income	–	–	–	35,284	(11,489)	–	–	23,795
Total comprehensive income for the period	–	–	–	35,284	(11,489)	–	2,065,285	2,089,080
Share-based payment under Employees' Share Scheme ("ESS") (Note 31(c))	–	–	–	–	–	62,323	–	62,323
Transfer to statutory reserve	–	–	516,406	–	–	–	(516,406)	–
Issue of shares pursuant to ESS	10	84	–	–	–	(6)	–	88
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	161,221	1,015,052	–	–	–	–	–	1,176,273
Dividends (Note 46)	–	–	–	–	–	–	(1,794,772)	(1,794,772)
Total transactions with shareholders	161,231	1,015,136	516,406	–	–	62,317	(2,311,178)	(556,088)
At 31 December 2011	7,639,437	9,598,847	6,728,866	417,205	227,772	127,317	4,895,012	29,634,456

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

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2012

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	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	**7,894,599**	3,571,092	**5,498,158**	2,670,185
Adjustments for:				
Share of profits of associates	**(152,476)**	(74,234)	**–**	–
Depreciation of property, plant and equipment (Note 39)	**223,646**	104,363	**119,155**	56,642
Amortisation of computer software (Note 39)	**64,715**	29,265	**47,629**	21,136
Amortisation of customer relationship (Note 39)	**28,144**	16,196	**–**	–
Amortisation of agency force (Note 39)	**14,493**	9,848	**–**	–
Amortisation of core deposit intangibles (Note 39)	**38,869**	22,801	**–**	–
Gain on disposal of property, plant and equipment (Note 38)	**(7,638)**	(4,998)	**(4,928)**	(5,348)
Gain on disposal of foreclosed properties (Note 38)	**(2,747)**	(782)	**(85)**	–
Gain on disposal/liquidation of subsidiaries (Note 38)	**(806)**	(2,052)	**(341)**	(210)
Gain on disposal of associates (Note 38)	**(8,989)**	(30,274)	**–**	–
Net gain on disposal of financial assets at fair value through profit or loss (Note 38)	**(150,241)**	(17,858)	**(135,607)**	(23,872)
Net gain on disposal of financial investments available-for-sale (Note 38)	**(438,523)**	(271,636)	**(372,298)**	(249,361)
Net loss/(gain) on redemption of financial investments held-to-maturity (Note 38)	**62**	(132)	**62**	(132)
Amortisation of premiums less accretion of discounts, net (Note 35)	**(116,253)**	(6,366)	**(128,423)**	(3,746)
Unrealised (gain)/loss on revaluation of financial assets held-for-trading and derivatives (Note 38)	**(85,580)**	293,973	**(31,100)**	174,627
Allowances for/(writeback of) impairment losses on financial investments, net (Note 42)	**60,216**	67,237	**(3,085)**	57,864
Allowances for losses on loans, advances and financing, net (Note 41)	**1,482,738**	777,490	**926,589**	491,411
Allowance for other debts (Note 41)	**11,695**	14,928	**2,646**	1,707
Dividend income (Note 38)	**(34,606)**	(19,780)	**(867,714)**	(372,368)
ESS expenses (Note 39)	**96,187**	56,848	**79,274**	41,765
Property, plant and equipment written off (Note 39)	**227**	2,682	**85**	294
Intangible assets written off (Note 39)	**–**	16,594	**–**	–
Fair value adjustments on investment properties (Note 15)	**(10,583)**	(14)	**–**	–
Operating profit before working capital changes carried forward	**8,907,149**	4,555,191	**5,130,017**	2,860,594

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	**1.1.2012 to 31.12.2012 RM'000**	1.7.2011 to 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)				
Operating profit before working capital changes brought forward	**8,907,149**	4,555,191	**5,130,017**	2,860,594
Change in financial assets purchased under resale agreements	**599,055**	(1,397,235)	**746,921**	(1,397,235)
Change in deposits and placements with financial institutions	**(4,261,093)**	2,557,040	**(2,378,057)**	(212,302)
Change in financial investments portfolio	**(7,405,651)**	(7,555,982)	**(4,058,243)**	(4,003,088)
Change in loans, advances and financing	**(37,054,619)**	(22,012,650)	**(21,604,550)**	(13,092,652)
Change in other assets	**(2,479,885)**	393,960	**(1,227,250)**	(734,939)
Change in statutory deposits with central banks	**(1,720,946)**	(2,878,991)	**(793,787)**	(1,782,013)
Change in deposits from customer	**32,463,265**	31,895,111	**14,506,786**	21,429,885
Change in deposits and placements from financial institutions	**(2,873,602)**	3,457,323	**(6,356,816)**	4,113,917
Change in obligations on financial assets sold under repurchase agreements	**(267,652)**	(105,910)	**(267,652)**	(105,910)
Change in bills and acceptance payable	**(2,203,266)**	(4,040,529)	**(2,056,829)**	(3,505,532)
Change in other liabilities	**3,168,637**	(981,366)	**2,331,253**	2,163,299
Change in reinsurance/retakaful assets and other insurance receivables	**(381,933)**	(66,454)	**–**	–
Change in insurance/takaful contract liabilities and other insurance payables	**1,799,908**	786,612	**–**	–
Exchange fluctuation	**(227,458)**	(35,153)	**450,393**	(383,804)
Cash (used in)/generated from operations	**(11,938,091)**	4,570,967	**(15,577,814)**	5,350,220
Taxes and zakat paid	**(1,297,403)**	(721,696)	**(323,965)**	(544,631)
Net cash (used in)/generated from operating activities	**(13,235,494)**	3,849,271	**(15,901,779)**	4,805,589
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note 19)	**(439,635)**	(226,187)	**(247,028)**	(97,832)
Purchase of intangible assets (Note 20)	**(391,668)**	(130,396)	**(354,487)**	(108,261)
Proceeds from transactions with non-controlling interests	**67,834**	72,514	**–**	–
Proceeds from disposal of subsidiaries	**24,905**	(1,132)	**–**	–
Purchase of additional ordinary shares in new and existing subsidiaries	**–**	–	**(403,927)**	(159,600)
Net effect from acquisition of subsidiaries	**(47,676)**	13,335	**–**	–
Subscription to additional ordinary shares and private debt securities in associates	**–**	(3,562)	**–**	(2,100)
Cash flows from investing activities carried forward	**(786,240)**	(275,428)	**(1,005,442)**	(367,793)

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2012

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	**1.1.2012 to 31.12.2012 RM'000**	1.7.2011 to 31.12.2011 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (CONT'D.)				
Cash flows from investing activities brought forward	**(786,240)**	(275,428)	**(1,005,442)**	(367,793)
Proceeds from disposal of property, plant and equipment	**18,625**	15,421	**8,830**	7,218
Dividends received				
- from securities	**34,606**	19,780	**11,665**	9,111
- from associates	**7,106**	37,120	**7,106**	5,231
- from subsidiaries	**–**	–	**848,943**	358,026
Net cash (used in)/generated from investing activities	**(725,903)**	(203,107)	**(128,898)**	11,793
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	**6,738,065**	1,176,361	**6,738,065**	1,176,361
Drawdown of borrowings, net	**4,308,732**	1,467,710	**3,343,593**	707,504
Issuance of subordinated obligations	**4,832,966**	3,306,484	**4,551,634**	3,000,322
Redemption of subordinated obligations	**(5,517,550)**	–	**(5,517,550)**	–
Loans and financing sold to Cagamas, net	**(621,899)**	1,003,909	**(27,810)**	187,318
Dividends paid	**(3,944,958)**	(1,794,772)	**(3,944,958)**	(1,794,772)
Dividends paid to non-controlling interests	**(42,520)**	(3,332)	**–**	–
Net cash generated from financing activities	**5,752,836**	5,156,360	**5,142,974**	3,276,733
Net (decrease)/increase in cash and cash equivalents	**(8,208,561)**	8,802,524	**(10,887,703)**	8,094,115
Cash and cash equivalents at 1 January 2012/1 July 2011*	**50,388,584**	42,220,342	**36,522,118**	28,937,788
Cash and cash equivalents at 31 December	**42,180,023**	51,022,866	**25,634,415**	37,031,903
Cash and short-term funds (Note 5)	**40,018,633**	49,387,882	**23,153,242**	35,966,579
Deposits with financial institutions maturing within one month (Note 48(e)(2))	**2,161,390**	1,634,984	**2,481,173**	1,065,324
	42,180,023	51,022,866	**25,634,415**	37,031,903
* Cash and cash equivalents at 1 January 2012/1 July 2011:				
- As previously reported	**51,022,866**	41,821,415	**37,031,903**	28,479,800
- Effects of foreign exchange rate changes	**(634,282)**	398,927	**(509,785)**	457,988
	50,388,584	42,220,342	**36,522,118**	28,937,788

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2012

1. CORPORATE INFORMATION

Malayan Banking Berhad ("Maybank" or the "Bank") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur.

The Bank is principally engaged in all aspects of commercial banking and related financial services.

The subsidiaries are principally engaged in the businesses of banking and finance, Islamic banking, investment banking including stock broking, underwriting of general and life insurance, general and family takaful, trustee and nominee services, asset management and venture capital. Further details of the subsidiaries are described in Note 58.

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

The financial year end of the Bank and its subsidiaries ("Maybank Group" or the "Group") was changed from 30 June to 31 December in the previous financial period. Accordingly, the comparative financial statements of the Group and 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 comparable for the income statements, statements of comprehensive income, statements of changes in equity, statements of 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 21 February 2013.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

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

For all periods up to and including six-month period ended 31 December 2011, the Group and the Bank prepared their financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines. These financial statements for the year ended 31 December 2012 are the first the Group and the Bank have prepared in accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia. The effects of the first-time adoption of MFRS Framework are disclosed in Note 2.4.

The financial statements of the Group and of the Bank have been prepared under the historical cost basis unless otherwise indicated in the summary of significant accounting policies as disclosed in Note 2.3.

The Group's financial statements also include Islamic banking and insurance business. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under the Shariah principles. Insurance business are the underwriting of general and life insurance business, the management of general and family takaful business and investment-linked business.

The Group and the Bank present the statements of financial position in order of liquidity.

2. ACCOUNTING POLICIES (CONT'D.)

2.1 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (CONT'D.)

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated income statements unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group and the Bank.

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000), unless otherwise stated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2012.

The financial statements of the Bank's subsidiaries are prepared for the same reporting date as the Bank, using consistent accounting policies to like transactions and events in similar circumstances.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Bank obtains control and continue to be consolidated until the date that such control effectively ceases. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group balances, income and expenses and unrealised gain and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not owned, directly or indirectly by the Bank. NCI are presented separately in the consolidated income statements and statements of comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Total comprehensive income is allocated against the interest of NCI, even if this results in a deficit balance. Acquisition of NCI are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for from the date when control is lost.

The accounting policies for business combination and goodwill are disclosed in Note 2.3(iii).

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Investment in subsidiaries

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

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(xvi) below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in profit or loss.

(ii) Interest in associates

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

In the Bank's separate financial statements, interest in associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(xvi) below. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

Interest in associates are accounted for in the consolidated financial statements of the Group using the equity method. The associate is equity accounted for from the date the Group gains significant influence until the date the Group ceases to have significant influence over the associate.

Interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interest that, in substance, form part of the Group's and the Bank's net investment in the associate.

In applying the equity method, the interest in associate is carried at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Details of goodwill included in carrying amount of interest in associates are disclosed in Note 18(d).

The consolidated income statement reflects the Group's share of the results of operations of the associates. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes and disclose this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The Group's share of profit or loss of an associate is shown on the face of the consolidated income statement and represents profit or loss after taxation and non-controlling interests in the subsidiaries of the associate.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(ii) Interest in associates (cont'd.)

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

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the interest in the associates are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

(iii) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139") is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(iii) Business combination and goodwill (cont'd.)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with the Group's operating segment as disclosed in Note 2.3(xxxi) and Note 54.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(iv) Intangible assets

Intangible assets include core deposit, customer relationship and agency force acquired in business combination, computer software and software-in-development.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, except for software-in-development which are not subject to amortisation.

The useful lives of intangible assets are assessed as either finite or infinite. Intangible assets with finite lives are amortised over the useful economic life. Intangibles with finite lives or not yet available for use and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statements in the expense category consistent with the function of the intangible asset.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(iv) Intangible assets (cont'd.)

Intangible assets are amortised over their estimated finite useful lives as follows:

Computer software	3 — 10 years
Core deposit	8 years
Customer relationship	3 — 11 years
Agency force	9 years

(v) Financial assets

(a) Date of recognition

All financial assets are initially recognised on the trade date, i.e. the date that the Group and the Bank become a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(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, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. The Group and 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 measured initially at their fair value plus directly attributable transaction costs, except in the case of financial investments recorded at fair value through profit or loss.

Included in financial assets are the following:

(1) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held-for-trading ("HFT") and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term.

For financial assets designated at FVTPL, upon initial recognition the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

- the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Included in financial assets held-for-trading are debt securities, equities and short positions that have been acquired principally for the purpose of selling or repurchasing in the near term.

Included in financial assets designated at FVTPL are debt securities and structured deposits of which are managed on a fair value basis under insurance life fund and family fund.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(v) Financial assets (cont'd.)

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

(1) Financial assets at fair value through profit or loss ("FVTPL") (cont'd.)

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss under the caption of non-interest income.

(2) Loans and receivables

Loans 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, reverse repurchase agreements, loans, advances and financing and other receivables. These financial assets are initially recognised at fair value, including direct and incremental transaction costs and subsequently measured at amortised cost using the effective interest method.

(3) Financial investments held-to-maturity ("HTM")

Financial investments HTM are non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Group and the Bank have the intention and ability to hold to maturity.

Subsequent to initial recognition, financial investments HTM are measured at amortised cost using effective interest 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 interest rate. The amortisation, losses arising from impairment and gain or loss arising from derecognition of such investments are recognised in the income statements.

If the Group and the Bank were to sell or reclassify more than an insignificant amount of financial investments HTM before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as financial investments available-for-sale. Furthermore, the Group and the Bank would be prohibited from classifying any financial investments as held-to-maturity over the following two years.

(4) Financial investments available-for-sale ("AFS")

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

Financial investments AFS include equity and debt securities. Debt securities in this category 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 conditions.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(v) Financial assets (cont'd.)

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

(4) Financial investments available-for-sale ("AFS") (cont'd.)

After initial recognition, financial investments AFS are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the 'unrealised holding reserve/(deficit)', except for impairment losses, foreign exchange gains or losses on monetary financial assets and interest income calculated using the effective interest method are recognised in the income statements. Dividends on financial investments AFS are recognised in the income statements when the Group's and the Bank's right to receive payment is established. When the Group and the Bank derecognise financial investments AFS, the cumulative gain or loss previously recognised in equity is recognised in the income statements in 'non-interest income'.

(c) Derecognition

A financial asset is derecognised when:

(1) The rights to receive cash flows from the financial asset have expired;

(2) The Group and the Bank have transferred its rights to receive cash flows from the financial 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:

(i) the Group and the Bank have transferred substantially all the risks and rewards of the financial asset, or

(ii) the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the financial asset, but have transferred control of the financial asset.

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

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(v) Financial assets (cont'd.)

(d) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset, including security or group of securities (other than financial assets at FVTPL) 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 experiencing significant financial difficulty, the probability that they will enter bankruptcy or other reorganisation, default or delinquency in interest or principal payments or where observable data indicates that there is a measureable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

(1) Loans and receivables

(i) Loans, advances and financing

Classification of loans, advances and financing as impaired

Loans, advances and financing are classified as impaired when:

- principal or interest/profit or both are past due for three (3) months or more; or
- where loans, advances and 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 loans, advances and financing has been rescheduled or restructured, the loans, advances and 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.

Impairment process – individual assessment

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

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

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(v) Financial assets (cont'd.)

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

(1) Loans and receivables (cont'd.)

(i) Loans, advances and financing (cont'd.)

Impairment process – collective assessment

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

Future cash flows in a group of loans, advances and financing that are collectively evaluated for impairment are estimated based on the historical loss experience of the Group and of 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 Group and the Bank to reduce any differences between loss estimates and actual loss experience.

Impairment process – written off accounts

Where a loan, advance and financing is uncollectible, it is written off against the related allowance for loan impairment. Such loans, advances and financing 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 statements.

(ii) Other receivables

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Bank consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(v) Financial assets (cont'd.)

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

(1) Loans and receivables (cont'd.)

(ii) Other receivables (cont'd.)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(2) Financial investments available-for-sale ("AFS")

For financial investments AFS, the Group and 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 financial investments AFS, the Group and the Bank assess individually whether there is objective evidence of impairment based on the same criteria as financial investments HTM. 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 statements. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income is recorded as part of interest and similar income. If in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statements, the impairment loss is reversed through the income statements.

In the case of equity investments classified as financial assets AFS, the objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group and the Bank treat "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 statements — is removed from equity and recognised in the income statements. Impairment losses on equity investments are not reversed through the income statements; increases in the fair value after impairment are recognised in other comprehensive income.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(v) Financial assets (cont'd.)

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

(3) Financial investments held-to-maturity ("HTM")

For financial investments HTM, the Group and the Bank assess at each reporting date whether there is objective evidence that an investment is impaired. If there are objective evidence of impairment on financial investments HTM, impairment loss is measured as the difference between the financial investments HTM carrying amount and the present value of the estimated future cash flows discounted at the financial investments HTM original effective interest rate. The carrying amount of the financial investments HTM is reduced through the use of an allowance account and the amount of the loss is recognised in the income statements.

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

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 statements and such impairment losses are not reversed subsequent to its recognition.

(e) Reclassification of financial assets

The Group and the Bank may choose to reclassify non-derivative assets out of the financial assets at FVTPL 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 Group and the Bank may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the financial assets at FVTPL or financial investments AFS if the Group and the Bank have 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.

For a financial asset reclassified out of the financial investments AFS, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the effective interest method. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the income statements.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group and the Bank do not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(v) Financial assets (cont'd.)

(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 prices and broker quotes of listed equity securities 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 the reporting date. The Group and 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.

(vi) Financial liabilities

(a) Date of recognition

All financial liabilities are initially recognised on the trade date i.e. the date that the Group and the Bank become a party to the contractual provision of the instruments. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(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. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(1) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities HFT and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities HFT include derivatives entered into by the Group and the Bank that do not meet the hedge accounting criteria.

The Group and the Bank have not designated any financial liabilities as at FVTPL.

(2) Other financial liabilities

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

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(vi) Financial liabilities (cont'd.)

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

(2) Other financial liabilities (cont'd.)

(i) Deposits from customers and deposits and placements from financial institutions

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

(ii) 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 Group's debt securities issued consist mainly of subordinated notes, Innovative Tier I capital securities and borrowings.

These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or interest or both to holders of the debt securities and that the Group and the Bank are 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 statements over the period of the borrowings on an effective interest method.

(iii) Payables

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

(iv) Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

(v) 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 expired. 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. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(vii) Derivative instruments and hedge accounting

(a) Derivative instruments

The Group and the Bank trade derivatives such as interest rate swaps and futures, credit default swaps, commodity swaps, forward foreign exchange contracts and options on interest rates, foreign currencies, equities and commodities.

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 statements.

(b) Hedge accounting

The Group and the Bank use derivative instruments to manage exposures to interest rate, foreign currency and credit risks. In order to manage particular risks, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

At the inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting.

Hedge ineffectiveness is recognised in the income statements. For situations where the hedged item is a forecast transaction, the Group and the Bank also assess whether the transaction is highly probable and present an exposure to variations in cash flows that could ultimately affect the income statements.

(1) Fair value hedge

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the income statements. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statements of financial position and is also recognised in the income statements.

If the hedging instrument expires or is 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 interest rate. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statements.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(vii) 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 non-interest income in the income statements.

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

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 statements.

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 statements.

The Group and the Bank did not apply cash flow hedge as at the financial year end.

(3) Hedge of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statements.

On disposal of the foreign operations, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to the income statements.

The Group and the Bank did not apply hedge of net investments in foreign operations as at the financial year end.

(viii) 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 statements.

(ix) Other financial assets and financial liabilities: Repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at future dates. The commitments to resell the securities are reflected as assets on the statements of financial position.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(ix) Other financial assets and financial liabilities: Repurchase agreements (cont'd.)

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and corresponding obligations to purchase the securities are reflected as liabilities on the statements of financial position.

(x) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use.

Leasehold land is depreciated over the period of the respective leases which ranges from 35 to 999 years. The remaining period of respective leases ranges from 5 to 905 years.

Depreciation of other property, plant and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

Buildings on freehold land	50 years
Buildings on leasehold land	50 years or remaining life of the lease, whichever is shorter
Office furniture, fittings, equipment and renovations	10% - 25%
Computers and peripherals	14% - 25%
Electrical and security equipment	8% - 25%
Motor vehicles	20% - 25%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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

(xi) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflect market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xi) Investment properties (cont'd.)

Gains or losses arising from changes in the fair values of investment properties are recognised in the profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.3(x) up to the date of change in use. Any difference arising at the date of change in use between the carrying amount of the property immediately prior to the change in use and its fair value is recognised directly in equity as revaluation reserve. When a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Investment property under construction (IPUC) is measured at fair value (when the fair value is reliably determinable).

IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

The fair values of IPUC were determined at the end of the reporting period based on the opinion of a qualified independent valuer and valuations were performed using either the residual method approach or discounted cash flow approach, as deemed appropriate by the valuer. Each IPUC is individually assessed.

The estimated value of future assets is based on the expected future income from the project, using risk adjusted yields that are higher than the current yields of similar completed property. The remaining expected costs of completion plus margin are deducted from the estimated future assets value.

(xii) 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.

Included in other assets are physical gold held by the Bank as a result of its broker-dealer activities. These are accounted for at fair value less costs to sell. Changes in fair value less costs to sell are recorded in non-interest income.

(xiii) Development properties for sale

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business.

Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete the development and selling expenses.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xiii) Development properties for sale (cont'd.)

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding development properties are also capitalised, on a specific identification basis, as part of the cost of the development properties until the completion of the development.

Revenue from the sale of development properties is recognised on the transfer of risk and rewards of ownership.

The Group uses the completion of contract method to recognise revenue from the sale of development properties.

(xiv) Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

(xv) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents include of cash and short-term funds and deposits and placements with financial institutions, with remaining maturity of less than one month.

(xvi) 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 there is such indication or when annual impairment testing for an asset is required, the Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit ("CGU")'s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Bank estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statements.

(xvii) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Bank have a present obligation (legal or constructive) 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.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xviii) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letter of credit, guarantees and acceptances.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when its due in accordance with the contractual terms.

Financial guarantees are initially recognised at their fair value, which is the premium received on issuance. The received premium is subsequently amortised over the life of the financial guarantee. The guarantee liability (the notional amount) is subsequently recognised at the higher of this amortised amount and the present value of any expected payments (when a payment under guarantee has become probable). The unamortised premium received on these financial guarantees is included within other liabilities.

(xix) Profit Equalisation Reserve ("PER")

PER is the amount appropriated out of the total gross income in order to maintain a certain level of return to depositors in conformity with BNM "The Framework of the Rate of Return" (BNM/GP2-i) issued by BNM. PER is appropriated from and written back to the total gross income in deriving the net distributable gross income. This amount appropriated is shared by the depositors and the Group. The PER is deducted at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. PER is maintained up to the maximum of 30% of total capital fund.

With the issuance of BNM Revised Guidelines for PER in May 2011, the PER is accounted for as follows:

(a) The creation of PER establishes an obligation to manage distribution to the Investment Account Holders ("IAH") from a Shariah perspective. The PER of the IAH is classified as a liability and recognised at cost. The subsequent apportionments of profit to the IAH are recognised in the income statements. The eventual distribution of PER as profit distributable to IAH will be treated as an outflow of funds due to the settlement of obligation to the IAH; and

(b) The PER of the Islamic Banking Institution ("IBI") is allocated from retained profits and classified as a separate reserve in equity and is non-distributable. Subsequent apportionments from and distributions to retained profits are treated as transfer between reserves.

(xx) Foreign currencies

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries 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 retranslated at the spot rate of exchange ruling at the reporting date.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xx) Foreign currencies (cont'd.)

(b) Foreign currency transactions and balances (cont'd.)

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statements except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statements for the year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity.

(c) Foreign operations

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

- Assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken directly to other comprehensive income through the foreign currency translation reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to the income statement (as a reclassification adjustment) when the gain or loss on disposal is recognised.

On the partial disposal of a subsidiary that includes a foreign operation, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to the income statement only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.

Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent entity and are recorded in RM at the rates prevailing at the date of acquisition.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxi) Income tax and zakat

(a) Income tax

Income tax in the profit or loss 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.

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

(b) Zakat

This represent business zakat payable by the Group in compliance with Shariah principles and as approved by the Group's Shariah Committee.

(xxii) Leases

(a) Classification

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased item to the Group. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxii) Leases (cont'd.)

(b) Finance lease – the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Bank's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statements over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.3(x).

(c) Operating lease – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(d) Operating lease – the Group as lessor

Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(xxiii) Insurance

(a) Life funds

The life funds consist of long-term liabilities to policy holders, determined by an annual actuarial valuation, as well as accumulated surplus. Surplus is transferred to the shareholders and recognised in the income statement as determined by the Appointed Actuary as defined by Insurance Act, 1996 in Malaysia.

(b) Takaful funds

The Group's takaful funds operate under the Mudharabah and Wakalah models and are maintained in accordance with the requirements of the Takaful Act, 1984 and comply with the principles of Shariah.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxiii) Insurance (cont'd.)

(c) Premium/contribution liabilities, unearned premium/contribution reserves and unexpired risk reserves

(1) Premium/contribution liabilities

Premium/contribution liabilities represent the future obligations on insurance/takaful contracts as represented by premium/contribution received for risks that have not yet expired. The movement in premium/contribution liabilities is released over the term of the insurance/takaful contracts and is recognised as premium/contribution income.

Premium liabilities for general insurance are reported at the higher of the aggregate of the unearned premium reserves for all lines of business or the best estimate value of the reinsurer's unexpired risk reserves ("URR") at the end of the financial year and a provision of risk margin for adverse deviation ("PRAD") calculated at the overall fund level. The URR is set at above 75% level of sufficiency.

Contribution liabilities for takaful business are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") for all line of businesses or the total general takaful fund's unexpired risk reserves at above 75% Confidence Level at the end of the financial year.

(2) Unearned premium reserves ("UPR") and unearned contribution reserves ("UCR")

UPR/UCR represents the portion of net premiums/contribution income of insurance policies/takaful certificates written that relate to the unexpired periods of policies/certificates at the end of the financial year. In determining the UPR/UCR at the reporting date, the method that most accurately reflects the actual unearned premium/contribution is used as follows:

- 25% method for marine cargo, aviation cargo and transit business;
- 1/24th method for all other classes of Malaysian policies of general insurance business and 1/365th method for all other classes of general takaful business, reduced by the corresponding percentage of accounted gross direct business commissions to the corresponding premiums/contributions, not exceeding limits specified by BNM;
- 1/8th method for all classes of overseas business with a deduction of 20% for commissions;
- Earned upon maturity method for bond business written by the general takaful funds; and
- Non-annual policies are time-apportioned over the period of the risks after deducting the commission, that relate to the unexpired periods of policies at the end of the financial year.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxiii) Insurance (cont'd.)

(c) Premium/contribution liabilities, unearned premium/contribution reserves and unexpired risk reserves (cont'd.)

(3) Unexpired risk reserves ("URR")

The URR is the prospective estimate of the expected future payments arising from future events insured under policies/certificates in force as at the reporting date and also includes allowance for expenses, including overheads and cost of reinsurance/retakaful, expected to be incurred during the unexpired period in administering these policies/certificates and settling the relevant claims and expected future premium/contribution refunds. URR is estimated via an actuarial valuation performed by a qualified actuary.

(d) Family takaful fund

The family takaful fund consists of the amounts attributable to participants as determined by the annual actuarial valuation, the accumulated surplus attributable to participants and AFS reserves pertaining to investments of the family takaful fund. Any deficit in the family takaful fund will be made good by the shareholder's funds via a benevolent loan or Qardhul Hassan. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the takaful subsidiary.

(e) General takaful fund

The general takaful fund consists of unearned contribution reserves, the accumulated surplus attributable to participants and AFS reserves pertaining to investments of the general takaful fund. Any deficit in the general takaful fund will be made good by the shareholder's funds via a benevolent loan or Qardhul Hassan. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the takaful subsidiary.

(f) Claim liabilities and life insurance/family takaful contract liabilities

For general insurance and general takaful businesses, a liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. Claim liabilities are estimated costs of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and other recoveries. Claim liabilities comprise of provisions for claims reported, liabilities for claims incurred but not reported ("IBNR") and a provision of risk margin for adverse deviation ("PRAD") calculated at above 75% confidence level for insurer and takaful operator at the overall fund level. The claim liabilities are determined based upon the analysis performed by a qualified actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. The liability is not discounted for the time value of money.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxiii) Insurance (cont'd.)

(f) Claim liabilities and life insurance/family takaful contract liabilities (cont'd.)

All life insurance/family takaful liabilities are valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the policies/certificates discounted at the appropriate risk discount rate. This method is known as the gross premium/contribution valuation method which is also in accordance with BNM Risk-Based Capital ("RBC") Framework.

Family takaful certificates liabilities are recognised when certificates are in-forced and contributions are charged. The family takaful certificate liabilities are derecognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised family takaful contract liabilities are adequate by using an existing liability adequacy test.

(xxiv) Recognition of interest, financing and profit income and expense

Interest income and expense for all financial instruments measured at amortised cost and interest/profit-bearing financial assets classified as financial investments available-for-sale, financial investments held-for-trading and financial investments designated at fair value through profit or loss are recognised within 'interest income' and 'interest expense' in the income statements using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest 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 interest rate, the Group and the Bank take into account all contractual terms of the financial instrument and include any fees or incremental costs that are directly attributable to the instrument, which are an integral part of the effective interest rate, but does not consider future credit losses.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Income and expense from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

(xxv) Recognition of fee and other income

(a) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(1) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxv) Recognition of fee and other income (cont'd.)

(a) Fee and commission income (cont'd.)

(1) Fee income earned from services that are provided over a certain period of time (cont'd.)

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

(2) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfiling the corresponding criteria.

(b) Dividend income

Revenue is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(c) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held-for-trading. This includes any ineffectiveness recorded in hedging transactions.

(d) Insurance business income

Premium/contribution from general insurance/general takaful businesses are recognised as income in a financial year in respect of risks assumed during that particular financial year upon the issuance of debit notes. Premium/contribution in respect of risk incepted for which debit notes have not been issued as of the reporting date are accrued at that date. Inward treaty reinsurance premium/retakaful contributions are recognised on the basis of periodic advices received from ceding insurers/takaful operators. Inward facultative reinsurance premium/retakaful contributions are recognised in the financial year in respect of the facultative risks accepted during that particular financial year, as in the case of direct policies, following the individual risks' inception dates.

Premium/contribution from life insurance/family takaful businesses are recognised as soon as the amount of the premium/contribution can be reliably measured. Initial premium/contribution is recognised from inception date and subsequent premiums/contributions are recognised on due dates. At the end of the financial year, all due premiums/contributions are accounted for to the extent that they can be reliably measured.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxv) Recognition of fee and other income (cont'd.)

(d) Insurance business income (cont'd.)

Outward reinsurance premium/retakaful contributions are recognised in the same financial year as the original policies/ certificates to which the reinsurance/ retakaful relates.

(e) Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the sale. Income generated from customer loyalty programmes is recognised in 'other operating income'.

(xxvi) 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 Group and the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Certain foreign branches of the Bank and subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement when incurred.

(c) Share-based compensation

(1) ESOS

The ESOS is an equity-settled share-based compensation plan that allows the Group's directors and employees to acquire shares of the Bank. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity 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 Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statements and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. The share option reserve is transferred to retained earnings upon expiry of the share option.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxvi) Employee benefits (cont'd.)

(c) Share-based compensation (cont'd.)

(2) Restricted share units ("RSU")

Senior management personnel of the Group 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 Maybank 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 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.

At each reporting date, the Group revises its estimates of the number of RSU that are expected to be awarded on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statements and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve.

(3) Cash-settled Performance-based Scheme ("CESS")

CESS comprising of Cash-settled Performance-based Option Scheme ("CESOS") and Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") in place of ESOS and RSU is made available to the eligible employees of overseas branches and subsidiaries of the Bank, subject to achievement of performance criteria set out by the Board and prevailing market practices in the respective countries.

The cost of CESS is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 31(f). This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the income statements in 'personnel expenses'.

(d) Defined benefit pension plan

The Group operates a define benefit pension plan. The cost of providing benefits under the defined contribution pension plan is determined separately using the projected unit credit actuarial valuation method.

Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan asset at that date. These gains or losses are recognised over the expected average remaining service years of the qualified employees.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxvi) Employee benefits (cont'd.)

(d) Defined benefit pension plan (cont'd.)

Past service costs are recognised immediately as expense, except for non-vested past service costs which are amortised and recognised as expense over the vesting period.

(xxvii) Non-current assets held-for-sale and discontinued operations

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Immediately before classification as held-for-sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held-for-sale, non-current assets (other than the investment properties, deferred tax assets and financial assets) are measured in accordance with MFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations* that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statements.

A component of the Bank is classified as a discontinued operation when the criteria to be classified as held-for-sale have been met or it has been disposed off and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or a subsidiary acquired exclusively with a view to resale.

(xxviii) Share capital and dividends declared

Ordinary shares are classified as equity when there is no contracted obligation to transfer cash on other financial assets. Transaction cost directly attributable to the issuance of new equity shares are taken for equity as a deduction for the proceeds.

Dividends declared on ordinary shares are recognised as a liabillity and deducted from equity in the period in which all relevant approvals have been obtained. Dividends declared to ETF will be eliminated at the Group and the Bank level.

(xxix) 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 Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2. ACCOUNTING POLICIES (CONT'D.)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(xxx) Earnings per share

The Group presents basic and diluted (where applicable) earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period net of treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

(xxxi) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive Committee as its chief operating decision-maker.

All transactions between business segments, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES

The adoption of the MFRS Framework as issued by the Malaysian Accounting Standards Board ("MASB") as at 1 January 2012 by the Group and the Bank requires the Group's and the Bank's financial statements to also be fully compliant with IFRS Framework. These financial statements of the Group and the Bank for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with MFRS and IFRS including the application of MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* ("MFRS").

For periods up to and including the six-month period ended 31 December 2011, the Group and the Bank have prepared these financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia as modified by BNM Guidelines.

Accordingly, the Group and the Bank have prepared financial statements which comply with MFRS applicable for periods ending on or after 31 December 2012, together with the comparative period information as at and for the period ended 31 December 2011, as described in the summary of significant accounting policies.

In preparing these financial statements, the Group's and the Bank's opening statements of financial position were prepared as at 1 July 2011, being the Group's and the Bank's date of transition to MFRS. This note explains the principal adjustments made by the Group and the Bank in restating its statements of financial position as at 1 July 2011 and its previously published financial statements as at and for the six-month period ended 31 December 2011, both of which was prepared in accordance with FRS in Malaysia as modified by BNM Guidelines.

The transition from FRS in Malaysia as modified by BNM Guidelines to MFRS did not have a material impact on the statements of cash flows.

The significant accounting policies as disclosed in Note 2.3 above are consistent with those of the previous six-month period ended 31 December 2011, except for those exemptions elected, the adoption of BNM Guidelines which were revised to conform with MFRS and other changes in accounting policies as further outlined below:

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(i) Optional exemptions applied

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

(a) Designation of previously recognised financial instruments

MFRS 1 allows a first-time adopter to designate financial instruments as at fair value through profit or loss or as available-for-sale at the date of transition to MFRS.

The Group and the Bank have opted for this exemption and designated certain financial instruments which were previously classified as financial investments held-to-maturity to financial investments available-for-sale at 1 July 2011.

The designation of these financial instruments as financial investments available-for-sale at 1 July 2011 has resulted to the Group and the Bank to recognise the related cumulative fair value changes in the unrealised holding reserves within the opening MFRS statements of financial position. Additionally, MFRS requires the Group and the Bank to transfer these fair value changes to profit or loss in the event of subsequent disposal or impairment events.

The financial effects of the adoption of this optional exemption on the Group's and the Bank's financial statements, including the Operations of Islamic Banking Scheme ("IBS") are disclosed in Note 2.4(vii).

(b) Business combinations

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

(1) Application of business combination

The Group and the Bank have elected not to restate business combinations arising from acquisitions of subsidiaries, which are considered businesses under MFRS, or of interest in associates and joint ventures that occurred before 1 July 2011. In applying this exemption:

- The classification of business combinations that occurred before 1 July 2011 is maintained;
- No re-measurement exercise was undertaken in relation to the original fair values as previously determined at the date of acquisition;
- The carrying amounts of assets and liabilties, that are recognised in accordance with FRS in Malaysia as modified by BNM Guidelines, which are required to be recognised under MFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with MFRS. Assets and liabilities that do not qualify for recognition under MFRS are excluded from the opening MFRS statement of financial position. The Group did not recognise any new amount or exclude any previously recognised amounts as a result of MFRS recognition requirements; and
- The carrying amounts of goodwill recognised under FRS in Malaysia as modified by BNM Guidelines was not adjusted.

In accordance with MFRS 1, the Group has tested goodwill for impairment at the date of transition to MFRS. No impairment was deemed necessary at 1 July 2011.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(i) Optional exemptions applied (cont'd.)

(b) Business combinations (cont'd.)

(2) Foreign exchange on fair value adjustments and goodwill

MFRS 1 provides an exemption from having to apply MFRS 121 *The Effects of Changes in Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill arising in business combinations that occurred before the date of transition to MFRS 1.

The Group and the Bank have not applied MFRS 121 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to MFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree.

Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

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

In the separate financial statements, MFRS 1 allows a first-time adopter that subsequently measures its investments in subsidiaries, jointly controlled entities and associates at cost, to measure such investments at cost (as determined in accordance with MFRS 127 *Consolidated and Separate Financial Statements)* or deemed cost (at fair value or carrying amount stated in accordance with FRS in Malaysia as modified by BNM Guidelines) in its separate opening MFRS statement of financial position.

The Bank has elected to measure all of its investments in subsidiaries and associates at deemed cost based on their carrying amounts stated in accordance with FRS in Malaysia as modified by BNM Guidelines in its separate opening MFRS statement of financial position.

(d) Leases

MFRS 1 allows a first-time adopter to determine whether an arrangement existing at the date of transition to MFRS contains a lease on the basis of facts and circumstances existing at that date.

If a first-time adopter made a determination of whether an arrangement contained a lease in accordance with FRS in Malaysia as modified by BNM Guidelines and that outcome of determination is the same as that required by IC Interpretation 4 *Determining Whether an Arrangement contains a Lease* and MFRS 117 *Leases*, the first-time adopter may use such determination when it adopts MFRS even if the date the determination was performed is different from that required by IC Interpretation 4.

The Group and the Bank applied the abovementioned exemption and maintained the conclusions achieved arising from assessments previously made under FRS in Malaysia as modified by BNM Guidelines for existing and applicable information technology outsourcing arrangements.

(e) Share-based payment transactions

A first-time adopter is encouraged, but not required, to apply MFRS 2 *Share-based Payment* to equity instruments that were granted on or before 7 November 2002 and to equity instruments that were granted after 7 November 2002 and vested before 1 July 2011 i.e. the date of transition to MFRS.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(i) Optional exemptions applied (cont'd.)

(e) Share-based payment transactions (cont'd.)

The Group and the Bank have elected not to apply MFRS 2 to equity instruments in share-based payment transactions that were granted on or before 7 November 2002, nor granted after 7 November 2002 that vested before 1 July 2011. For cash-settled share-based payment transactions, the Group and the Bank have elected not to apply MFRS 2 to liabilities that were settled before 1 July 2011.

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

(ii) Mandatory Exemptions

(a) 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 in Malaysia as modified by BNM Guidelines. The estimates used by the Group and the Bank to present these amounts in accordance with MFRS reflect conditions at 1 July 2011, the date transition to MFRS and as of 31 December 2011.

(b) Derecognition of financial assets and financial liabilities

A first-time adopter shall apply the derecognition requirements in MFRS 139 *Financial Instruments: Recognition and Measurement* prospectively for transactions occuring on or after 1 July 2011, the date of transition to MFRS. However, an entity may apply the derecognition requirements in MFRS 139 from a retrospective date of the entity's choosing, only if the specific requirements under MFRS 139 are met.

The Group and the Bank have applied the derecognition requirements in MFRS 139 *Financial Instruments: Recognition and Measurement* prospectively for transactions occuring on or after 1 July 2011.

(c) Hedge accounting

A first-time adopter shall not designate hedging relationships retrospectively to transactions occured before 1 July 2011, the date of transition to MFRS. An entity shall apply hedge accounting prospectively from 1 July 2011 to a hedging relationship that qualifies for hedge accounting under MFRS 139 at that date.

The Group and the Bank have complied with the requirements of the above exception.

(d) Non-controlling interests

Non-controlling interest shall not be retrospectively restated unless the entity elects to apply MFRS 3 *Business Combination* retrospectively to past business combinations.

The Group and the Bank have complied with the requirements of the above exception prospectively from 1 July 2011, the date of transition to MFRS, as the Group and the Bank have elected to apply MFRS 3 prospectively, as disclosed in Note 2.4(i)(b)(1).

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

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

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

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

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

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

(a) Removal of line items namely "Life, general takaful and family takaful fund assets", "Life, general takaful and family takaful fund liabilities" and "Life, general takaful and family takaful policy holders' funds" from the consolidated statement of financial position.

(b) Addition of two new line items, namely "Reinsurance/retakaful assets and other insurance receivables" and "Insurance/takaful contract liabilities and other insurance payables" on the consolidated statement of financial position.

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

The financial effects of the change in the presentation of the life and takaful fund assets and liabilities to the financial statements of the Group are disclosed in Note 2.4(vii).

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

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

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

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

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

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(iv) Revised Financial Reporting Guidelines ("FRG") for Insurers issued by BNM (cont'd.)

The financial effects of the adoption of the above revised BNM Guidelines on the Group's financial statements are disclosed in Note 2.4(vii).

(v) Effects of adoption of MFRS on other areas:

(a) Financing sold to Cagamas

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

Following the adoption of MFRS during the financial year, the balances relating to financing sold to Cagamas have been included in total loans, advances and financing in the consolidated statement of financial position in accordance with MFRS 139. The Group has an obligation to replace those financing sold which are regarded as defective based on pre-determined and agreed-upon prudential criteria, and thus retains credit risk of the financing. Accordingly, the balances relating to the financing sold are not derecognised, and the proceeds received from Cagamas are recorded as a financial liability in the consolidated statement of financial position as recourse obligation on financing sold to Cagamas. This change in accounting policy has been applied retrospectively as part of the effects of the MFRS adoption. The financial effects of the adoption of MFRS on the Group's financial statements including the operations of IBS are disclosed in Note 2.4(vii).

(b) Related party disclosures for government-related entities

In prior years, balances and transactions with government-related entities were not required to be disclosed in the notes to financial statements. This is an exemption provided in FRS 124 *Related Party Disclosures* under the FRS framework.

Following the adoption of MFRS during the financial year, the balances and normal with government-related entities have been disclosed in the notes to financial statements in accordance with MFRS 124. This disclosure requirement has been applied retrospectively as part of the effects of the MFRS adoption and it is disclosed in Note 44(d). There is no financial effects on the Group's and the Bank's financial statements upon the adoption of MFRS 124.

(vi) Changes in accounting policies and reclassification of comparative to conform with current year presentation

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

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

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vi) Changes in accounting policies and reclassification of comparative to conform with current year presentation (cont'd.)

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

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

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

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

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

The financial effects of the adoption of FRSIC Consensus 18 to the Group's financial statements are disclosed in Note 2.4(vii).

(b) Reclassification of "Software development-in-progress" from property, plant and equipment to intangible assets.

Software development-in-progress of the Group and the Bank were previously presented in property, plant and equipment until its development has been completed where the total cost will be transferred to intangible assets. However, for the current year presentation, the Group's and the Bank's software development-in-progress have been reclassified to intangible assets in Note 20 to have all related software costs under a single note to the financial statements.

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives

(a) The following are reconciliations of statements of financial position of (i) the Group, (ii) the Bank and (iii) the operations of Islamic Banking Scheme ("IBS") as at 1 July 2011 and as at 31 December 2011:

(i)

Group	FRS as at 1 July 2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(iii) RM'000	Note 2.4(iv) RM'000	Note 2.4(v)(a) RM'000	Effects after adoption of MFRS RM'000	Note 2.4(vi)(a) RM'000	Note 2.4(vi)(b) RM'000	MFRS as at 1 July 2011 RM'000
ASSETS									
Cash and short-term funds	38,803,519	–	1,715,064	–	–	40,518,583	(1,036,712)	–	39,481,871
Deposits and placements with financial institutions	10,291,513	–	692,622	–	–	10,984,135	(560,884)	–	10,423,251
Financial assets purchased under resale agreements	–	–	–	–	–	–	–	–	–
Financial assets at fair value through profit or loss	4,141,978	–	8,523,846	–	–	12,665,824	–	–	12,665,824
Financial investments available-for-sale	47,258,558	7,482,127	7,027,227	–	–	61,767,912	–	–	61,767,912
Financial investments held-to-maturity	9,638,714	(7,201,273)	–	–	–	2,437,441	–	–	2,437,441
Loans, advances and financing	253,976,426	–	358,588	–	682,679	255,017,693	–	–	255,017,693
Derivative assets	1,652,182	–	41,782	–	–	1,693,964	–	–	1,693,964
Reinsurance/retakaful assets and other insurance receivables	–	–	2,107,340	–	–	2,107,340	–	–	2,107,340
Other assets	6,735,522	–	(1,836,868)	–	–	4,898,654	–	–	4,898,654
Investment properties	45,051	–	480,470	–	–	525,521	–	–	525,521
Statutory deposits with central banks	7,698,425	–	–	–	–	7,698,425	–	–	7,698,425
Interest in associates	2,439,654	–	–	–	–	2,439,654	–	–	2,439,654
Property, plant and equipment	2,168,986	–	83,320	–	–	2,252,306	–	(127,089)	2,125,217
Intangible assets	6,509,048	–	1,817	–	–	6,510,865	–	127,089	6,637,954
Deferred tax assets	1,402,705	(70,214)	1,205	–	–	1,333,696	–	–	1,333,696
Life, general takaful and family takaful fund assets	19,196,413	–	(19,196,413)	–	–	–	–	–	–
TOTAL ASSETS	411,958,694	210,640	–	–	682,679	412,852,013	(1,597,596)	–	411,254,417

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(a) The following are reconciliations of statements of financial position of (i) the Group, (ii) the Bank and (iii) the operations of Islamic Banking Scheme ("IBS") as at 1 July 2011 and as at 31 December 2011 (cont'd.):

(i)

Group (cont'd.)	FRS as at 1 July 2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(iii) RM'000	Note 2.4(iv) RM'000	Note 2.4(v)(a) RM'000	Effects after adoption of MFRS RM'000	Note 2.4(vi)(a) RM'000	Note 2.4(vi)(b) RM'000	MFRS as at 1 July 2011 RM'000
LIABILITIES									
Deposits from customers	281,976,379	–	–	–	–	281,976,379	820,755	–	282,797,134
Deposits and placements from financial institutions	33,303,655	–	–	–	–	33,303,655	–	–	33,303,655
Obligations on financial assets sold under repurchase agreements	373,562	–	–	–	–	373,562	–	–	373,562
Bills and acceptances payable	8,513,401	–	–	–	–	8,513,401	–	–	8,513,401
Derivative liabilities	1,533,935	–	–	–	–	1,533,935	–	–	1,533,935
Insurance/takaful contract liabilities and other insurance payables	–	–	20,707,493	(1,393,953)	–	19,313,540	–	–	19,313,540
Other liabilities	11,311,854	–	(1,627,142)	–	–	9,684,712	(2,418,351)	–	7,266,361
Recourse obligation on loans and financing sold to Cagamas	528,285	–	–	–	682,679	1,210,964	–	–	1,210,964
Provision for taxation and zakat	134,620	–	48,139	–	–	182,759	–	–	182,759
Deferred tax liabilities	247,892	–	67,923	342,767	–	658,582	–	–	658,582
Borrowings	5,447,120	–	–	–	–	5,447,120	–	–	5,447,120
Subordinated obligations	10,800,539	–	–	–	–	10,800,539	–	–	10,800,539
Capital securities	6,120,774	–	–	–	–	6,120,774	–	–	6,120,774
Life, general takaful and family takaful fund liabilities	5,408,600	–	(5,408,600)	–	–	–	–	–	–
Life, general takaful and family takaful policy holders' funds	13,787,813	–	(13,787,813)	–	–	–	–	–	–
TOTAL LIABILITIES	379,488,429	–	–	(1,051,186)	682,679	379,119,922	(1,597,596)	–	377,522,326

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(a) The following are reconciliations of statements of financial position of (i) the Group, (ii) the Bank and (iii) the operations of Islamic Banking Scheme ("IBS") as at 1 July 2011 and as at 31 December 2011 (cont'd.):

(i)

Group (cont'd.)	FRS as at 1 July 2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(iii) RM'000	Note 2.4(iv) RM'000	Note 2.4(v)(a) RM'000	Effects after adoption of MFRS RM'000	Note 2.4(vi)(a) RM'000	Note 2.4(vi)(b) RM'000	MFRS as at 1 July 2011 RM'000
Equity attributable to equity holders of the Bank									
Share capital	7,478,206	–	–	–	–	7,478,206	–	–	7,478,206
Share premium	8,583,711	–	–	–	–	8,583,711	–	–	8,583,711
Retained profits	9,491,265	–	–	676,463	–	10,167,728	–	–	10,167,728
Other reserves	5,908,317	207,875	–	49,381	–	6,165,573	–	–	6,165,573
	31,461,499	207,875	–	725,844	–	32,395,218	–	–	32,395,218
Non-controlling interests	1,008,766	2,765	–	325,342	–	1,336,873	–	–	1,336,873
	32,470,265	210,640	–	1,051,186	–	33,732,091	–	–	33,732,091
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	411,958,694	210,640	–	–	682,679	412,852,013	(1,597,596)	–	411,254,417

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(a) The following are reconciliations of statements of financial position of (i) the Group, (ii) the Bank and (iii) the operations of Islamic Banking Scheme ("IBS") as at 1 July 2011 and as at 31 December 2011 (cont'd.):

(i)

Group (cont'd.)	FRS as at 31 December 2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(iii) RM'000	Note 2.4(iv) RM'000	Note 2.4(v)(a) RM'000	Effects after adoption of MFRS RM'000	Note 2.4(vi)(a) RM'000	Note 2.4(vi)(b) RM'000	MFRS as at 31 December 2011 RM'000
ASSETS									
Cash and short-term funds	49,089,088	–	1,757,239	–	–	50,846,327	(1,458,445)	–	49,387,882
Deposits and placements with financial institutions	6,452,978	–	743,974	–	–	7,196,952	(35,301)	–	7,161,651
Financial assets purchased under resale agreements	1,397,235	–	–	–	–	1,397,235	–	–	1,397,235
Financial assets at fair value through profit or loss	9,665,997	–	8,727,755	–	–	18,393,752	–	–	18,393,752
Financial investments available-for-sale	48,504,468	7,591,843	7,488,734	–	–	63,585,045	–	–	63,585,045
Financial investments held-to-maturity	9,880,899	(7,191,093)	–	–	–	2,689,806	–	–	2,689,806
Loans, advances and financing	274,430,691	–	322,892	–	1,499,270	276,252,853	–	–	276,252,853
Derivative assets	1,954,476	–	33,026	–	–	1,987,502	–	–	1,987,502
Reinsurance/retakaful assets and other insurance receivables	–	–	2,173,794	–	–	2,173,794	–	–	2,173,794
Other assets	6,661,305	–	(1,911,485)	–	–	4,749,820	–	–	4,749,820
Investment properties	62,007	–	480,470	–	–	542,477	–	–	542,477
Statutory deposits with central banks	10,577,416	–	–	–	–	10,577,416	–	–	10,577,416
Interest in associates	2,406,462	–	–	–	–	2,406,462	–	–	2,406,462
Property, plant and equipment	2,372,534	–	62,745	–	–	2,435,279	–	(217,796)	2,217,483
Intangible assets	6,507,949	–	22,308	–	–	6,530,257	–	217,796	6,748,053
Deferred tax assets	1,421,934	(100,188)	1,860	–	–	1,323,606	–	–	1,323,606
Life, general takaful and family takaful fund assets	19,903,312	–	(19,903,312)	–	–	–	–	–	–
TOTAL ASSETS	451,288,751	300,562	–	–	1,499,270	453,088,583	(1,493,746)	–	451,594,837

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(a) The following are reconciliations of statements of financial position of (i) the Group, (ii) the Bank and (iii) the operations of Islamic Banking Scheme ("IBS") as at 1 July 2011 and as at 31 December 2011 (cont'd.):

(i) Group (cont'd.)	FRS as at 31 December 2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(iii) RM'000	Note 2.4(iv) RM'000	Note 2.4(v)(a) RM'000	Effects after adoption of MFRS RM'000	Note 2.4(vi)(a) RM'000	Note 2.4(vi)(b) RM'000	MFRS as at 31 December 2011 RM'000
LIABILITIES									
Deposits from customers	313,709,780	–	–	–	–	313,709,780	982,465	–	314,692,245
Deposits and placements from financial institutions	36,760,978	–	–	–	–	36,760,978	–	–	36,760,978
Obligations on financial assets sold under repurchase agreements	267,652	–	–	–	–	267,652	–	–	267,652
Bills and acceptances payable	4,472,872	–	–	–	–	4,472,872	–	–	4,472,872
Derivative liabilities	2,162,709	–	–	–	–	2,162,709	–	–	2,162,709
Insurance/takaful contract liabilities and other insurance payables	–	–	21,464,408	(1,373,500)	–	20,090,908	–	–	20,090,908
Other liabilities	10,576,494	–	(1,692,377)	–	–	8,884,117	(2,476,211)	–	6,407,906
Recourse obligation on loans and financing sold to Cagamas	715,603	–	–	–	1,499,270	2,214,873	–	–	2,214,873
Provision for taxation and zakat	320,212	–	62,350	–	–	382,562	–	–	382,562
Deferred tax liabilities	263,605	–	68,931	339,489	–	672,025	–	–	672,025
Borrowings	7,185,230	–	–	–	–	7,185,230	–	–	7,185,230
Subordinated obligations	14,160,553	–	–	–	–	14,160,553	–	–	14,160,553
Capital securities	6,113,761	–	–	–	–	6,113,761	–	–	6,113,761
Life, general takaful and family takaful fund liabilities	2,886,104	–	(2,886,104)	–	–	–	–	–	–
Life, general takaful and family takaful policy holders' funds	17,017,208	–	(17,017,208)	–	–	–	–	–	–
TOTAL LIABILITIES	416,612,761	–	–	(1,034,011)	1,499,270	417,078,020	(1,493,746)	–	415,584,274

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(a) The following are reconciliations of statements of financial position of (i) the Group, (ii) the Bank and (iii) the operations of Islamic Banking Scheme ("IBS") as at 1 July 2011 and as at 31 December 2011 (cont'd.):

(i)

Group (cont'd.)	FRS as at 31 December 2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(iii) RM'000	Note 2.4(iv) RM'000	Note 2.4(v)(a) RM'000	Effects after adoption of MFRS RM'000	Note 2.4(vi)(a) RM'000	Note 2.4(vi)(b) RM'000	MFRS as at 31 December 2011 RM'000
Equity attributable to equity holders of the Bank									
Share capital	7,639,437	–	–	–	–	7,639,437	–	–	7,639,437
Share premium	9,598,847	–	–	–	–	9,598,847	–	–	9,598,847
Retained profits	9,713,321	–	–	680,446	–	10,393,767	–	–	10,393,767
Other reserves	6,493,822	296,832	–	33,538	–	6,824,192	–	–	6,824,192
	33,445,427	296,832	–	713,984	–	34,456,243	–	–	34,456,243
Non-controlling interests	1,230,563	3,730	–	320,027	–	1,554,320	–	–	1,554,320
	34,675,990	300,562	–	1,034,011	–	36,010,563	–	–	36,010,563
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	451,288,751	300,562	–	–	1,499,270	453,088,583	(1,493,746)	–	451,594,837

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(a) The following are reconciliations of statements of financial position of (i) the Group, (ii) the Bank and (iii) the operations of Islamic Banking Scheme ("IBS") as at 1 July 2011 and as at 31 December 2011 (cont'd.):

(ii)

Bank	FRS as at 1 July 2011 RM'000	Note 2.4(i)(a) RM'000	Effects after adoption of MFRS RM'000	Note 2.4(vi)(b) RM'000	MFRS as at 1 July 2011 RM'000	FRS as at 31 December 2011 RM'000	Note 2.4(i)(a) RM'000	Effects after adoption of MFRS RM'000	Note 2.4(vi)(b) RM'000	MFRS as at 31 December 2011 RM'000
ASSETS										
Cash and short-term funds	25,803,796	–	25,803,796	–	25,803,796	35,966,579	–	35,966,579	–	35,966,579
Deposits and placements with financial institutions	7,644,471	–	7,644,471	–	7,644,471	6,246,093	–	6,246,093	–	6,246,093
Financial assets purchased under resale agreements	–	–	–	–	–	1,397,235	–	1,397,235	–	1,397,235
Financial assets at fair value through profit or loss	2,884,895	–	2,884,895	–	2,884,895	7,325,466	–	7,325,466	–	7,325,466
Financial investments available-for-sale	40,262,042	6,838,838	47,100,880	–	47,100,880	39,618,975	6,895,225	46,514,200	–	46,514,200
Financial investments held-to-maturity	8,339,494	(6,701,424)	1,638,070	–	1,638,070	8,804,797	(6,688,864)	2,115,933	–	2,115,933
Loans, advances and financing	181,572,844	–	181,572,844	–	181,572,844	194,174,085	–	194,174,085	–	194,174,085
Derivative assets	1,626,415	–	1,626,415	–	1,626,415	1,949,344	–	1,949,344	–	1,949,344
Other assets	1,420,365	–	1,420,365	–	1,420,365	2,240,433	–	2,240,433	–	2,240,433
Statutory deposits with central banks	4,313,116	–	4,313,116	–	4,313,116	6,095,129	–	6,095,129	–	6,095,129
Investment in subsidiaries	17,070,392	–	17,070,392	–	17,070,392	17,230,202	–	17,230,202	–	17,230,202
Interest in associates	454,412	–	454,412	–	454,412	456,512	–	456,512	–	456,512
Property, plant and equipment	1,170,183	–	1,170,183	(125,249)	1,044,934	1,298,891	–	1,298,891	(215,612)	1,083,279
Intangible assets	177,270	–	177,270	125,249	302,519	173,933	–	173,933	215,612	389,545
Deferred tax assets	920,837	(34,353)	886,484	–	886,484	867,163	(51,590)	815,573	–	815,573
TOTAL ASSETS	293,660,532	103,061	293,763,593	–	293,763,593	323,844,837	154,771	323,999,608	–	323,999,608

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(a) The following are reconciliations of statements of financial position of (i) the Group, (ii) the Bank and (iii) the operations of Islamic Banking Scheme ("IBS") as at 1 July 2011 and as at 31 December 2011 (cont'd.):

(ii)

Bank (cont'd.)	FRS as at 1 July 2011 RM'000	Note 2.4(i)(a) RM'000	Effects after adoption of MFRS RM'000	Note 2.4(vi)(b) RM'000	MFRS as at 1 July 2011 RM'000	FRS as at 31 December 2011 RM'000	Note 2.4(i)(a) RM'000	Effects after adoption of MFRS RM'000	Note 2.4(vi)(b) RM'000	MFRS as at 31 December 2011 RM'000
LIABILITIES										
Deposits from customers	201,465,408	–	201,465,408	–	201,465,408	222,895,293	–	222,895,293	–	222,895,293
Deposits and placements from financial institutions	31,441,675	–	31,441,675	–	31,441,675	35,555,592	–	35,555,592	–	35,555,592
Obligations on financial assets sold under repurchase agreements	373,562	–	373,562	–	373,562	267,652	–	267,652	–	267,652
Bills and acceptances payable	7,115,673	–	7,115,673	–	7,115,673	3,610,141	–	3,610,141	–	3,610,141
Derivative liabilities	1,446,311	–	1,446,311	–	1,446,311	2,072,731	–	2,072,731	–	2,072,731
Other liabilities	4,240,156	–	4,240,156	–	4,240,156	6,351,178	–	6,351,178	–	6,351,178
Recourse obligation on loans and financing sold to Cagamas	528,285	–	528,285	–	528,285	715,603	–	715,603	–	715,603
Borrowings	3,420,499	–	3,420,499	–	3,420,499	4,208,282	–	4,208,282	–	4,208,282
Subordinated obligations	9,509,786	–	9,509,786	–	9,509,786	12,574,919	–	12,574,919	–	12,574,919
Capital securities	6,120,774	–	6,120,774	–	6,120,774	6,113,761	–	6,113,761	–	6,113,761
TOTAL LIABILITIES	265,662,129	–	265,662,129	–	265,662,129	294,365,152	–	294,365,152	–	294,365,152
Equity attributable to equity holders of the Bank										
Share capital	7,478,206	–	7,478,206	–	7,478,206	7,639,437	–	7,639,437	–	7,639,437
Share premium	8,583,711	–	8,583,711	–	8,583,711	9,598,847	–	9,598,847	–	9,598,847
Retained profits	5,140,905	–	5,140,905	–	5,140,905	4,895,012	–	4,895,012	–	4,895,012
Other reserves	6,795,581	103,061	6,898,642	–	6,898,642	7,346,389	154,771	7,501,160	–	7,501,160
	27,998,403	103,061	28,101,464	–	28,101,464	29,479,685	154,771	29,634,456	–	29,634,456
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	293,660,532	103,061	293,763,593	–	293,763,593	323,844,837	154,771	323,999,608	–	323,999,608

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(a) The following are reconciliations of statements of financial position of (i) the Group, (ii) the Bank and (iii) the operations of Islamic Banking Scheme ("IBS") as at 1 July 2011 and as at 31 December 2011 (cont'd.):

(iii)

The operations of IBS (Note 57)	FRS as at 1 July 2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(v)(a) RM'000	MFRS as at 1 July 2011 RM'000	FRS as at 31 December 2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(v)(a) RM'000	MFRS as at 31 December 2011 RM'000
ASSETS								
Cash and short-term funds	9,684,169	–	–	9,684,169	8,971,617	–	–	8,971,617
Deposits and placements with financial institutions	394,136	–	–	394,136	429,910	–	–	429,910
Financial assets at fair value through profit or loss	513,225	–	–	513,225	2,360,877	–	–	2,360,877
Financial investments available-for-sale	6,138,274	122,996	–	6,261,270	6,108,169	124,577	–	6,232,746
Financial investments held-to-maturity	171,893	(121,351)	–	50,542	171,884	(121,460)	–	50,424
Financing and advances	46,244,031	–	682,679	46,926,710	50,926,004	–	1,499,270	52,425,274
Derivative assets	14,646	–	–	14,646	28,198	–	–	28,198
Other assets	4,737,314	–	–	4,737,314	4,492,748	–	–	4,492,748
Statutory deposits with central banks	913,900	–	–	913,900	1,834,800	–	–	1,834,800
Property, plant and equipment	347	–	–	347	2,551	–	–	2,551
Intangible assets	918	–	–	918	3,701	–	–	3,701
Deferred tax assets	161,550	(411)	–	161,139	178,148	(779)	–	177,369
TOTAL ASSETS	68,974,403	1,234	682,679	69,658,316	75,508,607	2,338	1,499,270	77,010,215

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(a) The following are reconciliations of statements of financial position of (i) the Group, (ii) the Bank and (iii) the operations of Islamic Banking Scheme ("IBS") as at 1 July 2011 and as at 31 December 2011 (cont'd.):

(iii)

The operations of IBS (Note 57) (cont'd.)	FRS as at 1 July 2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(v)(a) RM'000	MFRS as at 1 July 2011 RM'000	FRS as at 31 December 2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(v)(a) RM'000	MFRS as at 31 December 2011 RM'000
LIABILITIES								
Deposits from customers	50,890,270	–	–	50,890,270	59,090,400	–	–	59,090,400
Deposits and placements from financial institutions	11,292,077	–	–	11,292,077	9,449,458	–	–	9,449,458
Bills and acceptances payable	1,115,350	–	–	1,115,350	504,237	–	–	504,237
Recourse obligation on financing sold to Cagamas	–	–	682,679	682,679	–	–	1,499,270	1,499,270
Derivative liabilities	53,504	–	–	53,504	96,179	–	–	96,179
Other liabilities	175,494	–	–	175,494	193,515	–	–	193,515
Provision for taxation and zakat	52,931	–	–	52,931	109,256	–	–	109,256
Subordinated sukuk	1,010,637	–	–	1,010,637	1,010,723	–	–	1,010,723
TOTAL LIABILITIES	64,590,263	–	682,679	65,272,942	70,453,768	–	1,499,270	71,953,038
ISLAMIC BANKING FUNDS								
Islamic Banking Funds	459,287	–	–	459,287	943,296	–	–	943,296
Share premium	2,488,400	–	–	2,488,400	2,488,400	–	–	2,488,400
Retained profits	1,271,180	–	–	1,271,180	1,383,544	–	–	1,383,544
Other reserves	165,273	1,234	–	166,507	239,599	2,338	–	241,937
	4,384,140	1,234	–	4,385,374	5,054,839	2,338	–	5,057,177
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	68,974,403	1,234	682,679	69,658,316	75,508,607	2,338	1,499,270	77,010,215

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(b) The following are reconciliations of income statements of (i) the Group, (ii) the Bank and (iii) the operations of IBS for the six-month period ended 31 December 2011:

(i)

	Group			
	Under FRS 1.7.2011 to 31.12.2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(iv) RM'000	Under MFRS 1.7.2011 to 31.12.2011 RM'000
Operating revenue	12,884,511	–	7,691	12,892,202
Interest income	7,004,319	–	–	7,004,319
Interest expense	(2,978,041)	–	–	(2,978,041)
Net interest income	4,026,278	–	–	4,026,278
Income from IBS	1,008,037	–	–	1,008,037
	5,034,315	–	–	5,034,315
Net income from insurance/takaful business	418,828	–	7,691	426,519
	5,453,143	–	7,691	5,460,834
Other operating income	2,374,180	–	–	2,374,180
Net income	7,827,323	–	7,691	7,835,014
Overhead expenses	(3,941,839)	–	–	(3,941,839)
	3,885,484	–	7,691	3,893,175
Allowances for impairment losses on loans, advances and financing, net	(329,080)	–	–	(329,080)
Allowances for impairment losses on financial investments, net	(67,237)	–	–	(67,237)
Operating profit	3,489,167	–	7,691	3,496,858
Share of profits of associates	74,234	–	–	74,234
Profit before taxation and zakat	3,563,401	–	7,691	3,571,092
Taxation and zakat	(887,071)	–	(1,922)	(888,993)
Profit for the period	2,676,330	–	5,769	2,682,099
Attributable to:				
Equity holders of the Bank	2,583,069	–	3,983	2,587,052
Non-controlling interests	93,261	–	1,786	95,047
	2,676,330	–	5,769	2,682,099

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

<u>(ii) Bank and (iii) the operation of IBS</u>

No reconciliation of income statement is required for the Bank and operations of IBS as there are no financial effects arising from the first-time adoption of MFRS and changes in accounting policies.

(c) The following are reconciliations of statements of comprehensive income of (i) the Group, (ii) the Bank and (iii) the operations of IBS for the six-month period ended 31 December 2011:

(i)

	Group			
	Under FRS 1.7.2011 to 31.12.2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(iv) RM'000	Under MFRS 1.7.2011 to 31.12.2011 RM'000
Profit for the period	2,676,330	–	5,769	2,682,099
Other comprehensive income:				
Net (loss)/gain on revaluation of financial investments available-for-sale	(68,851)	119,897	(30,592)	20,454
Income tax relating to components of other comprehensive income	(1,060)	(29,975)	7,648	(23,387)
Foreign currency translation	55,160	–	–	55,160
Changes in other reserves	(220)	–	–	(220)
Other comprehensive income for the period, net of tax	(14,971)	89,922	(22,944)	52,007
Total comprehensive income for the period	2,661,359	89,922	(17,175)	2,734,106

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(c) The following are reconciliations of statements of comprehensive income of (i) the Group, (ii) the Bank and (iii) the operations of IBS for the six-month period ended 31 December 2011 (cont'd.):

(i)

	Group (cont'd.)			
	Under FRS 1.7.2011 to 31.12.2011 RM'000	Note 2.4(i)(a) RM'000	Note 2.4(iv) RM'000	Under MFRS 1.7.2011 to 31.12.2011 RM'000
Other comprehensive income attributable to:				
Equity holders of the Bank	(27,709)	88,957	(15,843)	45,405
Non-controlling interests	12,738	965	(7,101)	6,602
	(14,971)	89,922	(22,944)	52,007
Total comprehensive income for the period attributable to:				
Equity holders of the Bank	2,555,360	88,957	(11,860)	2,632,457
Non-controlling interests	105,999	965	(5,315)	101,649
	2,661,359	89,922	(17,175)	2,734,106

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(c) The following are reconciliations of statements of comprehensive income of (i) the Group, (ii) the Bank and (iii) the operations of IBS for the six-month period ended 31 December 2011 (cont'd.):

(ii)

	Bank		
	Under FRS 1.7.2011 to 31.12.2011 RM'000	Note 2.4(i)(a) RM'000	Under MFRS 1.7.2011 to 31.12.2011 RM'000
Profit for the period	2,065,285	–	2,065,285
Other comprehensive income:			
Net (loss)/gain on revaluation of financial investments available-for-sale	(22,114)	68,947	46,833
Income tax relating to components of other comprehensive income	5,688	(17,237)	(11,549)
Foreign currency translation	(11,489)	–	(11,489)
Other comprehensive income for the period, net of tax	(27,915)	51,710	23,795
Total comprehensive income for the period	2,037,370	51,710	2,089,080
Other comprehensive income attributable to:			
Equity holders of the Bank	(27,915)	51,710	23,795
Total comprehensive income for the period attributable to:			
Equity holders of the Bank	2,037,370	51,710	2,089,080

2. ACCOUNTING POLICIES (CONT'D.)

2.4 FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") AND CHANGES IN ACCOUNTING POLICIES (CONT'D.)

(vii) Financial Effects arising from Adoption of MFRS Framework, Changes in Accounting Policies and Reclassification of Comparatives (cont'd.)

(c) The following are reconciliations of statements of comprehensive income of (i) the Group, (ii) the Bank and (iii) the operations of IBS for the six-month period ended 31 December 2011 (cont'd.):

(iii)

	The Operations of IBS		
	Under FRS 1.7.2011 to 31.12.2011 RM'000	Note 2.4(i)(a) RM'000	Under MFRS 1.7.2011 to 31.12.2011 RM'000
Profit for the period	424,586	–	424,586
Other comprehensive income:			
Net gain on revaluation of financial investments available-for-sale	48,652	1,472	50,124
Income tax relating to components of other comprehensive income	(12,220)	(368)	(12,588)
Foreign currency translation	3,438	–	3,438
Other comprehensive income for the period, net of tax	39,870	1,104	40,974
Total comprehensive income for the period	464,456	1,104	465,560

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgments and estimates are as follows:

3.1 GOING CONCERN

The Group's and the Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 IMPAIRMENT OF FINANCIAL INVESTMENTS PORTFOLIO (NOTES 8, 9, 10 AND 42)

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.2 IMPAIRMENT OF FINANCIAL INVESTMENTS PORTFOLIO (NOTES 8, 9, 10 AND 42) (CONT'D.)

In carrying out the impairment review, the following management's judgment are required:

(i) Determination whether the investment is impaired based on 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; and

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

3.3 FAIR VALUE ESTIMATION OF FINANCIAL ASSETS AT FVTPL (NOTE 8), FINANCIAL INVESTMENTS AFS (NOTE 9) AND DERIVATIVE FINANCIAL INSTRUMENTS (NOTE 12)

The fair value of financial assets and derivatives that are not traded in an active market are determined using appropriate valuation techniques. Valuation techniques include the discounted cash flows method, options pricing models, credit models and other relevant valuation models.

3.4 IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING (NOTES 11 AND 41)

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

Loans, advances and financing that have been assessed individually but for which no impairment is required and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar credit risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects of which are not yet evident. The collective assessment takes account of data from the loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and judgments on the effect of concentrations of risks (such as the performance of different individual groups).

3.5 VALUATION OF INVESTMENT PROPERTIES (NOTE 15)

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

3.6 IMPAIRMENT OF INVESTMENT IN SUBSIDIARIES (NOTE 17) AND INTEREST IN ASSOCIATES (NOTE 18)

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.6 IMPAIRMENT OF INVESTMENT IN SUBSIDIARIES (NOTE 17) AND INTEREST IN ASSOCIATES (NOTE 18) (CONT'D.)

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

(i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and in the economic environment; and

(ii) Depending on their nature and the location in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

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

Sensitivity to changes in assumptions

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

3.7 IMPAIRMENT OF GOODWILL (NOTE 20(a))

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

3.8 AMORTISATION OF OTHER INTANGIBLE ASSETS (NOTE 20(b)-(d))

The Group's and the Bank's intangible assets that can be separated and sold, and have a finite useful life are amortised over their estimated useful life. The determination of the estimated useful life of these intangible assets requires management's judgment which includes analysing the circumstances, the industry and market practice.

3.9 DEFERRED TAX (NOTE 27) AND INCOME TAXES (NOTE 43)

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.9 DEFERRED TAX (NOTE 27) AND INCOME TAXES (NOTE 43) (CONT'D.)

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

3.10 LIABILITIES OF INSURANCE BUSINESS (NOTE 23)

(a) Life insurance and family takaful businesses

There are several sources of uncertainty that need to be considered in the estimation of life insurance and family takaful liabilities.

The main assumptions used relate to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates.

These estimates, adjusted when appropriate to reflect the subsidiary's unique risk exposure, provide the basis for the valuation of future policy benefits payable.

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

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

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

(b) General insurance and general takaful businesses

The principal uncertainty in the general insurance and general takaful business arises from the technical provisions which include the premium/contribution liabilities and claim liabilities. The bases of valuation of the premium/contribution liabilities and claim liabilities are disclosed in Note 2.3(xxiii).

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

3.11 PENSION BENEFITS

The cost of the defined benefit pension plan and other post employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, expected rate of returns on investments, future salary increases, mortality rates, resignation rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.11 PENSION BENEFITS (CONT'D.)

In determining the appropriate discount rate, management considers the interest rates of high quality government bonds in their respective currencies and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about the assumptions used, including a sensitivity analysis, are given in Note 24(a)(iv).

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

Description	Effective for annual periods beginning on or after
MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards — Government Loans (Amendments to MFRS 1)*	1 January 2013
MFRS 3 *Business Combinations (IFRS Business Combinations issued by IASB March 2004)*	1 January 2013
MFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)*	1 January 2013
MFRS 9 *Financial Instruments*	1 January 2015
MFRS 10 *Consolidated Financial Statements*	1 January 2013
MFRS 11 *Joint Arrangements*	1 January 2013
MFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
MFRS 13 *Fair Value Measurement*	1 January 2013
MFRS 101 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)*	1 July 2012
MFRS 119 *Employee Benefits (IAS 19 as amended by IASB in June 2011)*	1 January 2013
MFRS 127 *Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)*	1 January 2013
MFRS 127 Separate Financial Statements (IAS 27 as amended by (IASB in May 2011)	1 January 2013
MFRS 128 *Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)*	1 January 2013
MFRS 132 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)*	1 January 2014
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

Description	Effective for annual periods beginning on or after
<u>Annual improvements 2009-2011 cycle</u>:	
MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* — Repeated application of MFRS 1 and borrowing costs	1 January 2013
MFRS 101 *Presentation of Financial Statements* — Clarification of the requirements for comparative information	1 January 2013
MFRS 116 *Property, Plant and Equipment* — Classification of servicing equipment	1 January 2013
MFRS 132 *Financial Instruments: Presentation* — Tax effect of distribution to holders of equity instruments	1 January 2013
MFRS 134 *Interim Financial Reporting* — Interim financial reporting and segment information for total assets and liabilities	1 January 2013

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

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

MFRS 3 *Business Combinations (IFRS Business Combinations issued by IASB March 2004)* and MFRS 127 *Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)*

These are the earlier versions of MFRS 3 and MFRS 127 for which an entity can apply if it concludes that, upon applying MFRS 10 *Consolidated Financial Statements*, it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of MFRS 3 and MFRS 127 issued by MASB in November 2011. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of MFRS 10 when the application of the earlier version of MFRS 3 and MFRS 127 is required.

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

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

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

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

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

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

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

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

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

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

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

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

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

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

MFRS 101 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)*

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

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

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

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

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

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

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

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

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

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

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

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

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

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

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

Annual improvements 2009-2011 cycle:

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

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

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

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

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

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

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

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

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

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

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

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

5. CASH AND SHORT-TERM FUNDS

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Cash balances and deposits with financial institutions	**39,339,075**	48,610,592	39,001,621
Money at call	**679,558**	777,290	480,250
	40,018,633	49,387,882	39,481,871

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Cash balances and deposits with financial institutions	**23,153,242**	35,887,803	25,780,477
Money at call	**–**	78,776	23,319
	23,153,242	35,966,579	25,803,796

The monies held-in-trust for clients for the Group as at the reporting date are approximately RM1,567,119,000 (31 December 2011: RM1,458,445,000 and 1 July 2011: RM1,036,712,000). These amounts are excluded from the cash and short-term funds of the Group in accordance with FRSIC Consensus 18 as disclosed in Note 2.4(vi)(a).

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

		Group		
	Note	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Licensed banks		**10,639,290**	6,089,747	9,273,727
Bank Negara Malaysia		**446,215**	474,546	438,018
Other financial institutions	(a)	**863,645**	597,358	711,506
		11,949,150	7,161,651	10,423,251

		Bank		
	Note	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Licensed banks		**9,230,995**	5,318,742	6,535,522
Bank Negara Malaysia		**303,179**	329,993	397,443
Other financial institutions	(a)	**505,825**	597,358	711,506
		10,039,999	6,246,093	7,644,471

(a) Included in deposits and placements with other financial institutions in satisfaction of capital equivalency deposit requirements are as follows:

(i) USD8.0 million (31 December 2011: USD6.0 million and 1 July 2011: USD10.0 million) or Ringgit Malaysia equivalent of RM24.5 million (31 December 2011: RM19.1 million and 1 July 2011: RM30.2 million) pledged with the New York State Banking Department;

(ii) SGD41.1 million (31 December 2011: SGD49.2 million and 1 July 2011: SGD73.1 million) or Ringgit Malaysia equivalent of RM102.8 million (31 December 2011: RM120.3 million and 1 July 2011: RM179.7 million) placed with Monetary Authority of Singapore; and

(iii) USD116.9 million (31 December 2011: USD77.6 million and 1 July 2011: USD73.6 million) or Ringgit Malaysia equivalent of RM357.5 million (31 December 2011: RM246.4 million and 1 July 2011: RM222.7 million) placed with National Bank of Cambodia.

(b) The monies held-in-trust for clients for the Group as at the reporting date are approximately RM36,228,000 (31 December 2011: RM35,301,000 and 1 July 2011: RM560,884,000). These amounts are excluded from the deposits and placements with financial institutions of the Group in accordance with FRSIC Consensus 18 as disclosed in Note 2.4(vi)(a).

7. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) The financial assets purchased under resale agreements are as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Foreign Government Bonds	**400,452**	–	–
Foreign Government Treasury Bills	**249,862**	–	–
Foreign Government Securities	**147,866**	–	–
Private debt securities	**–**	1,397,235	–
	798,180	1,397,235	–

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Foreign Government Bonds	**400,452**	–	–
Foreign Government Treasury Bills	**249,862**	–	–
Private debt securities	**–**	1,397,235	–
	650,314	1,397,235	–

(b) The financial assets sold under repurchase agreements are as follows:

		Group and Bank		
	Note	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Financial assets held-for-trading	8(ii)	**–**	–	275,415
Financial investments available-for-sale	9(b)	**–**	267,652	98,147
		–	267,652	373,562

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

		Group		
		As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
(i)	Designated upon initial recognition	**12,436,881**	7,599,874	7,397,031
(ii)	Held-for-trading	**16,719,811**	10,793,878	5,268,793
		29,156,692	18,393,752	12,665,824

		Bank		
		As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
(i)	Designated upon initial recognition	**–**	–	–
(ii)	Held-for-trading	**10,719,937**	7,325,466	2,884,895
		10,719,937	7,325,466	2,884,895

(i) Financial assets designated upon initial recognition are as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
At fair value			
Money market instruments:			
Malaysian Government Securities	**383,210**	413,847	413,657
Cagamas Bonds	**–**	–	5,028
Malaysian Government Investment Issues	**1,015,317**	114,537	105,188
Negotiable Islamic certificates of deposits	**409,798**	312,345	407,035
	1,808,325	840,729	930,908
Quoted securities:			
In Malaysia:			
Shares, warrants, trust units and loan stocks	**33,024**	15,474	756
Outside Malaysia:			
Shares, warrants, trust units and loan stocks	**57,783**	22,428	8,493
	90,807	37,902	9,249

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") (CONT'D.)

(i) Financial assets designated upon initial recognition are as follows (cont'd.):

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Unquoted securities:			
In Malaysia:			
Shares, warrants, trust units and loan stocks	**53,683**	3,683	3,683
Outside Malaysia:			
Shares, warrants, trust units and loan stocks	–	3,561	10,902
Private and Islamic debt securities in Malaysia	**10,309,201**	6,467,059	6,201,630
Structured deposits	**174,865**	246,940	240,659
	10,537,749	6,721,243	6,456,874
Total financial assets designated upon initial recognition	**12,436,881**	7,599,874	7,397,031

(ii) Financial assets held-for-trading are as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
At fair value			
Money market instruments:			
Malaysian Government Securities	**273,752**	572,088	311,479
Malaysian Government Treasury Bills	–	24,109	111,888
Malaysian Government Investment Issues	**86,256**	280,016	56,609
Bank Negara Malaysia Bills and Notes	**5,945,044**	1,476,873	3,658
Khazanah Bonds	**50,399**	407,614	59,953
Bank Negara Malaysia Monetary Notes	**6,945,597**	4,351,525	251,412
Foreign Government Treasury Bills	–	23,738	155,361
Foreign Government Securities	**196,235**	313,489	315,915
Foreign Certificates of Deposits	**132,982**	145,985	240,590
Sukuk Bank Negara Malaysia Ijarah	–	116,331	–
Cagamas Bonds	**43,781**	20,146	–
Negotiable instruments of deposits	**15,389**	23,565	57,771
	13,689,435	7,755,479	1,564,636

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") (CONT'D.)

(ii) Financial assets held-for-trading are as follows (cont'd.):

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Quoted securities:			
In Malaysia:			
Shares, warrants, trust units and loan stocks	**412,620**	358,429	361,829
Outside Malaysia:			
Shares, warrants, trust units and loan stocks	**165,125**	237,289	380,896
	577,745	595,718	742,725
Unquoted securities:			
Foreign private debt securities	**696,590**	554,940	1,382,032
Foreign Government Bonds	**–**	3,239	–
Malaysian Government Bonds	**3,235**	9,619	–
Private and Islamic debt securities in Malaysia	**1,474,973**	1,866,378	1,568,262
Credit linked notes	**261,960**	–	11,138
Equity linked notes	**7,731**	8,505	–
Mutual funds	**8,142**	–	–
	2,452,631	2,442,681	2,961,432
Total financial assets held-for-trading	**16,719,811**	10,793,878	5,268,793

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") (CONT'D.)

(ii) Financial assets held-for-trading are as follows (cont'd.):

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
At fair value			
Money market instruments:			
Malaysian Government Securities	**273,752**	572,088	311,479
Malaysian Government Treasury Bills	**–**	24,109	111,888
Malaysian Government Investment Issues	**10,098**	51,160	20,256
Bank Negara Malaysia Bills and Notes	**5,945,044**	1,476,873	3,658
Khazanah Bonds	**50,399**	407,614	59,953
Bank Negara Malaysia Monetary Notes	**2,897,212**	2,468,677	9,060
Foreign Government Treasury Bills	**–**	–	155,360
Cagamas Bonds	**43,781**	20,146	–
Negotiable instruments of deposits	**–**	610,093	–
	9,220,286	5,630,760	671,654
Quoted securities:			
In Malaysia:			
Shares, warrants, trust units and loan stocks	**4,269**	4,815	12,104
	4,269	4,815	12,104
Unquoted securities:			
Foreign private debt securities	**539,532**	295,840	1,091,723
Malaysian Government Bonds	**3,235**	9,619	–
Private and Islamic debt securities in Malaysia	**952,615**	1,384,432	1,109,414
	1,495,382	1,689,891	2,201,137
Total financial assets held-for-trading	**10,719,937**	7,325,466	2,884,895

Included in financial assets held-for-trading are financial assets sold under repurchase agreements as follows:

	Group and Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Private debt securities (Note 7(b))	**–**	–	275,415

9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
At fair value, or at cost less impairment losses for certain unquoted equity instruments			
Money market instruments:			
Malaysian Government Securities (Note 9(d))	**5,121,448**	8,553,027	10,014,493
Sukuk Bank Negara Malaysia Ijarah	**7,013**	11,132	11,104
Cagamas Bonds	**323,934**	1,588,212	1,526,312
Foreign Government Securities	**8,294,004**	8,315,176	9,574,286
Malaysian Government Treasury Bills	**65,113**	–	–
Malaysian Government Investment Issues	**3,783,570**	6,383,666	8,426,579
Foreign Government Treasury Bills	**5,170,641**	4,092,851	1,157,497
Negotiable instruments of deposits	**1,441,463**	1,707,870	917,440
Bankers' acceptances and Islamic accepted bills	**1,930,357**	1,502,726	588,285
Khazanah Bonds	**1,710,195**	1,550,824	1,191,607
Foreign Certificates of Deposits	**69,762**	–	–
Bank Negara Malaysia Monetary Notes	**771,005**	–	–
	28,688,505	33,705,484	33,407,603
Quoted securities:			
In Malaysia:			
Shares, warrants, trust units and loan stocks	**2,470,261**	2,023,264	2,097,297
Outside Malaysia:			
Shares, warrants, trust units and loan stocks	**267,440**	321,925	311,845
	2,737,701	2,345,189	2,409,142
Unquoted securities:			
Shares, trust units and loan stocks in Malaysia	**636,886**	706,211	643,074
Shares, trust units and loan stocks outside Malaysia	**15,703**	35,055	41,190
Private and Islamic debt securities in Malaysia	**14,216,359**	15,003,494	14,233,764
Malaysian Government Bonds	**387,805**	312,718	297,821
Foreign Government Bonds	**1,263,050**	880,538	1,329,748
Credit linked notes (Note 9(a))	**–**	–	75,439
Foreign private and Islamic debt securities	**12,818,785**	10,549,662	9,284,751
Structured deposits	**27,580**	46,694	45,380
	29,366,168	27,534,372	25,951,167
Total financial investments available-for-sale	**60,792,374**	63,585,045	61,767,912

9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONT'D.)

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
At fair value, or at cost less impairment losses for certain unquoted equity instruments			
Money market instruments:			
Malaysian Government Securities (Note 9(d))	**5,095,673**	8,479,620	9,942,157
Sukuk Bank Negara Malaysia Ijarah	**7,013**	–	–
Cagamas Bonds	**293,349**	1,438,321	1,342,316
Foreign Government Securities	**5,602,205**	5,414,453	6,751,494
Malaysian Government Treasury Bills	**65,113**	–	–
Malaysian Government Investment Issues	**1,453,972**	2,035,481	3,431,541
Foreign Government Treasury Bills	**4,735,477**	3,720,121	842,567
Negotiable instruments of deposits	**4,557,768**	3,907,136	4,798,186
Bankers' acceptances and Islamic accepted bills	**1,409,568**	1,498,610	367,352
Khazanah Bonds	**1,530,073**	1,230,932	885,185
Foreign Certificates of Deposits	**69,762**	–	–
Bank Negara Malaysia Monetary Notes	**503,994**	–	–
	25,323,967	27,724,674	28,360,798
Quoted securities:			
In Malaysia:			
Shares, warrants, trust units and loan stocks	**77,318**	84,100	104,814
Outside Malaysia:			
Shares, warrants, trust units and loan stocks	**15,045**	18,766	18,722
	92,363	102,866	123,536
Unquoted securities:			
Shares, trust units and loan stocks in Malaysia	**382,884**	369,359	376,358
Shares, trust units and loan stocks outside Malaysia	**5,711**	13,599	13,908
Private and Islamic debt securities in Malaysia	**8,343,202**	7,707,209	8,108,995
Malaysian Government Bonds	**202,172**	126,014	180,521
Foreign Government Bonds	**1,181,207**	786,558	1,248,718
Credit linked notes (Note 9(a))	**–**	–	75,439
Foreign private and Islamic debt securities	**11,834,803**	9,683,921	8,612,607
	21,949,979	18,686,660	18,616,546
Total financial investments available-for-sale	**47,366,309**	46,514,200	47,100,880

9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONT'D.)

(a) In the previous financial year ended 30 June 2011, included in financial investments available-for-sale of the Group and of the Bank were credit linked notes with total face values of USD25,000,000 or Ringgit Malaysia equivalent of RM75,575,000 with embedded credit default swaps. These notes were redeemed during the prior financial period at their respective face values.

(b) Included in financial investments available-for-sale are financial assets sold under repurchase agreements as follows:

	Group and Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Private debt securities (Note 7(b))	–	267,652	98,147

(c) The maturity structure of money market instruments is as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Maturing within one year	**10,338,873**	9,845,693	3,710,897
One year to three years	**5,286,828**	5,072,263	5,324,043
Three years to five years	**3,452,308**	5,151,411	4,953,485
After five years	**9,610,496**	13,636,117	19,419,178
	28,688,505	33,705,484	33,407,603

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Maturing within one year	**10,748,690**	9,518,241	3,665,651
One year to three years	**5,365,690**	5,357,387	6,348,726
Three years to five years	**2,704,568**	3,866,489	3,324,297
After five years	**6,505,019**	8,982,557	15,022,124
	25,323,967	27,724,674	28,360,798

(d) Included in Malaysian Government Securities of the Group and of the Bank is an amount of RM Nil (31 December 2011: RM Nil and 1 July 2011: RM350,000,000) pledged with Bank Negara Malaysia in satisfaction of capital equivalency deposit requirements. These securities were previously classified as financial investments held-to-maturity as at 30 June 2011. However, it was redesignated from financial investments held-to-maturity to financial investments available-for-sale at 1 July 2011 which is allowed by MFRS 1 for first-time adopters of MFRS Framework.

10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
At amortised cost less impairment losses			
Money market instruments:			
Malaysian Government Securities	**101,423**	101,357	126,692
Cagamas Bonds	**–**	–	11,738
Foreign Government Securities	**303,894**	414,344	423,272
Malaysian Government Investment Issues	**40,907**	323,113	323,332
Khazanah Bonds	**784,033**	178,326	–
	1,230,257	1,017,140	885,034
Unquoted securities:			
Private and Islamic debt securities in Malaysia	**1,578,372**	1,155,914	967,400
Malaysian Government Bonds	**–**	–	6,056
Foreign Government Bonds	**70,246**	176,222	49,438
Foreign private and Islamic debt securities	**12,843**	354,624	558,851
Others	**2,044**	2,044	2,044
	1,663,505	1,688,804	1,583,789
Accumulated impairment losses	**(22,994)**	(16,138)	(31,382)
Total financial investments held-to-maturity	**2,870,768**	2,689,806	2,437,441

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
At amortised cost less impairment losses			
Money market instruments:			
Malaysian Government Securities	**101,314**	101,249	126,584
Cagamas Bonds	**–**	–	11,738
Malaysian Government Investment Issues	**40,907**	272,688	272,790
Khazanah Bonds	**784,033**	178,326	–
	926,254	552,263	411,112

10. FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONT'D.)

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Unquoted securities:			
Private and Islamic debt securities in Malaysia	**1,578,338**	1,155,880	967,367
Malaysian Government Bonds	**–**	–	6,056
Foreign Government Bonds	**69,993**	175,929	49,162
Foreign private and Islamic debt securities	**–**	245,859	233,616
Others	**2,044**	2,044	2,044
	1,650,375	1,579,712	1,258,245
Accumulated impairment losses	**(19,780)**	(16,042)	(31,287)
Total financial investments held-to-maturity	**2,556,849**	2,115,933	1,638,070

(a) Indicative fair value of financial investments held-to-maturity are as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Money market instruments:			
Malaysian Government Securities	**100,231**	168,497	193,353
Cagamas Bonds	**–**	–	11,735
Foreign Government Securities	**293,782**	403,368	423,272
Malaysian Government Investment Issues	**40,564**	323,979	325,469
Khazanah Bonds	**789,183**	178,849	–
Unquoted securities:			
Private and Islamic debt securities in Malaysia	**1,566,887**	1,190,381	997,472
Malaysian Government Bonds	**–**	–	6,056
Foreign Government Bonds	**70,246**	176,222	49,438
Foreign private and Islamic debt securities	**22,954**	368,920	567,454
Others	**2,044**	2,044	2,044

10. FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONT'D.)

(a) Indicative fair value of financial investments held-to-maturity are as follows (cont'd.):

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Money market instruments:			
Malaysian Government Securities	**100,120**	168,389	193,246
Cagamas Bonds	**–**	–	11,735
Malaysian Government Investment Issues	**40,564**	273,959	273,928
Khazanah Bonds	**789,183**	178,849	–
Unquoted securities:			
Private and Islamic debt securities in Malaysia	**1,566,854**	1,190,348	997,439
Malaysian Government Bonds	**–**	–	6,056
Foreign Government Bonds	**69,992**	175,929	49,162
Foreign private and Islamic debt securities	**–**	249,182	242,219
Others	**2,044**	2,044	2,044

(b) The maturity structure of money market instruments is as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Maturing within one year	**405,208**	416,935	384,781
One year to three years	**40,907**	243,878	287,583
Three years to five years	**174,037**	99,947	98,495
After five years	**610,105**	256,380	114,175
	1,230,257	1,017,140	885,034

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Maturing within one year	**101,314**	231,725	268,892
One year to three years	**40,907**	142,554	142,220
Three years to five years	**174,037**	–	–
After five years	**609,996**	177,984	–
	926,254	552,263	411,112

11. LOANS, ADVANCES AND FINANCING

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Overdrafts/cashline	**16,805,906**	15,951,027	15,602,979
Term loans			
— Housing loans/financing	**50,522,923**	46,883,191	42,591,007
— Syndicated loans/financing	**23,784,574**	19,776,938	16,219,370
— Hire purchase receivables*	**53,237,139**	49,598,332	47,530,244
— Lease receivables	**18,952**	3,819	4,495
— Other loans/financing	**157,176,667**	120,420,515	107,624,728
Credit card receivables	**6,384,428**	6,214,321	5,773,326
Bills receivable	**5,239,068**	5,370,780	4,069,296
Trust receipts	**3,025,183**	2,556,915	2,394,297
Claims on customers under acceptance credits	**11,591,582**	11,367,524	12,201,913
Loans/financing to financial institutions	**3,498,525**	6,329,311	6,714,543
Revolving credits	**27,321,888**	27,084,954	25,876,169
Staff loans	**2,265,706**	1,624,277	2,012,257
	360,872,541	313,181,904	288,614,624
Loans to:			
— Executive directors of subsidiaries	**3,633**	2,957	3,416
Others	**2,384,062**	1,824,246	1,779,951
	363,260,236	315,009,107	290,397,991
Unearned interest and income	**(45,461,972)**	(31,773,173)	(28,176,468)
Gross loans, advances and financing	**317,798,264**	283,235,934	262,221,523
Allowances for impaired loans, advances and financing			
— Individual allowance	**(2,228,535)**	(2,813,107)	(2,932,622)
— Collective allowance	**(3,744,994)**	(4,169,974)	(4,271,208)
Net loans, advances and financing	**311,824,735**	276,252,853	255,017,693

* The hire purchase receivables of a subsidiary of RM986,037,000 (31 December 2011: RM475,865,000 and 1 July 2011: RM487,123,000) are pledged as collateral to a secured borrowing as disclosed in Note 28(a)(i).

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Overdrafts/cashline	**10,846,799**	11,081,901	11,130,114
Term loans			
– Housing loans/financing	**36,797,266**	36,584,592	33,710,861
– Syndicated loans/financing	**20,055,951**	16,120,492	13,020,361
– Hire purchase receivables	**27,241,916**	23,931,788	23,088,371
– Lease receivables	**3,272**	3,270	3,264
– Other loans/financing	**85,667,989**	69,411,142	62,659,172
Credit card receivables	**5,401,470**	5,296,328	4,863,738
Bills receivable	**5,123,928**	5,343,156	4,038,085
Trust receipts	**2,457,392**	2,092,697	1,976,949
Claims on customers under acceptance credits	**7,885,049**	7,859,708	8,554,699
Loans/financing to financial institutions	**3,137,467**	6,183,626	7,255,622
Revolving credits	**16,902,982**	17,379,831	18,392,134
Staff loans	**965,668**	957,077	1,001,750
	222,487,149	202,245,608	189,695,120
Loans to:			
– Executive directors of subsidiaries	**89**	159	123
	222,487,238	202,245,767	189,695,243
Unearned interest and income	**(3,188,888)**	(2,871,895)	(2,826,729)
Gross loans, advances and financing	**219,298,350**	199,373,872	186,868,514
Allowances for impaired loans, advances and financing			
– Individual allowance	**(1,719,455)**	(2,102,421)	(2,115,897)
– Collective allowance	**(2,726,849)**	(3,097,366)	(3,179,773)
Net loans, advances and financing	**214,852,046**	194,174,085	181,572,844

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Domestic banking institutions	**32,783**	57,323	55,754
Domestic non-banking financial institutions			
– Stockbroking companies	**328**	815	662
– Others	**17,738,858**	18,949,977	17,649,116
Domestic business enterprises			
– Small and medium enterprises	**60,719,447**	39,788,821	33,332,758
– Others	**68,664,118**	69,723,196	69,568,397
Government and statutory bodies	**3,351,642**	2,890,246	2,973,103
Individuals	**140,275,982**	127,229,009	120,695,124
Other domestic entities	**2,690,875**	1,810,116	1,840,440
Foreign entities	**24,324,231**	22,786,431	16,106,169
Gross loans, advances and financing	**317,798,264**	283,235,934	262,221,523

	Bank		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Domestic banking institutions	**32,783**	57,323	55,896
Domestic non-banking financial institutions			
– Stockbroking companies	**328**	815	664
– Others	**11,984,198**	13,350,685	13,026,400
Domestic business enterprises			
– Small and medium enterprises	**44,736,984**	30,986,477	27,153,210
– Others	**50,738,758**	50,679,132	51,206,767
Government and statutory bodies	**2,541,100**	2,525,386	2,638,335
Individuals	**89,603,634**	83,227,586	79,854,546
Other domestic entities	**240,043**	504,713	497,646
Foreign entities	**19,420,522**	18,041,755	12,435,050
Gross loans, advances and financing	**219,298,350**	199,373,872	186,868,514

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

(ii) Loans, advances and financing analysed by geographical location are as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Malaysia	**201,304,578**	179,656,458	170,815,304
Singapore	**68,857,389**	60,758,571	54,830,450
Indonesia	**26,319,888**	24,027,545	21,328,288
Labuan Offshore	**5,157,739**	4,486,178	3,875,185
Hong Kong SAR	**7,130,389**	6,507,669	4,471,402
United States of America	**1,014,176**	1,105,244	1,176,644
People's Republic of China	**1,448,137**	1,209,861	986,362
Vietnam	**409,880**	556,362	524,916
United Kingdom	**1,315,839**	1,364,150	1,357,952
Brunei	**288,102**	165,396	159,334
Cambodia	**732,966**	534,861	425,790
Bahrain	**307,445**	346,415	226,106
Philippines	**2,396,795**	1,856,284	1,419,000
Papua New Guinea	**152,330**	128,380	115,297
Thailand	**934,561**	502,706	466,214
Others	**28,050**	29,854	43,279
Gross loans, advances and financing	**317,798,264**	283,235,934	262,221,523

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Malaysia	**139,271,620**	127,349,799	123,380,078
Singapore	**68,234,190**	60,335,903	54,283,692
Hong Kong SAR	**7,039,787**	6,405,881	4,347,640
United States of America	**1,013,744**	1,105,244	1,176,644
People's Republic of China	**1,448,137**	1,209,861	986,362
Vietnam	**379,544**	556,362	524,916
United Kingdom	**1,315,781**	1,364,150	1,357,952
Brunei	**288,102**	165,396	159,334
Cambodia	**–**	534,861	425,790
Bahrain	**307,445**	346,415	226,106
Gross loans, advances and financing	**219,298,350**	199,373,872	186,868,514

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Fixed rate			
— Housing loans/financing	**11,752,382**	12,165,813	11,870,836
— Hire purchase receivables	**43,062,478**	38,162,218	36,274,306
— Other fixed rate loans/financing	**50,705,753**	50,171,148	45,700,739
Variable rate			
— Base lending rate plus	**113,308,022**	100,064,634	94,310,265
— Cost plus	**42,241,585**	34,915,664	31,832,925
— Other variable rates	**56,728,044**	47,756,457	42,232,452
Gross loans, advances and financing	**317,798,264**	283,235,934	262,221,523

	Bank		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Fixed rate			
— Housing loans/financing	**8,777,190**	9,183,813	9,147,350
— Hire purchase receivables	**23,746,588**	20,769,134	19,968,614
— Other fixed rate loans/financing	**34,011,928**	35,089,279	35,226,310
Variable rate			
— Base lending rate plus	**87,141,642**	81,819,101	78,337,866
— Cost plus	**37,316,635**	31,101,405	27,507,286
— Other variable rates	**28,304,367**	21,411,140	16,681,088
Gross loans, advances and financing	**219,298,350**	199,373,872	186,868,514

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iv) Loans, advances and financing analysed by economic purpose are as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Purchase of securities	**25,836,149**	21,804,074	20,743,919
Purchase of transport vehicles	**44,535,008**	41,514,322	39,690,502
Purchase of landed properties			
– Residential	**57,852,853**	51,432,896	46,636,854
– Non-residential	**23,967,058**	17,541,624	14,678,606
Purchase of fixed assets (excluding landed properties)	**4,348,868**	4,005,398	2,966,538
Personal use	**7,802,384**	7,182,915	6,362,067
Credit card	**6,434,284**	6,261,455	5,772,335
Purchase of consumer durables	**316,346**	286,319	254,744
Construction	**14,089,293**	13,626,454	13,861,422
Mergers and acquisitions	**3,989,396**	72,367	52,405
Working capital	**111,403,485**	104,214,753	96,753,084
Others	**17,223,140**	15,293,357	14,449,047
Gross loans, advances and financing	**317,798,264**	283,235,934	262,221,523

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Purchase of securities	**13,308,681**	12,548,429	11,575,901
Purchase of transport vehicles	**23,287,778**	20,508,025	19,967,508
Purchase of landed properties			
– Residential	**44,803,229**	41,539,480	38,190,785
– Non-residential	**20,748,526**	15,777,574	13,435,251
Purchase of fixed assets (excluding landed properties)	**4,298,286**	3,994,116	2,963,248
Personal use	**6,334,909**	6,093,855	5,456,581
Credit card	**5,450,367**	5,339,988	4,874,082
Purchase of consumer durables	**316,338**	286,316	254,744
Construction	**10,878,595**	10,687,729	11,526,219
Mergers and acquisitions	**3,989,396**	72,367	52,405
Working capital	**75,121,156**	74,583,152	71,342,270
Others	**10,761,089**	7,942,841	7,229,520
Gross loans, advances and financing	**219,298,350**	199,373,872	186,868,514

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Maturing within one year	**87,158,292**	79,680,703	75,441,813
One year to three years	**44,301,625**	34,853,077	27,663,389
Three years to five years	**44,782,443**	37,822,064	35,889,576
After five years	**141,555,904**	130,880,090	123,226,745
Gross loans, advances and financing	**317,798,264**	283,235,934	262,221,523

	Bank		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Maturing within one year	**66,393,924**	60,875,951	58,385,457
One year to three years	**32,875,684**	23,473,618	17,817,419
Three years to five years	**28,706,237**	23,458,349	22,244,753
After five years	**91,322,505**	91,565,954	88,420,885
Gross loans, advances and financing	**219,298,350**	199,373,872	186,868,514

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Gross impaired loans at 1 January 2012/1 July 2011	**8,036,844**	8,757,356
Newly impaired	**4,154,947**	2,628,619
Reclassified as non-impaired	**(2,144,303)**	(1,087,435)
Amount recovered	**(2,106,649)**	(1,383,831)
Amount written off	**(2,291,938)**	(997,037)
Converted to financial investments available-for-sale	**(13,792)**	(9,327)
Exchange differences and expenses debited	**21,457**	106,025
Acquisition of subsidiaries	**(2,214)**	22,474
Gross impaired loans at 31 December	**5,654,352**	8,036,844
Less: Individual allowance	**(2,228,535)**	(2,813,107)
Net impaired loans at 31 December	**3,425,817**	5,223,737

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Calculation of ratio of net impaired loans:			
Gross loans, advances and financing	**317,798,264**	283,235,934	262,221,523
Less: Individual allowance	**(2,228,535)**	(2,813,107)	(2,932,622)
Net loans, advances and financing	**315,569,729**	280,422,827	259,288,901
Ratio of net impaired loans	**1.09%**	1.86%	2.25%

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Bank	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Gross impaired loans at 1 January 2012/1 July 2011	**6,245,836**	6,377,496
Newly impaired	**2,651,324**	1,647,483
Reclassified as non-impaired	**(1,509,585)**	(657,256)
Amount recovered	**(1,691,603)**	(635,858)
Amount written off	**(1,533,675)**	(560,393)
Converted to financial investments available-for-sale	**(13,792)**	(9,327)
Exchange differences and expenses debited	**53,289**	83,691
Transferred to a newly incorporated subsidiary (Note 17(b))	**(39,493)**	–
Gross impaired loans at 31 December	**4,162,301**	6,245,836
Less: Individual allowance	**(1,719,455)**	(2,102,421)
Net impaired loans at 31 December	**2,442,846**	4,143,415

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Calculation of ratio of net impaired loans:			
Gross loans, advances and financing	**219,298,350**	199,373,872	186,868,514
Less: Individual allowance	**(1,719,455)**	(2,102,421)	(2,115,897)
Net loans, advances and financing	**217,578,895**	197,271,451	184,752,617
Ratio of net impaired loans	**1.12%**	2.10%	2.31%

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Purchase of securities	**69,999**	101,559	116,667
Purchase of transport vehicles	**228,932**	231,073	276,619
Purchase of landed properties			
– Residential	**566,412**	1,038,759	1,278,323
– Non-residential	**139,013**	201,064	290,538
Personal use	**121,789**	114,208	126,271
Credit card	**77,528**	90,160	77,764
Purchase of consumer durables	**232**	1,165	1,163
Construction	**227,472**	540,445	523,361
Working capital	**3,504,561**	4,794,683	5,575,238
Others	**718,414**	923,728	491,412
	5,654,352	8,036,844	8,757,356

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Purchase of securities	**39,201**	67,796	82,257
Purchase of transport vehicles	**88,835**	112,702	111,271
Purchase of landed properties			
– Residential	**464,062**	869,346	1,058,965
– Non-residential	**86,285**	181,813	264,828
Personal use	**76,925**	97,976	111,542
Credit card	**58,058**	64,708	53,642
Purchase of consumer durables	**230**	1,162	1,159
Construction	**136,180**	428,638	433,545
Working capital	**2,697,689**	3,889,018	3,996,647
Others	**514,836**	532,677	263,640
	4,162,301	6,245,836	6,377,496

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Malaysia	**4,007,515**	6,308,840	6,713,064
Singapore	**363,344**	379,834	330,730
Indonesia	**572,768**	538,420	874,375
Labuan Offshore	**138,160**	230,647	351,094
Hong Kong SAR	**16,367**	72,093	85,675
Brunei	**2,107**	768	2,613
Vietnam	**19,051**	80,335	75,692
United Kingdom	**277,477**	215,719	141,478
People's Republic of China	**—**	5,932	—
Cambodia	**31,653**	18,602	12,499
Philippines	**83,971**	73,677	50,733
United States of America	**431**	—	—
Bahrain	**89,577**	58,618	48,708
Thailand	**25,486**	25,672	28,953
Others	**26,445**	27,687	41,742
	5,654,352	8,036,844	8,757,356

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Malaysia	**3,469,194**	5,482,340	5,769,484
Singapore	**289,364**	312,294	242,169
Hong Kong SAR	**15,531**	71,228	84,853
Brunei	**2,107**	768	2,613
Vietnam	**19,051**	80,335	75,692
United Kingdom	**277,477**	215,719	141,478
People's Republic of China	**—**	5,932	—
Cambodia	**—**	18,602	12,499
Bahrain	**89,577**	58,618	48,708
	4,162,301	6,245,836	6,377,496

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Group	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Individual allowance		
At 1 January 2012/1 July 2011	**2,813,107**	2,932,622
Allowance made (Note 41)	**1,172,015**	535,890
Amount written back (Note 41)	**(437,932)**	(296,458)
Amount written off	**(1,222,716)**	(364,074)
Transferred to impairment losses in financial investments available-for-sale	**–**	(9,327)
Transferred to collective allowance	**(60,216)**	(15,628)
Acquisition of subsidiaries	**(2,720)**	20,553
Exchange differences	**(33,003)**	9,529
At 31 December	**2,228,535**	2,813,107

	Group	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Collective allowance		
At 1 January 2012/1 July 2011	**4,169,974**	4,271,208
Allowance made (Note 41)	**628,222**	504,176
Amount written back (Note 41)	**–**	(306)
Amount written off	**(1,069,222)**	(632,964)
Transferred from individual allowance	**60,216**	15,628
Exchange differences	**(44,196)**	12,232
At 31 December	**3,744,994**	4,169,974
As a percentage of total loans, less individual allowance	**1.19%**	1.49%
As a percentage of total risk-weighted assets for credit risk	**1.52%**	1.86%

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

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

	Bank	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Individual allowance		
At 1 January 2012/1 July 2011	**2,102,421**	2,115,897
Allowance made (Note 41)	**985,402**	464,602
Amount written back (Note 41)	**(368,351)**	(192,817)
Amount written off	**(904,764)**	(269,614)
Transferred to impairment losses in financial investments available-for-sale	**–**	(9,327)
Transferred to collective allowance	**(57,882)**	(14,411)
Transferred to a newly incorporated subsidiary (Note 17(b))	**(36,822)**	–
Exchange differences	**(549)**	8,091
At 31 December	**1,719,455**	2,102,421

	Bank	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Collective allowance		
At 1 January 2012/1 July 2011	**3,097,366**	3,179,773
Allowance made (Note 41)	**205,091**	187,383
Amount written off	**(628,911)**	(290,779)
Transferred from individual allowance	**57,882**	14,411
Transferred to a newly incorporated subsidiary (Note 17(b))	**(5,488)**	–
Exchange differences	**909**	6,578
At 31 December	**2,726,849**	3,097,366
As a percentage of total loans, less individual allowance	**1.25%**	1.57%
As a percentage of total risk-weighted assets for credit risk	**1.50%**	1.85%

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			Bank		
As at 31.12.2012	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>						
<u>Foreign exchange related contracts</u>						
Currency forwards						
– Less than one year	17,931,505	55,353	(121,763)	15,004,518	50,619	(102,114)
– One year to three years	307,943	4,128	(3,954)	307,943	4,128	(3,954)
– More than three years	236,062	2,322	(1,248)	236,062	2,322	(1,248)
	18,475,510	61,803	(126,965)	15,548,523	57,069	(107,316)
Currency swaps						
– Less than one year	64,567,969	961,146	(759,016)	62,457,833	953,162	(763,205)
– One year to three years	342,969	6,887	(7,283)	319,497	6,704	(7,283)
– More than three years	219,423	1,770	(2,044)	219,423	1,770	(2,044)
	65,130,361	969,803	(768,343)	62,996,753	961,636	(772,532)
Currency spots						
– Less than one year	6,340,973	979	(2,355)	6,340,973	979	(2,360)
Currency options						
– Less than one year	2,984,579	8,617	(5,668)	2,984,579	8,617	(5,668)
Cross currency interest rate swaps						
– Less than one year	2,174,209	86,411	(13,332)	2,031,990	61,234	–
– One year to three years	9,119,061	277,161	(147,441)	8,426,014	255,495	(123,314)
– More than three years	7,108,208	456,930	(38,661)	6,807,708	456,930	(38,661)
	18,401,478	820,502	(199,434)	17,265,712	773,659	(161,975)
<u>Interest rate related contracts</u>						
Interest rate swaps						
– Less than one year	14,669,864	54,680	(24,895)	14,654,014	51,680	(38,980)
– One year to three years	27,815,331	127,052	(150,011)	26,207,026	127,787	(145,252)
– More than three years	44,295,713	514,800	(731,117)	44,164,209	544,443	(732,653)
	86,780,908	696,532	(906,023)	85,025,249	723,910	(916,885)
Interest rate futures						
– Less than one year	1,217,263	2	–	1,217,263	2	–
– One year to three years	764,613	1	–	764,613	1	–
	1,981,876	3	–	1,981,876	3	–
Interest rate options						
– Less than one year	2,695,396	10,029	(499)	2,695,396	10,029	(499)
– One year to three years	375,270	1,400	(440)	375,270	1,400	(440)
– More than three years	1,651,417	4,395	(191,387)	1,251,417	4,395	(128,992)
	4,722,083	15,824	(192,326)	4,322,083	15,824	(129,931)

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

	Group			Bank		
As at 31.12.2012 (cont'd.)	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000
Trading derivatives (cont'd.)						
Equity related contracts						
Index futures						
– More than three years	30,198	4,545	–	–	–	–
Equity options						
– Less than one year	222,813	582	(22,577)	222,813	548	–
– One year to three years	53,841	6,092	(6,779)	53,841	6,092	(6,779)
– More than three years	48,246	322	(322)	48,245	322	(322)
	324,900	6,996	(29,678)	324,899	6,962	(7,101)
Commodity options						
– One year to three years	263,559	3,121	(3,035)	42,630	3,035	(3,035)
Commodity swaps						
– Less than one year	38,094	590	(590)	38,094	590	(590)
Credit related contracts						
Credit default swaps						
– More than three years	21,388	–	(2,015)	–	–	–
Hedging derivatives						
Interest rate related contracts						
Interest rate swaps						
– Less than one year	818,983	–	(1,869)	218,983	–	(1,869)
– One year to three years	2,234,750	–	(80,089)	1,384,750	–	(80,089)
– More than three years	2,978,117	21,472	(25,882)	321,157	–	(21,560)
	6,031,850	21,472	(107,840)	1,924,890	–	(103,518)
Foreign exchange related contracts						
Cross currency interest rate swaps						
– Less than one year	1,679,795	191,777	–	1,679,795	191,777	–
– One year to three years	2,179,835	71,600	(10,766)	1,921,203	61,758	(10,767)
– More than three years	913,992	6,328	(21,941)	913,993	6,329	(21,939)
	4,773,622	269,705	(32,707)	4,514,991	259,864	(32,706)
Total	216,301,379	2,880,492	(2,376,979)	203,311,252	2,812,148	(2,243,617)

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

	Group			Bank		
As at 31.12.2011	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000
Trading derivatives						
Foreign exchange related contracts						
Currency forwards						
– Less than one year	24,470,066	247,097	(115,560)	19,513,855	198,500	(78,223)
– One year to three years	2,538,409	6,875	(1,566)	287,337	6,875	(1,566)
– More than three years	277,627	7,367	(98)	277,627	7,367	(98)
	27,286,102	261,339	(117,224)	20,078,819	212,742	(79,887)
Currency swaps						
– Less than one year	49,779,939	478,846	(628,263)	49,516,752	445,706	(628,263)
– One year to three years	358,259	6,418	(3,026)	334,788	6,232	(3,026)
– More than three years	277,627	111	(6,280)	277,627	111	(6,280)
	50,415,825	485,375	(637,569)	50,129,167	452,049	(637,569)
Currency spots						
– Less than one year	7,111,247	3,718	(1,185)	7,061,168	3,704	(1,166)
Currency options						
– Less than one year	4,854,026	24,068	(19,029)	4,854,026	24,068	(19,029)
Cross currency interest rate swaps						
– Less than one year	2,378,245	9,269	(717)	2,378,245	10,620	(718)
– One year to three years	4,123,567	88,681	(80,564)	4,123,567	88,681	(80,564)
– More than three years	6,501,545	96,743	(48,083)	6,201,045	96,743	(48,083)
	13,003,357	194,693	(129,364)	12,702,857	196,044	(129,365)
Interest rate related contracts						
Interest rate swaps						
– Less than one year	14,504,033	13,168	(76,662)	14,504,033	53,059	(76,662)
– One year to three years	25,737,833	202,322	(199,308)	25,737,833	202,322	(199,308)
– More than three years	27,616,252	453,095	(611,730)	27,616,252	453,094	(611,730)
	67,858,118	668,585	(887,700)	67,858,118	708,475	(887,700)
Interest rate futures						
– Less than one year	36,555,927	60,238	(60,238)	36,555,927	60,238	(60,238)

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

	Group			Bank		
As at 31.12.2011 (cont'd.)	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000
Trading derivatives (cont'd.)						
Interest rate related contracts (cont'd.)						
Interest rate options						
— Less than one year	616,050	8,762	–	580,551	8,762	–
— One year to three years	1,422,250	14,601	(7,447)	1,422,250	14,601	(7,447)
— More than three years	756,080	2,263	(82,817)	556,079	1,541	(41,935)
	2,794,380	25,626	(90,264)	2,558,880	24,904	(49,382)
Equity related contracts						
Equity options						
— Less than one year	345,357	29	(8,348)	58,935	–	–
— One year to three years	220,543	327	–	220,543	327	–
— More than three years	104,348	7,564	(7,564)	104,348	7,564	(7,564)
	670,248	7,920	(15,912)	383,826	7,891	(7,564)
Commodity options						
— More than three years	52,700	3,267	(3,267)	52,700	3,267	(3,267)
Credit related contracts						
Credit default swaps						
— Less than one year	12,677	286	–	–	–	–
Hedging derivatives						
Interest rate related contracts						
Interest rate swaps						
— Less than one year	551,788	536	(12,030)	452,443	–	(9,119)
— One year to three years	3,059,907	611	(121,903)	1,530,447	611	(121,673)
— More than three years	1,141,091	–	(51,019)	511,437	–	(50,767)
	4,752,786	1,147	(184,952)	2,494,327	611	(181,559)
Foreign exchange related contracts						
Cross currency interest rate swaps						
— Less than one year	805,401	74,214	(4,063)	805,400	74,214	(4,063)
— One year to three years	2,035,964	142,067	(10,794)	2,035,964	142,067	(10,794)
— More than three years	1,373,912	34,959	(1,148)	1,056,411	39,070	(1,148)
	4,215,277	251,240	(16,005)	3,897,775	255,351	(16,005)
Total	219,582,670	1,987,502	(2,162,709)	208,627,590	1,949,344	(2,072,731)

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

	Group			Bank		
	Principal Amount	<------ Fair Values ------> Assets	Liabilities	Principal Amount	<------ Fair Values ------> Assets	Liabilities
As at 1.7.2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives						
Foreign exchange related contracts						
Currency forwards						
– Less than one year	22,154,987	115,780	(128,485)	17,215,104	78,689	(91,170)
– One year to three years	428,114	11,639	(13,146)	428,114	11,639	(13,146)
– More than three years	290,945	18,349	(111)	290,945	18,349	(111)
	22,874,046	145,768	(141,742)	17,934,163	108,677	(104,427)
Currency swaps						
– Less than one year	43,760,875	337,874	(228,440)	43,497,687	298,339	(228,440)
– One year to three years	612,702	20,172	(7,071)	589,231	19,791	(7,071)
– More than three years	290,944	123	(17,160)	290,945	123	(17,160)
	44,664,521	358,169	(252,671)	44,377,863	318,253	(252,671)
Currency spots						
– Less than one year	2,305,804	8,571	(15,047)	2,203,170	8,541	(14,977)
Currency options						
– Less than one year	4,546,215	13,388	(8,344)	4,546,215	13,388	(8,344)
Cross currency interest rate swaps						
– Less than one year	607,365	26,284	(26,006)	607,365	26,284	(26,006)
– One year to three years	3,495,130	182,155	(53,499)	3,495,130	182,155	(53,499)
– More than three years	5,307,678	87,568	(162,431)	5,307,678	87,568	(162,431)
	9,410,173	296,007	(241,936)	9,410,173	296,007	(241,936)
Interest rate related contracts						
Interest rate swaps						
– Less than one year	12,300,584	105,386	(113,058)	10,700,584	104,483	(112,623)
– One year to three years	23,972,146	162,163	(183,755)	23,972,146	162,163	(183,755)
– More than three years	21,713,328	191,563	(233,589)	21,713,328	206,964	(233,588)
	57,986,058	459,112	(530,402)	56,386,058	473,610	(529,966)
Interest rate futures						
– Less than one year	1,252,719	281	–	1,252,719	243	–

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

	Group			Bank		
As at 1.7.2011 (cont'd.)	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000
Trading derivatives (cont'd.)						
Interest rate related contracts (cont'd.)						
Interest rate options						
– Less than one year	610,117	2,431	(44,206)	36,813	–	–
– One year to three years	1,483,240	14,548	–	1,483,240	14,548	–
– More than three years	872,904	1,110	(105,905)	872,904	1,110	(105,905)
	2,966,261	18,089	(150,111)	2,392,957	15,658	(105,905)
Equity related contracts						
Equity options						
– Less than one year	1,112,179	3,552	(6,443)	808,654	1,011	(1,011)
– One year to three years	44,468	2,231	(2,231)	44,468	2,231	(2,231)
– More than three years	55,074	5,822	(5,822)	55,074	5,822	(5,822)
	1,211,721	11,605	(14,496)	908,196	9,064	(9,064)
Commodity options						
– More than three years	56,065	4,766	(4,766)	56,065	4,766	(4,766)
Hedging derivatives						
Interest rate related contracts						
Interest rate swaps						
– Less than one year	532,917	1	(46,117)	411,020	1	(45,951)
– One year to three years	516,860	1	(46,539)	441,263	1	(46,539)
– More than three years	1,886,165	324	(79,661)	1,580,744	324	(79,661)
	2,935,942	326	(172,317)	2,433,027	326	(172,151)
Foreign exchange related contracts						
Cross currency interest rate swaps						
– One year to three years	2,472,085	316,017	(2,103)	2,472,085	316,017	(2,104)
– More than three years	607,900	61,865	–	607,900	61,865	–
	3,079,985	377,882	(2,103)	3,079,985	377,882	(2,104)
Total	153,289,510	1,693,964	(1,533,935)	144,980,591	1,626,415	(1,446,311)

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting. The principal amount and fair values of derivatives where hedge accounting is applied by the Group and the Bank are as follows:

	Group			Bank		
	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000	Principal Amount RM'000	<------ Fair Values ------> Assets RM'000	Liabilities RM'000
As at 31.12.2012						
Interest rate swaps	**1,569,011**	**–**	**(102,114)**	**1,569,011**	**–**	**(102,114)**
As at 31.12.2011						
Interest rate swaps	625,869	–	(45,214)	625,869	–	(45,214)
As at 1.7.2011						
Interest rate swaps	707,382	–	(55,947)	707,382	–	(55,947)

Fair value hedges

Fair value hedges are used by the Group and the Bank to protect them against changes in the fair value of financial assets due to movements in interest rates. The financial instruments hedged for interest rate risk include the Group's and the Bank's financial investments available-for-sale.

For the financial year ended 31 December 2012, the Group and the Bank recognised a net gain of RM44,295,000 (1 July 2011 to 31 December 2011: RM10,572,000) on the hedging instruments. The total net loss on the hedged items attributable to the hedged risk amounted to RM32,279,000 (1 July 2011 to 31 December 2011: RM11,493,000).

For the financial year ended 31 December 2012, the Group and the Bank derecognised fair value hedges of RM1,846,000 (31 December 2011: RM11,950,000) due to the derecognition of the hedged items.

13. REINSURANCE/RETAKAFUL ASSETS AND OTHER INSURANCE RECEIVABLES

	Note	Group As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Reinsurance/retakaful assets (Note 23)	(i)	**1,983,432**	1,734,361	1,639,516
Other insurance receivables	(ii)	**572,295**	439,433	467,824
		2,555,727	2,173,794	2,107,340

(i) Reinsurance/retakaful assets

	Group As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Reinsurers' share of:	**1,691,546**	1,437,421	1,318,371
Life insurance contract liabilities	**33,813**	36,958	36,966
General insurance contract liabilities	**1,657,733**	1,400,463	1,281,405
Retakaful operators' share of:	**291,886**	296,940	321,145
Family takaful certificate liabilities	**18,521**	18,832	21,081
General takaful certificate liabilities	**273,365**	278,108	300,064
	1,983,432	1,734,361	1,639,516

(ii) Other insurance receivables

	Group As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Due premium including agents/brokers and co-insurers balances	**399,170**	386,275	464,998
Due from reinsurers and cedants/retakaful operators	**281,395**	141,224	101,057
	680,565	527,499	566,055
Allowance for impairment losses	**(108,270)**	(88,066)	(98,231)
	572,295	439,433	467,824

14. OTHER ASSETS

		Group		
	Note	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Other debtors	(a)	**4,038,562**	2,378,055	1,788,091
Amount due from brokers and clients		**2,001,113**	1,131,928	2,016,672
Development properties	(b)	**60,287**	448,015	345,616
Prepayments and deposits		**469,615**	464,025	335,218
Tax recoverable		**1,070**	214,147	288,098
Foreclosed properties		**109,610**	113,650	124,959
		6,680,257	4,749,820	4,898,654

		Bank		
	Note	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Other debtors	(a)	**2,528,814**	2,015,839	1,146,591
Prepayments and deposits		**148,248**	87,130	71,098
Tax recoverable		**–**	97,337	159,874
Foreclosed properties		**36,001**	40,127	42,802
		2,713,063	2,240,433	1,420,365

(a) Included in other debtors are physical gold held by the Group and the Bank as a result of its broker-dealer activities amounting to RM720,134,000 (31 December 2011: RM695,606,000 and 1 July 2011: RM433,413,000).

14. OTHER ASSETS (CONT'D.)

(b) Development properties

	Group		
As at 31.12.2012	Freehold Land RM'000	Cumulative Property Development Costs RM'000	Total RM'000
At costs			
At 1 January 2012	220,110	227,905	448,015
Cost incurred during the year	–	26,136	26,136
Cost of real estate sold	(3,323)	–	(3,323)
Reversal of completed projects	(162,022)	(259,381)	(421,403)
Exchange differences	5,522	5,340	10,862
At 31 December 2012	60,287	–	60,287

	Group		
As at 31.12.2011	Freehold Land RM'000	Cumulative Property Development Costs RM'000	Total RM'000
At costs			
At 1 July 2011	159,191	186,425	345,616
Acquisition of subsidiaries (Note 17(g)(i))	61,054	–	61,054
Cost incurred during the period	–	42,700	42,700
Cost of real estate sold	(1,407)	–	(1,407)
Exchange differences	1,272	(1,220)	52
At 31 December 2011	220,110	227,905	448,015

14. OTHER ASSETS (CONT'D.)

(b) Development properties (cont'd.)

(i) Borrowing costs of RM1,225,000 (31 December 2011: RM1,387,000 and 1 July 2011: RM215,000) which arise on financing specifically entered into for the development of properties for sale were capitalised during the financial year and are included in the development properties for sale. A capitalisation rate of 2.27% (31 December 2011: 2.17% and 1 July 2011: 2.10%) per annum was used, representing the borrowing costs of the borrowings used to finance the project.

Development properties for sale have been pledged as a security for bank borrowings (Note 28(a)(iv)(2)) amounting to RM Nil (31 December 2011: RM156,204,000 and 1 July 2011: RM127,100,000).

(ii) Details of development properties are as follows:

	Tenure of land	Expected completion date	Site area/ gross floor area (sq metres)	Group's effective interest in the property
Tribeca Private Residences comprising of 15 Towers	Freehold	2028	97,504/ 150,000	24%
Beacon Heights A residential development comprising 212 units of condominium apartments in Singapore	Freehold	Note (a)	5,903/ 19,164	Nil

Note (a): Beacon Heights condominium project was completed in May 2012.

15. INVESTMENT PROPERTIES

	Group	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
At 1 January 2012/1 July 2011, as reported under FRS	**62,007**	45,051
– effects of adoption of MFRS (Note 2.4(vii)(a))	**480,470**	480,470
At 1 January 2012/1 July 2011, under MFRS	**542,477**	525,521
Fair value adjustments (Note 39)	**10,583**	14
Fair value adjustments relating to insurance funds	**38,056**	–
Transferred to property, plant and equipment (Note 19)	**(2,528)**	–
Disposal of subsidiaries	**(17,004)**	–
Impairment loss	**–**	(43)
Acquisition of subsidiaries (Note 17(g)(i))	**–**	17,652
Disposal	**(281)**	(1,330)
Exchange differences	**1,359**	663
At 31 December	**572,662**	542,477

The following investment properties are held under lease terms:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Leasehold land	**92,900**	65,432	65,432
Buildings	**56,118**	55,344	55,208
	149,018	120,776	120,640

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Investment properties are stated at fair value, which has been determined based on valuation that reflects market conditions at the end of the reporting period. Valuations were performed by an accredited independent valuer. The valuations were mainly based on comparison method that makes reference to comparable properties which have been sold or being offered for sale.

16. STATUTORY DEPOSITS WITH CENTRAL BANKS

	Note	Group		
		As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
With Bank Negara Malaysia	(a)	**7,109,205**	6,025,005	3,607,105
With other central banks	(b)	**5,189,157**	4,552,411	4,091,320
		12,298,362	10,577,416	7,698,425

	Note	Bank		
		As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
With Bank Negara Malaysia	(a)	**4,710,100**	4,190,100	2,693,100
With other central banks	(b)	**2,178,816**	1,905,029	1,620,016
		6,888,916	6,095,129	4,313,116

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

(b) The statutory deposits of the foreign branches and subsidiaries are denominated in foreign currencies and maintained with the central banks of the respective countries, in compliance with the applicable legislations in the respective countries.

17. INVESTMENT IN SUBSIDIARIES

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Unquoted shares, at cost			
– In Malaysia	**19,532,692**	19,296,067	19,146,742
– Outside Malaysia	**1,217,579**	1,064,854	1,054,369
	20,750,271	20,360,921	20,201,111
Less: Accumulated impairment losses (Note 17(h))	**(3,115,802)**	(3,130,719)	(3,130,719)
	17,634,469	17,230,202	17,070,392

17. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(a) Acquisition of a Call Option of Maybank Kim Eng Securities Joint Stock Company (formerly known as Kim Eng Vietnam Securities Joint Stock Company) ("KEVS").

During the financial year ended 31 December 2012, Maybank Kim Eng Holdings Limited ("MKEH"), a wholly-owned subsidiary of Maybank IB Holdings Sdn. Bhd. (formerly known as Mayban IB Holdings Sdn. Bhd.) which in turn is a wholly-owned subsidiary of Maybank, acquired a call option over 15,435,000 ordinary and paid-up shares of par value Vietnam Dong ("VND") 10,000 each in KEVS ("Call Option"), representing approximately 51.45% of the charter capital of KEVS ("Option Shares") from the local founding shareholders of KEVS for a total cash consideration of VND308.7 billion (or approximately RM45.38 million based on the prevailing exchange rate of RM1:VND6,803 as at 10 May 2012).

Further details of the acquisition are disclosed in Note 55(h).

(i) The fair values of the identifiable assets and liabilities of KEVS as at the date of acquisition were as follows:

	Note	Recognised acquisition values RM'000
ASSETS		
Cash and short-term funds		1,360
Property, plant and equipment	19	2,120
Financial assets at fair value through profit or loss		3
Financial investments available-for-sale		337
Trade and other receivables		191,097
Deferred tax assets	27	335
		195,252
LIABILITIES		
Trade and other payables		(124,889)
Borrowings		(19,689)
Provision for taxation		(268)
		(144,846)
Net identifiable assets		50,406
Gain on disposal of associates	38	(8,989)
Transferred from shareholders' equity		
– Foreign currency translation		(10,156)
– Net loss on revaluation of financial investments available-for-sale		(149)
– Other reserves		562
Interest in associates		(25,031)
		(43,763)
Goodwill on acquisition	20	42,393
Cash and short-term funds paid on acquisition		49,036
Less: Cash of subsidiary acquired		(1,360)
Net cash outflow on acquisition		47,676

17. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(a) Acquisition of a Call Option of Maybank Kim Eng Securities Joint Stock Company (formerly known as Kim Eng Vietnam Securities Joint Stock Company) ("KEVS") (cont'd.)

(i) The fair values of the identifiable assets and liabilities of KEVS as at the date of acquisition were as follows (cont'd.):

The purchase price allocation for the acquisition of KEVS during the financial year ended 31 December 2012 was on provisional basis as the Group has sought an independent valuation for the identifiable assets and liabilties owned by KEVS. The results of the valuation have not been received as at the reporting date.

(b) Incorporation of Maybank (Cambodia) Plc.

On 23 March 2012, Maybank's existing Cambodia branch was locally incorporated as Maybank (Cambodia) Plc., is a wholly-owned subsidiary of the Bank.

On 2 April 2012, the Bank injected additional USD12,239,000 (or equivalent amount of approximately RM37,384,000) in bringing the total capital of Maybank (Cambodia) Plc. to USD50.0 million (or equivalent amount of approximately RM152,725,000).

(c) Capital injection into Aseamlease Berhad, a wholly-owned subsidiary of the Bank.

On 2 March 2012, the Bank injected additional capital of RM31,000,000 to Aseamlease Berhad to support its acquisition of Maybank Asset Management Sdn. Bhd. (formerly known as Maybank Investment Management Sdn. Bhd.) ("MAM") from Maybank Ageas Holdings Berhad ("MAHB"), as part of the realignment and restructuring exercise of the Asset Management Group.

(d) Disposal of Maybank Asset Management Sdn. Bhd. (formerly known as Maybank Investment Management Sdn. Bhd.) ("MAM") to Aseamlease Berhad, a wholly-owned subsidiary of the Bank.

On 2 March 2012, MAHB, an indirect subsidiary of the Bank through Etiqa International Holdings Sdn. Bhd., a wholly-owned subsidiary of the Bank, completed the disposal of MAM to Aseamlease Berhad.

The transaction comprised of the sale of 5,000,000 ordinary shares in MAM, representing 100% of the issued and paid-up capital of MAM for a total cash consideration of RM33.0 million.

(e) Subscription of rights issue of 22,120,000 ordinary shares of RM1.00 each issued by Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank.

On 24 April 2012, the Bank subscribed to a rights issue of 22,120,000 new ordinary shares of RM1.00 each issued by Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank, at an issue price of RM10.00 per ordinary share for a total consideration of RM221,200,000.

(f) Disposal of AsianLife Financial Assurance Corporation ("ALFA"), an indirect subsidiary of Maybank Kim Eng Holdings Limited.

On 31 May 2012, Maybank announced that AsianLife & General Assurance Corporation ("ALGA"), an indirect subsidiary of Maybank, had on 17 May 2012, entered into a share purchase agreement with STI Investments, Inc. for the disposal of 12,249,999,986 fully paid common shares of ALFA, representing approximately 70% of the total outstanding common shares of ALFA for a total consideration of Philippines Peso ("PhP") 428.4 million (or approximately RM31.0 million based on the prevailing exchange rate of RM1:PhP13.81 as at 17 May 2012), which is approximately 1.5 times the book value of ALFA as at 31 December 2011.

17. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(f) Disposal of AsianLife Financial Assurance Corporation ("ALFA"), an indirect subsidiary of Maybank Kim Eng Holdings Limited (cont'd.)

Further details of the disposal are disclosed in Note 55(j).

(i) The disposal had the following effects on the statement of financial position of the Group as at 31 December 2012:

	Note	Effects of disposal RM'000
Total assets (including goodwill)		121,691
Total liabilities		(81,033)
Identifiable net assets		40,658
Less: Non-controlling interests		(7,397)
Identifiable net assets disposed		33,261
Gain on disposal of subsidiary	38	806
Transferred from shareholders' equity		
– Foreign currency translation		11
Cash proceeds from disposal		34,078
Less: Cash and short-term funds of subsidiary disposed		(9,173)
Net cash inflow on disposal		24,905

17. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(g) In the previous financial period ended 31 December 2011, Maybank Kim Eng Holdings Limited ("MKEH"), a wholly-owned subsidiary of Maybank IB Holdings Sdn. Bhd. (formerly known as Mayban IB Holdings Sdn. Bhd.) which in turn is a wholly-owned subsidiary of Maybank, completed the acquisition of Maybank ATR Kim Eng Financial Corporation ("MATRKE"), as disclosed in Note 55(a).

MATRKE is incorporated in Philippines and is listed on the Philippine Stock Exchange, Inc.. The principal business activities of MATRKE, its subsidiaries, associates and joint ventures (the "MATRKE Group") are securities broking, investment banking and corporate finance advisory, insurance, property development and money broking.

(i) The fair values of the identifiable assets and liabilities of MATRKE as at the date of acquisition were as follows:

	Note	Recognised acquisition values RM'000
ASSETS		
Cash and cash equivalents		118,671
Property, plant and equipment	19	12,354
Financial investments portfolio*		44,798
Trade and other receivables		180,152
Development properties for sale	14	61,054
Interest in associates		9,081
Intangible assets	20	59,700
Investment properties	15	17,652
Deferred tax		8,333
Other assets		29,828
		541,623
LIABILITIES		
Trade and other payables		(143,015)
Deferred tax		(34,553)
Provision for taxation		(4,146)
Borrowings		(24,931)
Other liabilities		(58,243)
		(264,888)
Net identifiable assets		276,735
Non-controlling interests		(70,179)
Profit on remeasurement of previously held interest		(40,960)
Interest in associates		(95,068)
		70,528
Goodwill on acquisition	20	34,673

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

17. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(g) (ii) The effect of the acquisition on cash flow is as follows:

	RM'000
Purchase consideration satisfied by cash	105,201
Direct costs attributable to the acquisition, paid in cash	135
	105,336
Cash and cash equivalents of subsidiaries acquired	(118,671)
Net cash inflow on acquisition	(13,335)

(iii) The newly acquired subsidiaries contributed the results to the Group as follows:

	RM'000
Revenue	73,922
Profit before taxation	3,369

(iv) The newly acquired subsidiaries would have contributed the following results to the Group had the acquisition taken place at the beginning of the financial period ended 31 December 2011.

	RM'000
Revenue	89,966
Profit before taxation	5,687

(h) Liquidation of Maydis Berhad ("Maydis"), a wholly-owned subsidiary of the Bank.

On 10 December 2010, Maydis Berhad ("Maydis") was placed under member's voluntary liquidation. Maydis was previously engaged in the business of a discount house and has been dormant since 2005. The liquidation of Maydis is part of the corporate rationalisation exercise at Maybank Investment Bank Berhad ("Maybank IB") which aims to unlock value in its dormant subsidiaries and streamline Maybank IB group's capital structure.

During the financial year, the liquidation of Maydis Berhad was finalised. The Bank's cost of investment in Maydis ended 31 December 2012 which amounted to RM15,574,000 and accumulated impairment loss of RM14,917,000 was written off. Realisation of net assets received from liquidation amounted to RM998,000 and a gain of RM341,000 was recognised in the income statements.

(i) Details of subsidiaries are disclosed in Note 58(a).

18. INTEREST IN ASSOCIATES

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
EQUITY INTEREST			
Unquoted shares, at cost	**479,073**	505,621	591,224
Quoted shares, at cost	**2,864,864**	2,864,864	2,864,864
Unquoted foreign mandatory convertible private debt securities	**19,038**	19,038	19,038
Exchange differences	**(1,040,729)**	(819,706)	(828,697)
	2,322,246	2,569,817	2,646,429
Share of post-acquisition reserves	**253,950**	177,828	134,408
	2,576,196	2,747,645	2,780,837
Less: Accumulated impairment losses	**(353,337)**	(353,557)	(353,557)
	2,222,859	2,394,088	2,427,280
OTHER INTEREST IN ASSOCIATES			
Unquoted foreign private debt securities	**12,374**	12,374	12,374
	2,235,233	2,406,462	2,439,654
Market value of quoted shares	**1,112,093**	794,655	969,669

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
EQUITY INTEREST			
Unquoted shares, at cost	**475,100**	475,100	473,000
Unquoted foreign mandatory convertible private debt securities	**19,038**	19,038	19,038
	494,138	494,138	492,038
Less: Accumulated impairment losses	**(50,000)**	(50,000)	(50,000)
	444,138	444,138	442,038
OTHER INTEREST IN ASSOCIATES			
Unquoted foreign private debt securities	**12,374**	12,374	12,374
	456,512	456,512	454,412

18. INTEREST IN ASSOCIATES (CONT'D.)

(a) The summarised financial information of the associates are as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Statement of financial position			
Total assets	**29,479,003**	29,226,539	27,353,797
Total liabilities	**(25,416,816)**	(25,125,506)	(23,662,716)

	Group	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Income statement		
Revenue	**4,661,341**	2,085,305
Profit after taxation	**783,655**	394,023

(b) Details of the associates are disclosed in Note 58(b).

(c) In the previous financial year ended 30 June 2011, the financial year end of the above associates are coterminous with those of the Group, except for UzbekLeasing International A.O., Pelaburan Hartanah Nasional Berhad, An Binh Commercial Joint Stock Bank, Asian Forum Inc. and MCB Bank Limited, which all have a financial year end of 31 December to conform with their holding companies' financial year end and/or local regulatory requirement. For the purpose of applying the equity method of accounting, the financial statements of UzbekLeasing International A.O., Pelaburan Hartanah Nasional Berhad, An Binh Commercial Joint Stock Bank, Asian Forum Inc. and MCB Bank Limited for the year ended 31 December 2010 have been used and appropriate adjustments have been made for the effects of significant transactions between 31 December 2010 and 30 June 2011.

However, in the financial period ended 31 December 2011, the Group has changed its financial year from 30 June to 31 December and hence the financial year end of the abovementioned associates are coterminous with the Group.

18. INTEREST IN ASSOCIATES (CONT'D.)

(d) The details of goodwill included within the Group's carrying amount of interest in associates are as follows:

	Group	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
At 1 January 2012/1 July 2011	1,623,427	1,614,655
Exchange differences	(158,164)	8,772
At 31 December	1,465,263	1,623,427

19. PROPERTY, PLANT AND EQUIPMENT

Group As at 31.12.2012	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
COST							
At 1 January 2012							
– as reported under FRS	2,074,834	853,381	1,496,942	163,678	49,297	93,059	4,731,191
– effects of adoption of MFRS (Note 2.4(vii)(a))	58,989	37,687	26,095	17,656	420	8,020	148,867
– effects of changes in accounting policies (Note 2.4(vii)(a))	–	–	(217,796)	–	–	–	(217,796)
At 1 January 2012, under MFRS	2,133,823	891,068	1,305,241	181,334	49,717	101,079	4,662,262
Acquisition of subsidiaries (Note 17(a)(i))	–	3,867	3,215	–	452	–	7,534
Additions	35,835	121,923	127,289	7,543	16,928	130,117	439,635
Disposal of subsidiaries (Note 17(f))	–	(1,246)	(3,072)	–	(107)	–	(4,425)
Disposals	(5,176)	(83,400)	(102,436)	(13,304)	(9,467)	(2,072)	(215,855)
Write-offs (Note 39)	–	(70,453)	(58,724)	(1,005)	(1,918)	–	(132,100)
Reclassification of assets	5,237	97,236	1,929	14,977	175	(119,554)	–
Reclassification to intangible assets (Note 20)	–	–	(3,642)	–	–	(5,176)	(8,818)
Transferred from investment properties (Note 15)	2,670	–	–	–	–	–	2,670
Exchange differences	(2,812)	(20,282)	(12,241)	351	(1,641)	(176)	(36,801)
At 31 December 2012	2,169,577	938,713	1,257,559	189,896	54,139	104,218	4,714,102

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group As at 31.12.2012 (cont'd.)	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 January 2012							
— as reported under FRS	456,043	612,821	1,122,825	138,193	28,775	–	2,358,657
— effects of adoption of MFRS (Note 2.4(vii)(a))	11,922	32,697	25,900	15,232	371	–	86,122
At 1 January 2012, under MFRS	467,965	645,518	1,148,725	153,425	29,146	–	2,444,779
Acquisition of subsidiaries (Note 17(a)(i))	–	2,898	2,273	–	243	–	5,414
Charge for the year (Note 39)	41,113	92,015	74,728	6,788	9,002	–	223,646
Disposal of subsidiaries	–	(1,164)	(2,055)	–	(50)	–	(3,269)
Disposals	(1,623)	(81,543)	(102,355)	(12,603)	(6,744)	–	(204,868)
Write-offs (Note 39)	–	(70,272)	(58,709)	(974)	(1,918)	–	(131,873)
Reclassification of assets	–	(1,161)	793	192	176	–	–
Reclassification to intangible assets (Note 20)	–	–	(3,642)	–	–	–	(3,642)
Transferred from investment properties (Note 15)	142	–	–	–	–	–	142
Exchange differences	753	(10,583)	(8,735)	518	(1,001)	–	(19,048)
At 31 December 2012	508,350	575,708	1,051,023	147,346	28,854	–	2,311,281
Analysed as:							
Accumulated depreciation	501,023	575,704	1,051,023	147,346	28,854	–	2,303,950
Accumulated impairment losses	7,327	4	–	–	–	–	7,331
	508,350	575,708	1,051,023	147,346	28,854	–	2,311,281
Net carrying amount							
At 31 December 2012	1,661,227	363,005	206,536	42,550	25,285	104,218	2,402,821

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group As at 31.12.2011	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
COST							
At 1 July 2011							
– as reported under FRS	2,032,742	822,217	1,373,209	162,902	45,039	56,669	4,492,778
– effects of adoption of MFRS (Note 2.4(vii)(a))	58,989	37,251	25,961	14,899	420	28,809	166,329
– effects of changes in accounting policies (Note 2.4(vii)(a))	–	–	(127,089)	–	–	–	(127,089)
At 1 July 2011, under MFRS	2,091,731	859,468	1,272,081	177,801	45,459	85,478	4,532,018
Acquisition of subsidiaries (Note 17(g)(i))	10,033	7,631	4,109	1	4,016	–	25,790
Additions	40,376	54,821	69,499	6,436	6,538	48,517	226,187
Disposals	(2,278)	(9,936)	(15,397)	–	(6,205)	(3,757)	(37,573)
Write-offs (Note 39)	(3,335)	(26,825)	(26,842)	(2,827)	(433)	–	(60,262)
Reclassification of assets	–	4,774	1,240	(42)	–	(5,972)	–
Reclassification to intangible assets (Note 20)	–	–	–	–	–	(23,198)	(23,198)
Exchange differences	(2,704)	1,135	551	(35)	342	11	(700)
At 31 December 2011	2,133,823	891,068	1,305,241	181,334	49,717	101,079	4,662,262

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group As at 31.12.2011 (cont'd.)	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 July 2011							
– as reported under FRS	435,496	595,600	1,128,610	138,113	25,973	–	2,323,792
– effects of adoption of MFRS (Note 2.4(vii)(a))	11,388	30,456	25,926	14,887	352	–	83,009
At 1 July 2011, under MFRS	446,884	626,056	1,154,536	153,000	26,325	–	2,406,801
Acquisition of subsidiaries (Note 17(g)(i))	2,923	6,428	2,205	–	1,880	–	13,436
Charge for the period (Note 39)	19,759	45,460	31,746	2,619	4,779	–	104,363
Disposals	(454)	(7,888)	(15,048)	–	(3,760)	–	(27,150)
Write-offs (Note 39)	(1,292)	(26,605)	(26,839)	(2,506)	(338)	–	(57,580)
Reclassification of assets	–	(1,053)	1,053	–	–	–	–
Exchange differences	145	3,120	1,072	312	260	–	4,909
At 31 December 2011	467,965	645,518	1,148,725	153,425	29,146	–	2,444,779
Analysed as:							
Accumulated depreciation	460,638	645,514	1,148,725	153,425	29,146	–	2,437,448
Accumulated impairment losses	7,327	4	–	–	–	–	7,331
	467,965	645,518	1,148,725	153,425	29,146	–	2,444,779
Net carrying amount							
At 31 December 2011	1,665,858	245,550	156,516	27,909	20,571	101,079	2,217,483

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group As at 31.12.2012	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	Buildings on Leasehold Land 50 Years or More RM'000	Leasehold Land Less Than 50 Years RM'000	Leasehold Land 50 Years or More RM'000	Total RM'000
*** Properties consist of:**							
COST							
At 1 January 2012							
– as reported under FRS	109,985	476,659	365,646	604,537	168,477	349,530	2,074,834
– effects of adoption of MFRS (Note 2.4(vii)(a))	800	1,305	–	45,027	–	11,857	58,989
At 1 January 2012, under MFRS	110,785	477,964	365,646	649,564	168,477	361,387	2,133,823
Additions	–	212	1,851	21,987	587	11,198	35,835
Disposals	(470)	(2,495)	(1,592)	–	(81)	(538)	(5,176)
Reclassification of assets	(496)	4,470	610	157	(3,199)	3,695	5,237
Transferred from investment properties (Note 15)	–	2,670	–	–	–	–	2,670
Exchange differences	170	280	(9,050)	12,868	(10,474)	3,394	(2,812)
At 31 December 2012	109,989	483,101	357,465	684,576	155,310	379,136	2,169,577

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group As at 31.12.2012 (cont'd.)	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	Buildings on Leasehold Land 50 Years or More RM'000	Leasehold Land Less Than 50 Years RM'000	Leasehold Land 50 Years or More RM'000	Total RM'000
*** Properties consist of (cont'd.):**							
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 January 2012							
– as reported under FRS	–	183,628	118,420	118,388	5,088	30,519	456,043
– effects of adoption of MFRS (Note 2.4(vii)(a))	–	537	–	9,906	–	1,479	11,922
At 1 January 2012, under MFRS	–	184,165	118,420	128,294	5,088	31,998	467,965
Charge for the year	–	10,683	12,153	12,906	1,552	3,819	41,113
Disposals	–	(898)	(576)	–	(13)	(136)	(1,623)
Reclassification of assets	–	(288)	185	103	(4)	4	–
Transferred from investment properties (Note 15)	–	142	–	–	–	–	142
Exchange differences	–	183	(3,318)	3,349	37	502	753
At 31 December 2012	–	193,987	126,864	144,652	6,660	36,187	508,350
Analysed as:							
Accumulated depreciation	–	187,954	126,542	143,680	6,660	36,187	501,023
Accumulated impairment losses	–	6,033	322	972	–	–	7,327
	–	193,987	126,864	144,652	6,660	36,187	508,350
Net carrying amount							
At 31 December 2012	**109,989**	**289,114**	**230,601**	**539,924**	**148,650**	**342,949**	**1,661,227**

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group As at 31.12.2011	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land: Less Than 50 Years RM'000	Buildings on Leasehold Land: 50 Years or More RM'000	Leasehold Land: Less Than 50 Years RM'000	Leasehold Land: 50 Years or More RM'000	Total RM'000
* Properties consist of (cont'd.):							
COST							
At 1 July 2011							
— as reported under FRS	112,779	456,012	347,032	577,041	169,113	370,765	2,032,742
— effects of adoption of MFRS (Note 2.4(vii)(a))	800	1,305	—	45,027	—	11,857	58,989
At 1 July 2011, under MFRS	113,579	457,317	347,032	622,068	169,113	382,622	2,091,731
Acquisition of subsidiaries	—	10,033	—	—	—	—	10,033
Additions	—	8,091	2,138	30,147	—	—	40,376
Disposals	(973)	(1,305)	—	—	—	—	(2,278)
Write-offs	—	—	(3,335)	—	—	—	(3,335)
Reclassification of assets	(1,915)	1,915	20,431	—	—	(20,431)	—
Exchange differences	94	1,913	(620)	(2,651)	(636)	(804)	(2,704)
At 31 December 2011	110,785	477,964	365,646	649,564	168,477	361,387	2,133,823

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group As at 31.12.2011 (cont'd.)	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	Buildings on Leasehold Land 50 Years or More RM'000	Leasehold Land Less Than 50 Years RM'000	Leasehold Land 50 Years or More RM'000	Total RM'000
* Properties consist of (cont'd.):							
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 July 2011							
– as reported under FRS	–	175,519	111,180	113,593	3,804	31,400	435,496
– effects of adoption of MFRS (Note 2.4(vii)(a))	–	528	–	9,456	–	1,404	11,388
At 1 July 2011, under MFRS	–	176,047	111,180	123,049	3,804	32,804	446,884
Acquisition of subsidiaries	–	2,923	–	–	–	–	2,923
Charge for the period	–	5,205	6,085	5,280	1,289	1,900	19,759
Disposals	–	(454)	–	–	–	–	(454)
Write-offs	–	–	(1,292)	–	–	–	(1,292)
Reclassification of assets	–	–	2,692	–	–	(2,692)	–
Exchange differences	–	444	(245)	(35)	(5)	(14)	145
At 31 December 2011	–	184,165	118,420	128,294	5,088	31,998	467,965
Analysed as:							
Accumulated depreciation	–	178,132	118,098	127,322	5,088	31,998	460,638
Accumulated impairment losses	–	6,033	322	972	–	–	7,327
	–	184,165	118,420	128,294	5,088	31,998	467,965
Net carrying amount							
At 31 December 2011	110,785	293,799	247,226	521,270	163,389	329,389	1,665,858

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank As at 31.12.2012	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
COST							
At 1 January 2012							
– as reported under FRS	1,135,488	562,693	1,128,704	133,546	11,180	90,882	3,062,493
– effects of changes in accounting policies (Note 2.4(vii)(a))	–	–	(215,612)	–	–	–	(215,612)
At 1 January 2012, under MFRS	1,135,488	562,693	913,092	133,546	11,180	90,882	2,846,881
Additions	1,477	47,327	72,494	1,754	4,050	119,926	247,028
Disposals	(5,176)	(663)	(1,403)	(58)	(486)	–	(7,786)
Write-offs (Note 39)	–	(50,045)	(39,558)	(1,005)	(1,653)	–	(92,261)
Reclassification of assets	5,035	96,722	107	14,977	–	(116,841)	–
Transferred to a newly incorporated subsidiary (Note 17(b))	–	(10,110)	(3,224)	(453)	(845)	–	(14,632)
Exchange differences	8,120	1,027	142	182	(39)	48	9,480
At 31 December 2012	1,144,944	646,951	941,650	148,943	12,207	94,015	2,988,710
ACCUMULATED DEPRECIATION							
At 1 January 2012	344,734	460,876	836,238	113,258	8,496	–	1,763,602
Charge for the year (Note 39)	21,644	47,605	42,711	5,608	1,587	–	119,155
Disposals	(1,623)	(377)	(1,341)	(57)	(486)	–	(3,884)
Write-offs (Note 39)	–	(50,006)	(39,543)	(974)	(1,653)	–	(92,176)
Reclassification of assets	–	(220)	29	191	–	–	–
Transferred to a newly incorporated subsidiary (Note 17(b))	–	(4,727)	(1,876)	(202)	(464)	–	(7,269)
Exchange differences	2,063	1,048	281	121	(19)	–	3,494
At 31 December 2012	366,818	454,199	836,499	117,945	7,461	–	1,782,922
Net carrying amount							
At 31 December 2012	778,126	192,752	105,151	30,998	4,746	94,015	1,205,788

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank As at 31.12.2011	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
COST							
At 1 July 2011							
– as reported under FRS	1,138,583	554,871	1,007,971	135,529	10,942	47,246	2,895,142
– effects of changes in accounting policies (Note 2.4(vii)(a))	–	–	(125,249)	–	–	–	(125,249)
At 1 July 2011, under MFRS	1,138,583	554,871	882,722	135,529	10,942	47,246	2,769,893
Additions	596	12,964	37,356	772	468	45,676	97,832
Disposals	(2,278)	(12)	(3,576)	–	(319)	–	(6,185)
Write-offs (Note 39)	–	(7,496)	(3,784)	(2,714)	–	–	(13,994)
Reclassification of assets	–	2,061	(37)	–	–	(2,024)	–
Exchange differences	(1,413)	305	411	(41)	89	(16)	(665)
At 31 December 2011	1,135,488	562,693	913,092	133,546	11,180	90,882	2,846,881
ACCUMULATED DEPRECIATION							
At 1 July 2011	334,740	445,392	823,296	113,567	7,964	–	1,724,959
Charge for the period (Note 39)	10,796	22,930	20,017	2,162	737	–	56,642
Disposals	(454)	(10)	(3,576)	–	(275)	–	(4,315)
Write-offs (Note 39)	–	(7,473)	(3,784)	(2,443)	–	–	(13,700)
Exchange differences	(348)	37	285	(28)	70	–	16
At 31 December 2011	344,734	460,876	836,238	113,258	8,496	–	1,763,602
Net carrying amount							
At 31 December 2011	790,754	101,817	76,854	20,288	2,684	90,882	1,083,279

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank As at 31.12.2012	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land		Leasehold Land		Total RM'000
			Less Than 50 Years RM'000	50 Years or More RM'000	Less Than 50 Years RM'000	50 Years or More RM'000	
*** Properties consist of:**							
COST							
At 1 January 2012	102,643	406,270	284,886	251,040	14,323	76,326	1,135,488
Additions	–	212	1,241	24	–	–	1,477
Disposals	(470)	(2,495)	(1,592)	–	(81)	(538)	(5,176)
Reclassification of assets	(496)	4,470	610	(45)	(3,199)	3,695	5,035
Exchange differences	281	425	688	6,218	–	508	8,120
At 31 December 2012	101,958	408,882	285,833	257,237	11,043	79,991	1,144,944
ACCUMULATED DEPRECIATION							
At 1 January 2012	–	164,900	102,930	56,929	4,201	15,774	344,734
Charge for the year	–	8,305	6,711	5,609	215	804	21,644
Disposals	–	(898)	(576)	–	(13)	(136)	(1,623)
Reclassification of assets	–	–	–	–	(4)	4	–
Exchange differences	–	63	498	1,345	–	157	2,063
At 31 December 2012	–	172,370	109,563	63,883	4,399	16,603	366,818
Net carrying amount							
At 31 December 2012	101,958	236,512	176,270	193,354	6,644	63,388	778,126

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank As at 31.12.2011	Freehold Land RM'000	Buildings on Freehold Land RM'000	Buildings on Leasehold Land Less Than 50 Years RM'000	Buildings on Leasehold Land 50 Years or More RM'000	Leasehold Land Less Than 50 Years RM'000	Leasehold Land 50 Years or More RM'000	Total RM'000
* Properties consist of (cont'd.):							
COST							
At 1 July 2011	105,599	405,453	263,895	252,435	14,323	96,878	1,138,583
Additions	–	–	596	–	–	–	596
Disposals	(973)	(1,305)	–	–	–	–	(2,278)
Reclassification of assets	(1,915)	1,915	20,431	–	–	(20,431)	–
Exchange differences	(68)	207	(36)	(1,395)	–	(121)	(1,413)
At 31 December 2011	102,643	406,270	284,886	251,040	14,323	76,326	1,135,488
ACCUMULATED DEPRECIATION							
At 1 July 2011	–	161,212	96,833	54,503	3,804	18,388	334,740
Charge for the period	–	4,154	3,440	2,690	398	114	10,796
Disposals	–	(454)	–	–	–	–	(454)
Reclassification of assets	–	–	2,692	–	–	(2,692)	–
Exchange differences	–	(12)	(35)	(264)	(1)	(36)	(348)
At 31 December 2011	–	164,900	102,930	56,929	4,201	15,774	344,734
Net carrying amount							
At 31 December 2011	102,643	241,370	181,956	194,111	10,122	60,552	790,754

20. INTANGIBLE ASSETS

Group As at 31.12.2012	Goodwill RM'000	Core Deposit Intangibles RM'000	Agency Force RM'000	Customer Relation-ship RM'000	Computer Software RM'000	Software-In-Development RM'000	Total RM'000
COST							
At 1 January 2012							
– as reported under FRS	7,650,919	373,100	82,742	149,996	544,729	–	8,801,486
– effects of adoption of MFRS (Note 2.4(vii)(a))	–	–	–	–	66,414	–	66,414
– effects of changes in accounting policies (Note 2.4(vii)(a))	–	–	–	–	–	217,796	217,796
At 1 January 2012, under MFRS	7,650,919	373,100	82,742	149,996	611,143	217,796	9,085,696
Acquisition of subsidiaries (Note 17(a)(i))	42,393	–	–	–	–	–	42,393
Additions	–	–	–	–	69,339	322,329	391,668
Disposals	–	–	–	–	(46,393)	–	(46,393)
Disposal of subsidiaries (Note 17(f))	(6,615)	–	–	(1,376)	–	–	(7,991)
Write-offs (Note 39)	–	–	–	–	(2,392)	–	(2,392)
Transfers	–	–	–	–	186,118	(186,118)	–
Reclassification from property, plant and equipment (Note 19)	–	–	–	–	8,818	–	8,818
Exchange differences	(478,626)	(35,178)	–	1,399	(4,982)	136	(517,251)
At 31 December 2012	7,208,071	337,922	82,742	150,019	821,651	354,143	8,954,548

20. INTANGIBLE ASSETS (CONT'D.)

Group As at 31.12.2012 (cont'd.)	Goodwill RM'000	Core Deposit Intangibles RM'000	Agency Force RM'000	Customer Relationship RM'000	Computer Software RM'000	Software-In-Development RM'000	Total RM'000
ACCUMULATED AMORTISATION							
At 1 January 2012							
– as reported under FRS	–	241,709	9,805	16,125	406,380	–	674,019
– effects of adoption of MFRS (Note 2.4(vii)(a))	–	–	–	–	44,106	–	44,106
At 1 January 2012, under MFRS	–	241,709	9,805	16,125	450,486	–	718,125
Amortisation charged for the year (Note 39)	–	38,869	14,493	28,144	64,715	–	146,221
Disposals	–	–	–	–	(45,963)	–	(45,963)
Write-offs (Note 39)	–	–	–	–	(2,392)	–	(2,392)
Reclassification from property, plant and equipment (Note 19)	–	–	–	–	3,642	–	3,642
Exchange differences	–	(24,331)	406	720	7,266	–	(15,939)
At 31 December 2012	–	256,247	24,704	44,989	477,754	–	803,694
ACCUMULATED IMPAIRMENT LOSSES							
At 1 January 2012/ 31 December 2012	1,619,518	–	–	–	–	–	1,619,518
Net carrying amount							
At 31 December 2012	5,588,553	81,675	58,038	105,030	343,897	354,143	6,531,336

20. INTANGIBLE ASSETS (CONT'D.)

Group As at 31.12.2011	Goodwill RM'000	Core Deposit Intangibles RM'000	Agency Force RM'000	Customer Relation-ship RM'000	Computer Software RM'000	Software-In-Development RM'000	Total RM'000
COST							
At 1 July 2011							
– as reported under FRS	7,669,418	375,232	82,742	90,296	528,781	–	8,746,469
– effects of adoption of MFRS (Note 2.4(vii)(a))	–	–	–	–	43,291	528	43,819
– effects of changes in accounting policies (Note 2.4(vii)(a))	–	–	–	–	–	127,089	127,089
At 1 July 2011, under MFRS	7,669,418	375,232	82,742	90,296	572,072	127,617	8,917,377
Acquisition of subsidiaries (Note 17(g)(i))	34,673	–	–	59,700	–	–	94,373
Additions	–	–	–	–	27,048	103,348	130,396
Write-offs (Note 39)	(15,708)	–	–	–	(19,582)	(886)	(36,176)
Transfers	–	–	–	–	12,191	(12,191)	–
Reclassification from property, plant and equipment (Note 19)	–	–	–	–	23,198	–	23,198
Exchange differences	(37,464)	(2,132)	–	–	(3,784)	(92)	(43,472)
At 31 December 2011	7,650,919	373,100	82,742	149,996	611,143	217,796	9,085,696
ACCUMULATED AMORTISATION							
At 1 July 2011							
– as reported under FRS	–	220,246	–	–	397,657	–	617,903
– effects of adoption of MFRS (Note 2.4(vii)(a))	–	–	–	–	42,002	–	42,002
At 1 July 2011, under MFRS	–	220,246	–	–	439,659	–	659,905
Amortisation charged for the period (Note 39)	–	22,801	9,848	16,196	29,265	–	78,110
Write-offs (Note 39)	–	–	–	–	(19,582)	–	(19,582)
Exchange differences	–	(1,338)	(43)	(71)	1,144	–	(308)
At 31 December 2011	–	241,709	9,805	16,125	450,486	–	718,125
ACCUMULATED IMPAIRMENT LOSSES							
At 1 July 2011/ 31 December 2011	1,619,518	–	–	–	–	–	1,619,518
Net carrying amount							
At 31 December 2011	6,031,401	131,391	72,937	133,871	160,657	217,796	6,748,053

20. INTANGIBLE ASSETS (CONT'D.)

Bank As at 31.12.2012	Goodwill RM'000	Computer Software RM'000	Software-In-Development RM'000	Total RM'000
COST				
At 1 January 2012				
– as reported under FRS	81,015	413,387	–	494,402
– effects of changes in accounting policies (Note 2.4(vii)(a))	–	–	215,612	215,612
At 1 January 2012, under MFRS	81,015	413,387	215,612	710,014
Additions	–	32,248	322,239	354,487
Transfers	–	184,671	(184,671)	–
Transferred to a newly incorporated subsidiary (Note 17(b))	–	(433)	–	(433)
Exchange differences	–	1,177	373	1,550
At 31 December 2012	81,015	631,050	353,553	1,065,618
ACCUMULATED AMORTISATION				
At 1 January 2012	–	320,469	–	320,469
Amortisation charged for the year (Note 39)	–	47,629	–	47,629
Transferred to a newly incorporated subsidiary (Note 17(b))	–	(395)	–	(395)
Exchange differences	–	849	–	849
At 31 December 2012	–	368,552	–	368,552
Net carrying amount				
At 31 December 2012	81,015	262,498	353,553	697,066

20. INTANGIBLE ASSETS (CONT'D.)

Bank As at 31.12.2011	Goodwill RM'000	Computer Software RM'000	Software-In-Development RM'000	Total RM'000
COST				
At 1 July 2011				
– as reported under FRS	81,015	395,571	–	476,586
– effects of changes in accounting policies (Note 2.4(vii)(a))	–	–	125,249	125,249
At 1 July 2011, under MFRS	81,015	395,571	125,249	601,835
Additions	–	5,653	102,608	108,261
Transfers	–	12,191	(12,191)	–
Exchange differences	–	(28)	(54)	(82)
At 31 December 2011	81,015	413,387	215,612	710,014
ACCUMULATED AMORTISATION				
At 1 July 2011	–	299,316	–	299,316
Amortisation charged for the period (Note 39)	–	21,136	–	21,136
Exchange differences	–	17	–	17
At 31 December 2011	–	320,469	–	320,469
Net carrying amount				
At 31 December 2011	81,015	92,918	215,612	389,545

20. INTANGIBLE ASSETS (CONT'D.)

(a) **Goodwill**

Goodwill has been allocated to the Group's Cash-Generating Units ("CGUs") identified according to the following business segments:

	Note	Group As at 31.12.2012 RM'000	Group As at 31.12.2011 RM'000	Group As at 1.7.2011 RM'000
American Express ("AMEX") card services business in Malaysia	(i)	**81,015**	81,015	81,015
Acquisition of PT Bank Internasional Indonesia Tbk ("BII")		**5,807,085**	5,807,085	5,807,085
Impairment losses	(ii)	**(1,619,518)**	(1,619,518)	(1,619,518)
		4,187,567	4,187,567	4,187,567
Acquisition of Maybank Kim Eng Holdings Limited ("MKEH")	(iii)	**1,931,763**	1,931,763	1,947,471
Acquisition of subsidiaries in MKEH Group (Note 17 (a)(i) and (g)(i))		**77,066**	34,673	–
Disposal of subsidiaries (Note 17(f))		**(6,615)**	–	–
		70,451	34,673	–
Less: Exchange differences		**(682,243)**	(203,617)	(166,153)
		5,588,553	6,031,401	6,049,900

	Note	Bank As at 31.12.2012 RM'000	Bank As at 31.12.2011 RM'000	Bank As at 1.7.2011 RM'000
American Express ("AMEX") card services business in Malaysia	(i)	**81,015**	81,015	81,015

20. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill (cont'd.)

Goodwill is allocated to the Group's CGUs expected to benefit from the synergies of the acquisitions. The recoverable amount of the CGUs are assessed based on value-in-use and compared to the carrying value of the CGUs to determine whether any impairment exists. Impairment is recognised in the income statement when the carrying amount of the CGUs exceeds its recoverable amount.

(i) The value-in-use calculations apply discounted cash flow projections prepared and approved by management, covering a 10-year period.

The other key assumptions for the computation of value-in-use are as follows:

(a) The Bank expects the AMEX card services business to be a going concern;

(b) The growth in business volume is expected to be equivalent to the current industry growth rate of 15.0% per annum; and

(c) The discount rate applied is the internal weighted average cost of capital of the Bank at the time of assessment, which was estimated to be 8.7% per annum.

(ii) The value-in-use calculations discounted cash flow model uses free cash flow to equity ("FCFE") projections prepared and approved by management covering a 9-year period. The compounded annual growth rate ("CAGR") of BII's FCFE projections was 20.6%.

The other key assumptions for the computation of value-in-use are as follows:

(a) The Bank expects the BII's banking business operations to be a going concern;

(b) The discount rate applied was based on current specific country risks which was estimated to be approximately 14.8% per annum; and

(c) Terminal value whereby cash flow growth rate of 6.0%, which is consistent with the Gross Domestic Product rates of Indonesia.

(iii) During the financial year ended 31 December 2012, there was a reorganisation of reporting structure within Maybank Kim Eng Group ("MKEG") from geographical areas namely Malaysia, Singapore, Thailand, Indonesia, Hong Kong and others, to business pillars namely, Investment Banking and Advisory ("IB&A") and Equities. MKEG comprises mainly Maybank Investment Bank Berhad ("MIBB") and Maybank Kim Eng ("MKE") and MKEG forms the Investment Banking sub-segment within the Global Banking (formerly known as Global Wholesale Banking). This reorganisation is consistent with MKEG's overall strategies as follows:

- Realignment of business model from "country centric" to "product centric";
- Regional business focus; and
- Operating and reporting as a single management unit.

Hence, the value-in-use calculations discounted cash flow model uses free cash flow to the firm ("FCFF") projections prepared and approved by management covering a 5-year period of MIBB and MKE collectively.

The compounded annual growth rate ("CAGR") of MKEG's FCFF projections was approximately 31.5%.

The other key assumptions for the computation of value-in-use are as follows:

(a) The Bank expects MKEG's business operations to be a going concern;

(b) The discount rate applied is the internal weighted average cost of capital of MKEG at the time of assessment, which is estimated to be 10.0% per annum; and

(c) Terminal value whereby cash flow growth rate is 3.0%, which is consistent with the average Gross Domestic Product rate of Malaysia and Singapore, the major MKEG's operating markets.

20. INTANGIBLE ASSET (CONT'D.)

(a) **Goodwill (cont'd.)**

(iii) **(cont'd.)**

In prior years, the value-in-use calculations discounted cash flow model used FCFF projections prepared and approved by management covering a 5-year period of MKE only.

For sensitivity analysis purposes, if the annual cash flows growth rate of MKEG decreased to a constant 5.5% or the discount rate increased by approximately 19.3%, the recoverable amount would be reduced to its carrying amount of the CGU.

(b) **Core Deposit Intangibles ("CDI")**

Core deposit intangibles arises from the acquisition of BII's banking business operations. The CDI is deemed to have a finite useful life of 8 years and the CDI is amortised based on a reducing balance method.

(c) **Agency force**

The agency force arises from the acquisition of MKEH's investment banking business operations. The agency force is deemed to have a finite useful life of 11 years and is amortised based on a reducing balance method.

(d) **Customer relationship**

The customer relationship arises from the acquisition of MKEH's investment banking business operations. The customer relationship is deemed to have a finite useful life of 3 - 9 years and is amortised based on a reducing balance method.

21. DEPOSITS FROM CUSTOMERS

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Fixed deposits and negotiable instruments of deposits			
— One year or less	**196,782,059**	174,473,295	147,574,497
— More than one year	**8,647,667**	8,019,570	5,301,028
	205,429,726	182,492,865	152,875,525
Money market deposits	**16,650,666**	24,001,969	24,614,815
Savings deposits	**50,360,812**	47,084,107	44,128,596
Demand deposits	**71,743,387**	59,023,307	58,517,473
Structured deposits*	**2,970,919**	2,089,997	2,660,725
	347,155,510	314,692,245	282,797,134

21. DEPOSITS FROM CUSTOMERS (CONT'D.)

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Fixed deposits and negotiable instruments of deposits			
— One year or less	**125,296,329**	110,905,963	94,306,204
— More than one year	**7,880,567**	7,405,262	4,547,863
	133,176,896	118,311,225	98,854,067
Money market deposits	**16,650,666**	24,001,969	24,614,815
Savings deposits	**35,261,690**	33,362,552	32,024,849
Demand deposits	**49,689,559**	45,329,984	43,853,536
Structured deposits*	**2,623,268**	1,889,563	2,118,141
	237,402,079	222,895,293	201,465,408

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

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

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Due within six months	**164,637,372**	146,608,734	121,381,269
Six months to one year	**32,144,687**	27,864,561	26,193,228
One year to three years	**8,111,389**	7,561,996	4,876,438
Three years to five years	**536,278**	457,574	424,590
	205,429,726	182,492,865	152,875,525

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Due within six months	**100,671,865**	88,693,115	70,896,420
Six months to one year	**24,624,463**	22,212,848	23,409,784
One year to three years	**7,733,734**	7,252,759	4,414,265
Three years to five years	**146,834**	152,503	133,598
	133,176,896	118,311,225	98,854,067

21. DEPOSITS FROM CUSTOMERS (CONT'D.)

The deposits are sourced from the following types of customers:

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Business enterprises	**157,471,152**	146,908,275	126,292,155
Individuals	**151,607,808**	134,090,970	123,589,127
Government and statutory bodies	**15,575,973**	11,079,037	10,418,229
Others	**22,500,577**	22,613,963	22,497,623
	347,155,510	314,692,245	282,797,134

	Bank		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Business enterprises	**106,585,963**	102,072,245	88,232,244
Individuals	**114,881,786**	104,366,059	96,557,071
Government and statutory bodies	**5,596,117**	3,605,807	3,464,642
Others	**10,338,213**	12,851,182	13,211,451
	237,402,079	222,895,293	201,465,408

22. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Licensed banks	**30,144,507**	33,009,801	23,712,986
Licensed finance companies	**383,162**	219,805	41,326
Licensed investment banks	**236,162**	527,377	429,662
Other financial institutions	**3,123,545**	3,003,995	9,119,681
	33,887,376	36,760,978	33,303,655

22. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS (CONT'D.)

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Licensed banks	**26,106,904**	32,320,588	24,816,195
Licensed finance companies	**337,539**	181,228	30,652
Licensed investment banks	**218,162**	527,377	429,663
Other financial institutions	**2,536,171**	2,526,399	6,165,165
	29,198,776	35,555,592	31,441,675

The maturity structure of deposits and placements from financial institutions are as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
One year or less	**32,037,435**	35,088,093	27,731,454
More than one year	**1,849,941**	1,672,885	5,572,201
	33,887,376	36,760,978	33,303,655

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
One year or less	**27,524,525**	34,036,472	26,060,606
More than one year	**1,674,251**	1,519,120	5,381,069
	29,198,776	35,555,592	31,441,675

23. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES

		Group		
	Note	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Insurance/takaful contract liabilities	(i)	**21,393,755**	19,632,508	18,846,841
Other insurance payables	(ii)	**535,117**	458,400	466,699
		21,928,872	20,090,908	19,313,540

(i) Insurance/takaful contract liabilities

		Group								
		As at 31.12.2012			As at 31.12.2011			As at 1.7.2011		
	Note	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000
Life insurance/family takaful	(a)	**17,446,289**	**(52,334)**	**17,393,955**	16,197,049	(55,790)	16,141,259	15,641,328	(58,047)	15,583,281
General insurance/ general takaful	(b)	**3,947,466**	**(1,931,098)**	**2,016,368**	3,435,459	(1,678,571)	1,756,888	3,205,513	(1,581,469)	1,624,044
		21,393,755	**(1,983,432)**	**19,410,323**	19,632,508	(1,734,361)	17,898,147	18,846,841	(1,639,516)	17,207,325

23. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) **Insurance/takaful contract liabilities (cont'd.)**

(a) **Life insurance/family takaful**

The breakdown of life insurance/family takaful contract liabilities and its movements are further analysed as follows:

(i) **Life insurance/family takaful contract liabilities**

	Group								
	As at 31.12.2012			As at 31.12.2011			As at 1.7.2011		
	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000
Claims liabilities	186,897	(2,698)	184,199	182,387	(2,688)	179,699	170,151	(1,274)	168,877
Actuarial liabilities	13,258,884	(49,636)	13,209,248	12,517,373	(53,102)	12,464,271	12,061,530	(56,773)	12,004,757
Unallocated surplus	2,276,830	–	2,276,830	1,806,456	–	1,806,456	1,713,946	–	1,713,946
Unrealised holding reserve	272,431	–	272,431	261,263	–	261,263	331,473	–	331,473
Qard	36,684	–	36,684	36,684	–	36,684	36,684	–	36,684
Net asset value ("NAV") attributable to unitholders	1,414,563	–	1,414,563	1,392,886	–	1,392,886	1,327,544	–	1,327,544
	17,446,289	(52,334)	17,393,955	16,197,049	(55,790)	16,141,259	15,641,328	(58,047)	15,583,281

23. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd.)

(a) Life insurance/family takaful (cont'd.)

(ii) Movements of life insurance/family takaful contract liabilities and reinsurance/retakaful assets

Group As at 31.12.2012	Gross contract liabilities Claims liabilities RM'000	Actuarial liabilities RM'000	Unallocated surplus RM'000	Unrealised holding reserve RM'000	Qard RM'000	NAV attributable to unitholders RM'000	Total Gross contract liabilities RM'000	Re-insurance/ retakaful assets RM'000	Net contract liabilities RM'000
At 1 January 2012									
– as reported under FRS	–	–	–	–	–	–	–	–	–
– effects of adoption of MFRS (Note 2.4(iii) and (iv))	182,387	12,517,373	1,806,456	261,263	36,684	1,392,886	16,197,049	(55,790)	16,141,259
At 1 January 2012, under MFRS	182,387	12,517,373	1,806,456	261,263	36,684	1,392,886	16,197,049	(55,790)	16,141,259
Net earned premiums	–	–	2,519,831	–	–	599,884	3,119,715	(32,748)	3,086,967
Other revenue	–	–	1,080,533	–	–	77,086	1,157,619	9,527	1,167,146
Experience/benefit variation	2,394	(2,394)	–	–	–	–	–	8,485	8,485
Benefits and claims	2,116	(637,332)	(1,852,246)	–	–	(648,212)	(3,135,674)	14,724	(3,120,950)
Other expenses	–	–	(671,692)	–	–	(738)	(672,430)	–	(672,430)
Adjustments due to changes in:									
– Discounting	–	186,394	(139,136)	–	–	–	47,258	(250)	47,008
– Assumptions	–	24,486	(24,486)	–	–	–	–	(518)	(518)
– Policy movements	–	1,170,399	(316,827)	–	–	–	853,572	4,236	857,808
Exchange differences	–	(42)	126	–	–	(179)	(95)	–	(95)
Changes in unrealised holding reserve	–	–	–	11,622	–	–	11,622	–	11,622
Taxation	–	–	(15,086)	(454)	–	(6,164)	(21,704)	–	(21,704)
Transfer to shareholders' fund	–	–	(133,161)	–	–	–	(133,161)	–	(133,161)
Hibah paid to participants	–	–	22,518	–	–	–	22,518	–	22,518
At 31 December 2012	186,897	13,258,884	2,276,830	272,431	36,684	1,414,563	17,446,289	(52,334)	17,393,955

23. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd.)

(a) Life insurance/family takaful (cont'd.)

(ii) Movements of life insurance/family takaful contract liabilities and reinsurance/retakaful assets (cont'd.)

Group As at 31.12.2011	<---- Gross contract liabilities ---->						Total Gross contract liabilities RM'000	Re-insurance/ retakaful assets RM'000	Net contract liabilities RM'000
	Claims liabilities RM'000	Actuarial liabilities RM'000	Unallocated surplus RM'000	Unrealised holding reserve RM'000	Qard RM'000	NAV attributable to unitholders RM'000			
At 1 July 2011									
– as reported under FRS	–	–	–	–	–	–	–	–	–
– effects of adoption of MFRS (Note 2.4(iii) and (iv))	170,151	12,061,530	1,713,946	331,473	36,684	1,327,544	15,641,328	(58,047)	15,583,281
At 1 July 2011, under MFRS	170,151	12,061,530	1,713,946	331,473	36,684	1,327,544	15,641,328	(58,047)	15,583,281
Net earned premiums	–	–	1,117,474	–	–	282,294	1,399,768	(23,177)	1,376,591
Other revenue	–	–	588,562	–	–	7,078	595,640	6,358	601,998
Experience/benefit variation	20,821	–	–	–	–	–	20,821	–	20,821
Benefits and claims	(8,585)	–	(1,174,271)	–	–	(222,761)	(1,405,617)	15,405	(1,390,212)
Other expenses	–	–	(273,673)	–	–	(527)	(274,200)	–	(274,200)
Adjustments due to changes in:									
– Discounting	–	130,741	(130,741)	–	–	–	–	(345)	(345)
– Policy movements	–	325,055	43,132	–	–	–	368,187	4,016	372,203
Exchange differences	–	47	146	–	–	149	342	–	342
Changes in unrealised holding reserve	–	–	–	(75,682)	–	–	(75,682)	–	(75,682)
Taxation	–	–	(15,850)	5,472	–	(891)	(11,269)	–	(11,269)
Transfer to shareholders' fund	–	–	(50,476)	–	–	–	(50,476)	–	(50,476)
Hibah paid to participants	–	–	(11,793)	–	–	–	(11,793)	–	(11,793)
At 31 December 2011	182,387	12,517,373	1,806,456	261,263	36,684	1,392,886	16,197,049	(55,790)	16,141,259

23. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd.)

(b) General insurance/general takaful

	Group								
	As at 31.12.2012			As at 31.12.2011			As at 1.7.2011		
	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000
Claims liabilities (i)	**2,688,762**	**(1,626,678)**	**1,062,084**	2,219,463	(1,326,194)	893,269	1,905,016	(1,122,862)	782,154
Premiums/contribution liabilities (ii)	**1,137,476**	**(304,420)**	**833,056**	1,128,050	(352,377)	775,673	1,207,808	(458,607)	749,201
Unallocated surplus of general takaful fund	**88,978**	**–**	**88,978**	58,385	–	58,385	58,504	–	58,504
Unrealised holding reserve	**32,250**	**–**	**32,250**	29,561	–	29,561	34,185	–	34,185
	3,947,466	**(1,931,098)**	**2,016,368**	3,435,459	(1,678,571)	1,756,888	3,205,513	(1,581,469)	1,624,044

(i) Claims liabilities

	Group					
	As at 31.12.2012			As at 31.12.2011		
	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000
At 1 January 2012/1 July 2011						
– as reported under FRS	**–**	**–**	**–**	–	–	–
– effects of adoption of MFRS (Note 2.4(iii))	**2,219,463**	**(1,326,194)**	**893,269**	1,905,016	(1,122,862)	782,154
At 1 January 2012/1 July 2011, under MFRS	**2,219,463**	**(1,326,194)**	**893,269**	1,905,016	(1,122,862)	782,154
Claims incurred in the current accident year/period	**1,199,391**	**(396,696)**	**802,695**	437,396	(112,272)	325,124
Adjustment to claims incurred in prior accident year/period due to changes in assumptions	**–**	**–**	**–**	460,465	(159,229)	301,236
Other movements in claims incurred in prior accident year/period	**70,622**	**(88,472)**	**(17,850)**	(584,316)	275,130	(309,186)
Claims paid during the year/period	**(907,562)**	**244,460**	**(663,102)**	(350,803)	73,925	(276,878)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	**(20,942)**	**20,811**	**(131)**	(390)	345	(45)
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	**127,790**	**(80,587)**	**47,203**	352,095	(281,231)	70,864
At 31 December 2012/2011	**2,688,762**	**(1,626,678)**	**1,062,084**	2,219,463	(1,326,194)	893,269

23. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd.)

(b) General insurance/general takaful (cont'd.)

(ii) Premiums/contribution liabilities

	Group					
	As at 31.12.2012			As at 31.12.2011		
	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000
At 1 January 2012/1 July 2011						
– as reported under FRS	–	–	–	–	–	–
– effects of adoption of MFRS (Note 2.4(iii))	1,128,050	(352,376)	775,674	1,207,808	(458,607)	749,201
At 1 January 2012/1 July 2011, under MFRS	1,128,050	(352,376)	775,674	1,207,808	(458,607)	749,201
Premiums/contributions written in the year/period	2,262,991	(864,753)	1,398,238	924,339	(317,655)	606,684
Premiums/contributions earned during the year/period	(2,253,565)	912,709	(1,340,856)	(1,004,097)	423,885	(580,212)
At 31 December 2012/2011	1,137,476	(304,420)	833,056	1,128,050	(352,377)	775,673

(ii) Other insurance payables

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Due to agents and intermediaries	119,110	106,531	119,323
Due to reinsurers and cedants	363,167	287,034	279,766
Due to retakaful operators	52,840	64,835	67,610
	535,117	458,400	466,699

24. OTHER LIABILITIES

		Group		
	Note	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Due to brokers and clients		**1,841,282**	1,216,056	1,782,280
Deposits and other creditors		**4,720,114**	2,674,582	2,985,548
Provision for employee benefits	a	**244,960**	200,352	173,578
Provisions and accruals		**2,731,534**	2,257,064	2,229,708
Profit equalisation reserves (IBS operations)	57(s)	**59,852**	59,852	95,247
		9,597,742	6,407,906	7,266,361

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Deposits and other creditors	**6,988,101**	4,958,097	2,631,835
Provisions and accruals	**1,657,322**	1,393,081	1,608,321
	8,645,423	6,351,178	4,240,156

(a) Provision for employee benefits

(i) The provision for employee benefits are as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Present value of defined benefit obligations	**418,087**	346,437	288,647
Unrecognised amounts of:			
— Actuarial losses	**(174,107)**	(146,868)	(116,364)
— Past service cost	**980**	783	1,295
	244,960	200,352	173,578

24. OTHER LIABILITIES (CONT'D.)

(a) Provision for employee benefits (cont'd.)

(ii) Movements in provision for employee benefits are as follows:

	Group	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
At 1 January 2012/1 July 2011	**200,352**	173,578
Employee benefit expenses (Note 39(a))	**80,530**	37,391
Benefits paid	**(14,055)**	(9,152)
Contribution	**(353)**	(371)
Exchange differences	**(21,514)**	(1,094)
At 31 December	**244,960**	200,352

(iii) The principal assumptions used to determine the estimated costs and obligations are as follows:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Mortality rate	**CSO'80 / TMI'11**	CSO'80 / TMI'99	CSO'80 / TMI'99
Resignation rate (per annum):			
— Age less than 30 years	**5.0% - 10.0%**	5.0% - 10.0%	5.0% - 10.0%
— Age 30 - 34 years	**5.0%**	3.0% - 5.0%	3.0% - 5.0%
— Age 35 - 39 years	**3.0% - 5.0%**	1.8% - 5.0%	1.8% - 5.0%
— Age 40 - 44 years	**2.0% - 5.0%**	1.2% - 5.0%	1.2% - 5.0%
— Age 45 - 50 years	**0.0% - 2.0%**	0.0% - 1.2%	0.0% - 1.2%
— Age 51 years and over	**0.0% - 1.0%**	0.0% - 0.6%	0.0% - 0.6%
Salary increase rate (per annum)	**5.0% - 7.5%**	5.0% - 7.0%	6.0% - 7.0%
Actuarial interest rate (per annum)	**6.0%**	6.0% - 7.0%	8.0% - 9.0%
Remaining years of service of employee	**19 - 22 years**	16 - 23 years	17 - 23 years

24. OTHER LIABILITIES (CONT'D.)

(a) Provision for employee benefits (cont'd.)

(iv) Sensitivity analysis for discount rate risk

A one percentage (1%) point increase or decrease in the assumed discount rate would have the following effects:

- Current service cost to increase by RM10,499,000 or decrease by RM10,601,000 respectively.
- Defined benefit obligations to increase by RM74,387,000 (31 December 2011: RM46,352,000) or decrease by RM69,452,000 (31 December 2011: RM55,755,000) respectively.

25. RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS

	Group	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
At 1 January 2012/1 July 2011		
— as reported under FRS	**715,603**	528,285
— effects of adoption of MFRS (Note 2.4(vii)(a))	**1,499,270**	682,679
At 1 January 2012/1 July 2011, under MFRS	**2,214,873**	1,210,964
Amount sold during the year/period	**—**	1,200,000
Repayment forwarded	**(621,899)**	(196,091)
At 31 December 2012/2011	**1,592,974**	2,214,873

25. RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS (CONT'D.)

	Bank	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
At 1 January 2012/1 July 2011	**715,603**	528,285
Amount sold during the year/period	**–**	200,000
Repayment forwarded	**(27,810)**	(12,682)
At 31 December 2012/2011	**687,793**	715,603

Recourse obligation on loans sold to Cagamas represents those acquired from the originators and sold to Cagamas Berhad with recourse. Under the agreement, the Group and the Bank undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators.

Included in the Group level are the hire purchase financing sold directly to Cagamas Berhad with recourse to Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank.

26. PROVISION FOR TAXATION AND ZAKAT

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Taxation	**1,022,977**	372,398	177,013
Zakat	**28,821**	10,164	5,746
	1,051,798	382,562	182,759

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Taxation	**758,446**	–	–
Zakat	**–**	–	–
	758,446	–	–

27. DEFERRED TAX

	Group	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
At 1 January 2012/1 July 2011, as reported under FRS	**(1,158,329)**	(1,154,813)
– effects of adoption of MFRS (Note 2.4(vii)(a))	**506,748**	479,699
At 1 January 2012/1 July 2011, under MFRS	**(651,581)**	(675,114)
Acquisition of subsidiaries (Note 17(a)(i))	**(335)**	26,353
Recognised in income statements, net (Note 43)	**10,667**	(28,360)
Recognised in other comprehensive income, net	**2,522**	23,387
Disposal of subsidiary	**1,485**	–
Exchange differences	**14,885**	2,153
At 31 December 2012/2011	**(622,357)**	(651,581)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(1,298,871)**	(1,323,606)
Deferred tax liabilities	**676,514**	672,025
	(622,357)	(651,581)

	Bank	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
At 1 January 2012/1 July 2011, as reported under FRS	**(867,163)**	(920,837)
– effects of adoption of MFRS (Note 2.4(vii)(a))	**51,590**	34,353
At 1 January 2012/1 July 2011, under MFRS	**(815,573)**	(886,484)
Recognised in income statements, net (Note 43)	**12,506**	60,269
Recognised in other comprehensive income, net	**(7,973)**	11,549
Exchange differences	**1,025**	(907)
At 31 December 2012/2011	**(810,015)**	(815,573)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(810,015)**	(815,573)
Deferred tax liabilities	**–**	–
	(810,015)	(815,573)

27. DEFERRED TAX (CONT'D.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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

Deferred tax assets of the Group:

As at 31.12.2012	Loan loss and allowances RM'000	Unrealised holding reserve, impairment loss on securities and amortisation of premium RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2012					
– as reported under FRS	**(671,675)**	**7,381**	**(435,906)**	**(321,734)**	**(1,421,934)**
– effects of adoption of MFRS (Note 2.4(vii)(a))	**–**	**100,188**	**–**	**(1,860)**	**98,328**
At 1 January 2012, under MFRS	**(671,675)**	**107,569**	**(435,906)**	**(323,594)**	**(1,323,606)**
Acquisition of subsidiaries	**–**	**(125)**	**–**	**(210)**	**(335)**
Recognised in income statement	**25,088**	**(11,039)**	**(108,997)**	**42,750**	**(52,198)**
Recognised in other comprehensive income	**–**	**62,495**	**–**	**–**	**62,495**
Disposal of subsidiaries	**–**	**–**	**–**	**1,485**	**1,485**
Exchange differences	**(467)**	**1,579**	**7,072**	**5,104**	**13,288**
At 31 December 2012	**(647,054)**	**160,479**	**(537,831)**	**(274,465)**	**(1,298,871)**
As at 31.12.2011					
At 1 July 2011					
– as reported under FRS	(600,050)	9,038	(474,748)	(336,945)	(1,402,705)
– effects of adoption of MFRS (Note 2.4(vii)(a))	–	70,214	–	(1,205)	69,009
At 1 July 2011, under MFRS	(600,050)	79,252	(474,748)	(338,150)	(1,333,696)
Acquisition of subsidiaries	–	–	–	(8,575)	(8,575)
Recognised in income statement	(70,682)	(2,340)	38,487	24,548	(9,987)
Recognised in other comprehensive income	–	31,035	–	–	31,035
Exchange differences	(943)	(378)	355	(1,417)	(2,383)
At 31 December 2011	(671,675)	107,569	(435,906)	(323,594)	(1,323,606)

27. DEFERRED TAX (CONT'D.)

Deferred tax liabilities of the Group:

As at 31.12.2012	Accelerated capital allowance RM'000	Unrealised holding reserve and accretion of discounts RM'000	Other temporary differences RM'000	Non-DPF unallocated surplus RM'000	Total RM'000
At 1 January 2012					
– as reported under FRS	**40,538**	**74,528**	**148,539**	**–**	**263,605**
– effects of adoption of MFRS (Note 2.4(vii)(a))	**–**	**8,562**	**71,378**	**328,480**	**408,420**
At 1 January 2012, under MFRS	**40,538**	**83,090**	**219,917**	**328,480**	**672,025**
Recognised in income statement	**59,912**	**(1,189)**	**(4,223)**	**8,365**	**62,865**
Recognised in other comprehensive income	**–**	**(59,973)**	**–**	**–**	**(59,973)**
Exchange differences	**–**	**21**	**1,576**	**–**	**1,597**
At 31 December 2012	**100,450**	**21,949**	**217,270**	**336,845**	**676,514**
As at 31.12.2011					
At 1 July 2011					
– as reported under FRS	44,954	73,764	129,174	–	247,892
– effects of adoption of MFRS (Note 2.4(vii)(a))	–	16,210	67,923	326,557	410,690
At 1 July 2011, under MFRS	44,954	89,974	197,097	326,557	658,582
Acquisition of subsidiaries	–	–	34,928	–	34,928
Recognised in income statement	(4,862)	735	(16,169)	1,923	(18,373)
Recognised in other comprehensive income	–	(7,648)	–	–	(7,648)
Exchange differences	446	29	4,061	–	4,536
At 31 December 2011	40,538	83,090	219,917	328,480	672,025

27. DEFERRED TAX (CONT'D.)

Deferred tax assets of the Bank:

As at 31.12.2012	Loan loss and allowances RM'000	Unrealised holding reserve, impairment loss on securities and amortisation of premium RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2012	**(458,025)**	**(28,257)**	**(357,525)**	**(145,491)**	**(989,298)**
Recognised in income statement	**–**	**–**	**(72,593)**	**24,288**	**(48,305)**
Exchange differences	**–**	**–**	**–**	**1,025**	**1,025**
At 31 December 2012	**(458,025)**	**(28,257)**	**(430,118)**	**(120,178)**	**(1,036,578)**
As at 31.12.2011					
At 1 July 2011	(425,129)	(28,257)	(411,411)	(187,865)	(1,052,662)
Recognised in income statement	(32,896)	–	53,886	43,281	64,271
Exchange differences	–	–	–	(907)	(907)
At 31 December 2011	(458,025)	(28,257)	(357,525)	(145,491)	(989,298)

27. DEFERRED TAX (CONT'D.)

Deferred tax liabilities of the Bank:

As at 31.12.2012	Accelerated capital allowance RM'000	Unrealised holding reserve RM'000	Total RM'000
At 1 January 2012			
– as reported under FRS	**34,657**	**87,478**	**122,135**
– effects of adoption of MFRS (Note 2.4(vii)(a))	**–**	**51,590**	**51,590**
At 1 January 2012, under MFRS	**34,657**	**139,068**	**173,725**
Recognised in income statement	**60,811**	**–**	**60,811**
Recognised in other comprehensive income	**–**	**(7,973)**	**(7,973)**
At 31 December 2012	**95,468**	**131,095**	**226,563**
As at 31.12.2011			
At 1 July 2011			
– as reported under FRS	38,659	93,166	131,825
– effects of adoption of MFRS (Note 2.4(vii)(a))	–	34,353	34,353
At 1 July 2011, under MFRS	38,659	127,519	166,178
Recognised in income statement	(4,002)	–	(4,002)
Recognised in other comprehensive income	–	11,549	11,549
At 31 December 2011	34,657	139,068	173,725

Deferred tax assets have not been recognised in respect of the following items:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Unutilised tax losses	**14,342**	50,499	49,152
Unabsorbed capital allowances	**992**	992	992
Loan loss and provisions and interest suspended	**57,228**	55,692	53,618
Others	**86,784**	84,454	83,627
	159,346	191,637	187,389

The unutilised tax losses and unabsorbed capital allowances are available for offset against future taxable profits of the respective subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of those items as they may not be used to offset taxable profits of other subsidiaries of the Group. They have arisen in subsidiaries that have past losses of which the deferred tax assets are recognised to the extent that future taxable profits will be available.

28. BORROWINGS

	Note	Group As at 31.12.2012 RM'000	Group As at 31.12.2011 RM'000	Group As at 1.7.2011 RM'000
Secured:	(a)			
– Less than one year		**440,727**	599,246	727,523
– More than one year		**902,832**	959,559	666,667
		1,343,559	1,558,805	1,394,190
Unsecured:	(b)			
(i) Borrowings				
– Less than one year		**717,793**	689,204	335,474
– More than one year		**4,253,153**	4,170,359	3,299,579
(ii) Medium Term Notes				
– Less than one year		**375,305**	123,672	294,972
– More than one year		**4,024,456**	643,190	122,905
		9,370,707	5,626,425	4,052,930
		10,714,266	7,185,230	5,447,120

	Note	Bank As at 31.12.2012 RM'000	Bank As at 31.12.2011 RM'000	Bank As at 1.7.2011 RM'000
Unsecured:	(b)			
(i) Borrowings				
– Less than one year		**168,248**	95,501	120,920
– More than one year		**3,190,015**	3,469,591	3,299,579
(ii) Medium Term Notes				
– Less than one year		**–**	–	–
– More than one year		**4,024,456**	643,190	–
		7,382,719	4,208,282	3,420,499

28. BORROWINGS (CONT'D.)

(a) **Secured borrowings**

The secured borrowings are secured against the following collaterals:

(i) Fiduciary transfer of a subsidiary's receivables from third parties in connection with the financing of the purchases of motor vehicles with an aggregate amount of not less than specific amount of the principal bonds issued;

(ii) Fiduciary transfer of account receivables amounting to specific balances;

(iii) Fiduciary transfer of consumer financing receivables with an aggregate amount if not less than 100% to 125% of total outstanding loan; and

(iv) Specific collaterals as follows:

(1) Certain trade receivables;

(2) By a first legal mortgage over the development properties for sale (Note 14(b)(i)); and/or assignment of all rights and benefits with respect to the development properties and a continuing corporate guarantee; and

(3) First mortgage over the land located at 50 North Canal Road and the building to be erected thereon, assignment of rights and benefits of all tenancy agreements to be entered into between one of the subsidiaries and the tenants, assignment of all insurance proceeds and construction contracts in relation to the building and a corporate guarantee from a subsidiary.

The interest rates of these borrowings range from 1.0% to 12.0% (31 December 2011: 1.0% to 16.0% and 1 July 2011: 5.0% to 16.0%) per annum and these borrowings have maturities ranging from 2 months to 54 months (31 December 2011: 0.5 months to 58 months and 1 July 2011: 0.5 months to 44 months).

(b) **Unsecured borrowings**

(i) The unsecured borrowings are term loans and overdrafts denominated in USD, IDR and SGD. The borrowings are unsecured and bear interest rates ranging between 0.8% to 15.0% (31 December 2011: ranging between 0.6% to 8.8% and 1 July 2011: ranging between 0.8% to 10.3%) per annum.

(ii) Multi-currency Medium Term Notes ("MTN")

SGD800.0 million MTN Programme

In November 2006, Maybank Kim Eng Holdings Limited, a subsidiary of the Bank, established a SGD300.0 million MTN Programme. The maximum aggregate principal amount of Notes that may be issued under the programme was increased to SGD800.0 million with effect from 18 June 2010. Under this MTN Programme, the subsidiary may from time to time issue Notes in series or tranches, which may be denominated in Singapore Dollars or any other currency deemed appropriate at the time. Each series or tranche of Notes may be issued in various amounts and tenures and may bear fixed, floating, variable or hybrid rates of interest or may not bear interest. The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the subsidiary and rank pari passu, without any preference or priority among themselves and pari passu with all other present and future unsecured obligations of the subsidiary.

28. BORROWINGS (CONT'D.)

(b) Unsecured borrowings (cont'd.)

(ii) Multi-currency Medium Term Notes ("MTN") (cont'd.)

SGD800.0 million MTN Programme (cont'd.)

As at 31 December 2012, the borrowings bear an interest of 1.7% (31 December 2011: 2.4% and 1 July 2011: range from 2.2% to 2.4%) per annum and have a maturity of 7 months (31 December 2011: 7 months and 1 July 2011: range from 3 months to 12 months).

USD2.0 billion MTN Programme

On 18 April 2011, the Bank established a USD2.0 billion MTN Programme. The MTN Programme will enable the Bank to issue from time to time, senior and/or subordinated notes in currencies other than Ringgit Malaysia at any time, provided that the aggregate amount of the outstanding Notes shall not at any time exceed USD2.0 billion (or its equivalent in other currencies) in nominal value.

On 7 December 2011 and 22 December 2011, the Bank issued HKD572.0 million and JPY10.0 billion Senior Notes due in 2016 and 2026 respectively under this MTN Programme. The borrowings bear fixed interest rates of 2.7% and 2.5% per annum respectively.

On 10 February 2012, the Bank issued USD400.0 million Senior Notes due in 2017 under this MTN Programme. The borrowings bear fixed interest rates of 3.0% per annum.

On 1 March 2012, the Bank issued HKD700.0 million Senior Notes due in 2017 under this MTN Programme. The borrowings bear fixed interest rates of 2.85% per annum.

On 8 May 2012, the Bank issued USD500.0 million Senior Notes due in 2014 under this MTN Programme. The borrowings bear fixed interest rates of 2.00% per annum.

USD5.0 billion MTN Programme

On 14 May 2012, the Bank established a USD5.0 billion MTN Programme. The MTN Programme will enable the Bank to issue from time to time, senior and/or subordinated notes in currencies other than Ringgit Malaysia at any time, provided that the aggregate amount of the outstanding Notes shall not at any time exceed USD5.0 billion (or its equivalent in other currencies) in nominal value.

On 30 May 2012, the Bank issued JPY5.0 billion Senior Notes in nominal value due in 2017 under this MTN Programme. The borrowings bear fixed interest rates of 0.85% per annum.

On 20 July 2012, the Bank issued HKD600.0 million Senior Notes due in 2022 under this MTN Programme. The borrowings bear fixed interest rates of 3.25% per annum.

29. SUBORDINATED OBLIGATIONS

		Group		
	Note	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
RM1,500 million subordinated Islamic bonds due in 2018	(i)	**1,509,738**	1,509,684	1,469,579
RM1,500 million subordinated bonds due in 2017	(ii)	**–**	1,513,151	1,512,986
USD300 million subordinated certificates due in 2017	(iii)	**–**	954,340	907,272
RM3,100 million subordinated Term Loan due in 2023	(iv)	**–**	3,111,211	3,110,871
SGD1,000 million capital subordinated notes due in 2021	(v)	**2,517,605**	2,456,311	2,469,078
RM1,000 million subordinated sukuk due in 2021	(vi)	**1,010,782**	1,010,723	1,010,637
IDR1.5 trillion BII subordinated bond due in 2018	(vii)	**380,864**	404,613	320,116
RM2,000 million subordinated notes due in 2021	(viii)	**2,029,987**	2,029,783	–
IDR500 billion BII subordinated bond due in 2018	(ix)	**158,841**	170,298	–
RM750 million subordinated notes due in 2021	(x)	**750,301**	750,326	–
RM250 million subordinated notes due in 2023	(xi)	**250,105**	250,113	–
RM2,100 million subordinated notes due in 2024	(xii)	**2,112,226**	–	–
USD800 million subordinated notes due in 2022	(xiii)	**2,468,888**	–	–
IDR1 trillion BII subordinated bond due in 2019	(xiv)	**320,704**	–	–
		13,510,041	14,160,553	10,800,539

		Bank		
	Note	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
RM1,500 million subordinated Islamic bonds due in 2018	(i)	**1,509,738**	1,509,684	1,509,579
RM1,500 million subordinated bonds due in 2017	(ii)	**–**	1,513,151	1,512,986
USD300 million subordinated certificates due in 2017	(iii)	**–**	954,340	907,272
RM3,100 million subordinated Term Loan due in 2023	(iv)	**–**	3,111,211	3,110,871
SGD1,000 million capital subordinated notes due in 2021	(v)	**2,517,605**	2,456,311	2,469,078
RM2,000 million subordinated notes due in 2021	(viii)	**2,029,987**	2,029,783	–
RM750 million subordinated notes due in 2021	(x)	**750,301**	750,326	–
RM250 million subordinated notes due in 2023	(xi)	**250,105**	250,113	–
RM2,100 million subordinated notes due in 2024	(xii)	**2,112,226**	–	–
USD800 million subordinated notes due in 2022	(xiii)	**2,468,888**	–	–
		11,638,850	12,574,919	9,509,786

29. SUBORDINATED OBLIGATIONS (CONT'D.)

(i) On 15 May 2006, the Bank issued RM1.5 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil with a profit rate of 5.00% per annum. The Bonds are under a 12 non-callable 7 basis feature, payable semi-annually in arrears in May and November each year and are due in May 2018. Under the 12 non-callable 7 basis feature, the Bank has the option to redeem the Bonds on the seventh (7th) anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to a permissible step-up profit rate ranging from zero (0) to seventy (70) basis points from the beginning of the eighth (8th) year to the final maturity date.

(ii) On 13 April 2007, the Bank issued RM1.5 billion nominal value Subordinated Bonds with a fixed coupon rate of 4.00% per annum payable semi-annually in arrears in April and October each year, and are due in 2017. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Bonds, in whole but not in part, any time on or after the fifth (5th) anniversary of the issue date and on every semi-annual date thereafter at par together with accrued interest due on the redemption date. Should the Bank decide not to exercise its call option, the holders of the Bonds are entitled to a step-up in the coupon rate of one hundred (100) basis points from the beginning of the sixth (6th) year to the final maturity date. The Subordinated Bonds were fully redeemed on 13 April 2012.

(iii) On 25 April 2007, MBB Sukuk Inc., the Issuer, (a Special Purpose Vehicle ("SPV") formed solely for the purpose of participating in this transaction issued USD300 million Subordinated Certificates with a distribution rate based on six (6) months LIBOR plus a margin of 0.33% per annum payable semi-annually in arrears in April and October each year. The proceeds from the Subordinated Certificates are paid to Premier Sukuk Inc., another SPV incorporated for this transaction and ultimately paid to the Bank. In return, the Bank transfers the beneficial ownership of a portfolio of assets (comprising hire purchase contracts and cash) by way of an equitable assignment to Premier Sukuk and subsequently to the Issuer. The portfolio assets are managed by the Bank pursuant to a Management Agreement.

The Subordinated Certificates are due in 2017. The Issuer may, subject to the prior consent of Bank Negara Malaysia, redeem the Certificates, in whole but not in part, on the fifth (5th) anniversary of the issue date or at any semi-annual distribution payment date thereafter.

Should the Issuer decide not to exercise its call option, the Certificate holders are entitled to a step-up margin of 1.33% per annum from the beginning of the sixth (6th) year to the final maturity date.

The Certificate holders will have recourse on a subordinated basis to the Bank pursuant to the Sale and Purchase Undertaking Deeds.

The Subordinated Certificates were fully redeemed on 25 April 2012.

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

The Facility bears a fixed interest rate of 4.00% per annum, payable semi-annually in arrears. On the tenth (10th) anniversary of the issue date, there will be a one-time step-up in the interest rate which shall be equivalent to the aggregate of one hundred (100) basis points and the prevailing market rate to be agreed between the Lender and the Borrower based on the then Borrower's prevailing credit rating for a Tier 2 subordinated bond and upon having considered amongst others, the yield for a five (5) years bond maturity and last traded yields for Tier 2 Subordinated Bonds and other comparables of equivalent ratings.

The Facility qualifies as Tier 2 Capital of the Bank in accordance with the capital adequacy requirements issued by Bank Negara Malaysia.

The Facility was fully redeemed on 2 July 2012.

29. SUBORDINATED OBLIGATIONS (CONT'D.)

(v) On 28 April 2011, the Bank issued SGD1.0 billion nominal value Subordinated Notes under the MTN Programme with a fixed interest rate of 3.80% per annum, which is payable semi-annually in arrears in April and October each year, and are due in 2021. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Notes, in whole but not in part, on 28 April 2016 (first Optional Redemption Date) and each semi-annual interest payment date thereafter at par together with accrued interest due on the redemption date. Should the Bank decide not to exercise its call option, the holders of the Subordinated Notes are entitled to a revised interest rate from the first Optional Redemption Date to (but excluding) the maturity date, being the sum of (i) the initial spread; and (ii) the ask rate for five (5) years Swap Offer Rate on the first Optional Redemption Date.

(vi) On 31 March 2011, Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank, issued RM1.0 billion nominal value Tier 2 Islamic subordinated sukuk under the Shariah Principle of Musyarakah. The sukuk carries a tenure of ten (10) years from 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 is due in March 2021. The subsidiary has the option to redeem the sukuk on any semi-annual distribution date on or after the fifth (5th) anniversary from the issue date. Should the subsidiary decide not to exercise its option to redeem the sukuk, the sukuk shall continue to be outstanding until the final maturity date.

(vii) On 19 May 2011, a subsidiary, BII, issued IDR1.5 trillion Subordinated Notes, of which IDR0.6 trillion is held by the Bank. The Notes are not guaranteed with specific guarantee, but guaranteed with all assets of BII, whether present or future fixed or non-fixed assets. The Notes will mature on 19 May 2018.

The Notes bear interest at a fixed rate of 10.75% per annum, payable quarterly, the first coupon payment will be made on 19 August 2011. The Notes have been approved by Bank Indonesia through its letter dated 23 June 2011 to be qualified as Tier 2 Capital of the subsidiary.

(viii) On 15 August 2011, the Bank issued RM2.0 billion Subordinated Notes from Maybank Subordinated Notes Programme of up to RM3.0 billion which are due in 2021. The Notes bear fixed interest of 4.10% per annum, which is payable semi-annually in arrears in February and August each year. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Notes, in whole but not in part, on 15 August 2016 (first Call Date) and on each semi-annual interest payment date thereafter at their principal amount together with accrued but unpaid coupon.

(ix) On 6 December 2011, a subsidiary, BII, issued IDR500 billion Subordinated Notes, of which IDR15 billion is held by the Bank. The Notes bear fixed interest rate at 10.00% per annum, with seven (7) years tenure since Issuance Date. The interest of the Notes will be paid quarterly based on Interest Payment Date of Notes. The first interest payment will be made on 6 March 2012, while the last interest payment and due date of the Notes will be made on 6 December 2018.

(x) On 28 December 2011, the Bank issued RM750 million Subordinated Notes from Maybank Subordinated Notes Programme of up to RM3.0 billion which are due in 2021. The Notes bear fixed interest rate of 3.97% per annum, which is payable semi-annually in arrears in June and December each year. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Notes, in whole but not in part, on 28 December 2016 (first Call Date) and on each semi-annual interest payment date thereafter at their principal amount together with accrued but unpaid coupon.

29. SUBORDINATED OBLIGATIONS (CONT'D.)

(xi) On 28 December 2011, the Bank issued RM250 million Subordinated Notes from Maybank Subordinated Notes Programme of up to RM3.0 billion which are due in 2023. The Notes bear fixed interest rate of 4.12%, which is payable semi-annually in arrears in June and December each year. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Notes, in whole but not in part, on 28 December 2018 (first Call Date) and on each semi-annual interest payment date thereafter at their principal amount together with accrued but unpaid coupon.

(xii) On 10 May 2012, the Bank issued RM2.1 billion Subordinated Notes in nominal value from Subordinated Notes Programme of up to RM7.0 billion, which are due in 2024. The Notes bear fixed interest rate of 4.25% per annum which payable semi-annually in arrears in May and November each year. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Subordinated Notes, in whole but not in part, on 10 May 2019 (first Call Date) and on each semi-annual interest payment date thereafter at their principal amount together with accrued but unpaid coupon.

(xiii) On 20 September 2012, the Bank issued USD800 million Subordinated Notes in nominal value from its USD5 billion Multicurrency Medium Term Notes Programme. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Subordinated Notes, in whole but not in part, on 20 September 2017 (first Call Date). The Subordinated Notes bear fixed interest rate of 3.25% per annum from the issue date up to but excluding the first Call Date which is payable semi-annually in arrears in March and September each year. The rate of interest payable on the Notes from and including the first Call Date to but excluding the maturity date will be reset to a fixed rate equal to a 5-year U.S. Treasury Rate prevailing on 20 September 2017 plus 2.6% per annum, payable semi-annually in arrears.

(xiv) On 31 October 2012, a subsidiary, BII, issued IDR1.0 trillion Subordinated Notes. The Subordinated Notes bear fixed interest rate at 9.25% per annum and due date of the Subordinated Notes will be made on 31 October 2019.

The interest of the Subordinated Notes will be paid quarterly based on Interest Payment Date of Notes. The first interest payment will be made on 31 January 2013, while the last interest payment and due date of the Notes will be made on 6 December 2018.

The interest/profit rates for all the subordinated instruments above range between 3.25% and 10.75% (31 December 2011: range between 0.77% and 10.75% and 1 July 2011: range between 4.00% and 6.13%) per annum.

All the subordinated instruments above constitute unsecured liabilities of the Group and the Bank and are subordinated to the senior indebtedness of the Group and the Bank in accordance with the respective terms and conditions of their issues.

30. CAPITAL SECURITIES

	Note	Group and Bank		
		As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
RM3,500 million 6.85% Stapled Capital Securities ("NCPCS")		**3,503,284**	3,503,275	3,502,620
Less: Transaction costs		**(2,686)**	(2,686)	(2,686)
Add: Accumulated amortisation of transaction costs		**998**	751	631
	(a)	**3,501,596**	3,501,340	3,500,565
SGD600 million 6.00% Innovative Tier 1 Capital Securities ("SGD600.0 million IT1CS")		**1,536,119**	1,500,936	1,508,921
Less: Transaction costs		**(8,514)**	(8,514)	(8,514)
Add: Accumulated amortisation of transaction costs		**3,228**	2,415	2,024
	(b)	**1,530,833**	1,494,837	1,502,431
RM1,100 million 6.30% Innovative Tier 1 Capital Securities ("RM1.1 billion IT1CS")		**1,118,607**	1,118,366	1,118,607
Less: Transaction costs		**(1,063)**	(1,063)	(1,063)
Add: Accumulated amortisation of transaction costs		**378**	281	234
	(c)	**1,117,922**	1,117,584	1,117,778
		6,150,351	6,113,761	6,120,774

(a) NCPCS

On 27 June 2008, the Bank issued RM3,500 million securities in nominal value comprising:

(a) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and

(b) Subordinated Notes ("Sub-Notes"), which are issued by Cekap Mentari Berhad ("CMB"), a wholly-owned subsidiary of the Bank.

(collectively known as "Stapled Capital Securities").

30. CAPITAL SECURITIES (CONT'D.)

(a) NCPCS (cont'd.)

Until an assignment event occurs, the Stapled Capital Securities cannot be transferred, dealt with or traded separately. Upon occurrence of an assignment event, the Stapled Capital Securities will unstaple, leaving the investors to hold only the NCPCS while ownership of the Sub-Notes will be re-assigned to the Bank pursuant to a forward purchase contract entered into by the Bank. Unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities, the assignment event would occur on the twentieth (20th) interest payment date or ten (10) years from the issuance date of the Sub-Notes.

Each of the NCPCS and Sub-Notes has a fixed interest rate of 6.85% per annum. However, the NCPCS distribution will not begin to accrue until the Sub-Notes are re-assigned to the Bank as referred to above. Thus effectively, the Stapled Capital Securities are issued by the Bank at a fixed rate of 6.85% per annum. Interest is payable semi-annually in arrears.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of the Bank on the twentieth (20th) interest payment date or ten (10) years from the issuance date of the Sub-Notes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The Sub-Notes have a tenure of thirty (30) years unless redeemed earlier under the terms of the Sub-Notes. The Sub-Notes are redeemable at the option of CMB on any interest payment date, which cannot be earlier than the occurrence of an assignment event, subject to redemption conditions being satisfied.

The Stapled Capital Securities comply with BNM Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of the Group. Claims in respect of the NCPCS rank pari passu and without preference among themselves, other Tier 1 capital securities of the Bank and with the most junior class of preference shares of the Bank but in priority to the rights and claims of the ordinary shareholders of the Bank. The Sub-Notes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of CMB.

An "assignment event" means the occurrence of any of the following events:

(a) The Bank is in breach of Bank Negara Malaysia's minimum capital adequacy ratio requirements applicable to the NCPCS Issuer; or

(b) Commencement of a winding-up proceeding in respect of the Bank or CMB; or

(c) Appointment of an administrator in connection with a restructuring of the Bank; or

(d) Occurrence of a default of the NCPCS distribution payments or Sub-Notes interest payments; or

(e) CMB ceases to be, directly or indirectly, a wholly-owned subsidiary of the Bank; or

(f) Bank Negara Malaysia requires that an assignment event occur; or

(g) The Bank elects that an assignment event occurs; or

(h) The twentieth (20th) Interest Payment Date of the Sub-Notes; or

(i) Sixty (60) days after a regulatory event (means at any time there is more than an insubstantial risk, as determined by the Bank, that the NCPCS will no longer qualify as Non-Innovative Tier 1 capital of the Bank for the purposes of Bank Negara Malaysia's capital adequacy requirements under any applicable regulations) has occurred, subject to such regulatory event continuing to exist at the end of such sixty (60) days; or

(j) Any deferral of interest payment of the Sub-Notes; or

(k) Thirty (30) years from the issue date of the Sub-Notes.

30. CAPITAL SECURITIES (CONT'D.)

(a) NCPCS (cont'd.)

In addition to the modes of redemption, the NCPCS and the Sub-Notes can be redeemed in the following circumstances:

(a) If the NCPCS and the Sub-Notes were issued for the purpose of funding a merger or acquisition which is subsequently aborted, at the option of the Bank and CMB subject to Bank Negara Malaysia's prior approval;

(b) At any time if there is more than an insubstantial risk in relation to changes in applicable tax regulations, as determined by the Bank or CMB, that could result in the Bank or CMB paying additional amounts or will no longer be able to deduct interest in respect of the Sub-Notes or the inter-company loan (between the Bank and CMB) for taxation purposes; and

(c) At any time if there is more than an insubstantial risk in relation to changes in applicable regulatory capital requirements, as determined by the Bank or CMB, that could disqualify the NCPCS to be regarded as part of Non-Innovative Tier 1 capital for the purpose of regulatory capital requirements.

(b) SGD600.0 million IT1CS

On 11 August 2008, the Bank issued SGD600.0 million IT1CS callable with step-up in 2018 at a fixed rate of 6.00%.

The SGD600.0 million IT1CS bears a fixed interest rate payment from and including 11 August 2008 to (but excluding) 11 August 2018 (the first Reset Date), payable semi-annually in arrears on 11 February and 11 August in each year commencing on 11 February 2009. The SGD600.0 million IT1CS has a principal stock settlement mechanism to redeem the IT1CS on the sixtieth (60th) year from the date of issuance. The Bank, however, has the option to redeem the IT1CS on the tenth (10th) anniversary of the issue date and on any interest payment date thereafter. On the tenth (10th) anniversary of the issue date, there will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus one hundred (100) basis points above the three (3) months SGD Swap Offer Rate.

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

(c) RM1.1 billion IT1CS

On 25 September 2008, the Bank issued RM1.1 billion IT1CS callable with a step-up in 2018 at a fixed rate of 6.30% under its RM4.0 billion Innovative Tier 1 Capital Securities. The RM1.1 billion IT1CS which matures on 25 September 2068 also bears a fixed interest rate and is callable on 25 September 2018 and on every interest payment date thereafter. On the tenth (10th) anniversary of the issue date, there will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus one hundred (100) basis points above the Kuala Lumpur Inter-Bank Offer Rate for 3-months RM deposits.

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

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST

Group and Bank	Number of ordinary shares of RM 1 each		Amount	
	As at 31.12.2012 '000	As at 31.12.2011 '000	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Authorised:				
At 1 January 2012/1 July 2011	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Created during the year/period	**–**	–	**–**	–
At 31 December	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Issued and fully paid:				
At 1 January 2012/1 July 2011	**7,639,437**	7,478,206	**7,639,437**	7,478,206
Shares issued under the:				
– Dividend Reinvestment Plan ("DRP") issued on:				
– 28 December 2011	**–**	161,221	**–**	161,221
– 5 June 2012	**202,854**	–	**202,854**	–
– 29 October 2012	**173,144**	–	**173,144**	–
– Maybank Group Employees' Share Scheme:				
– Employee Share Option Scheme ("ESOS")	**1,119**	10	**1,119**	10
– Supplemental Restricted Share Unit ("SRSU")	**37**	–	**37**	–
– Shares held-in-trust	**11,455**	–	**11,455**	–
– Private Placement	**412,000**	–	**412,000**	–
At 31 December	**8,440,046**	7,639,437	**8,440,046**	7,639,437

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(a) Increase in issued and paid-up capital

During the financial year, the Bank increased its issued and paid-up capital from RM7,639,437,483 to RM8,440,046,735 via:

(i) Issuance of 1,118,700 new ordinary shares of RM1.00 each for cash, to eligible persons who exercised their options under the ESS, as disclosed in Note 31(d)(ii).

(ii) Issuance of 202,854,119 new ordinary shares of RM1.00 each arising from the Dividend Reinvestment Plan ("DRP") relating to electable portion of the final dividend of 24 sen (net) in respect of financial period ended 31 December 2011, as disclosed in Note 46(c)(i).

(iii) Issuance of 173,144,233 new ordinary shares (including 286,367 new ordinary shares issued to ESOS Trust Fund ("ETF") Pool) of RM1.00 each arising from the DRP relating to electable portion of the interim dividend of 21 sen (net) in respect of financial year ended 31 December 2012, as disclosed in Note 46(c)(ii).

(iv) Issuance of 11,454,700 new ordinary shares of RM1.00 each to be held in the ETF Pool pursuant to the current ESS, as disclosed in Note 31(c)(v).

(v) Issuance of 412,000,000 new ordinary shares of RM1.00 each arising from the Private Placement undertaken pursuant to the shareholders' mandate obtained under Section 132D of the Companies Act, 1965 at the Maybank Annual General Meeting held on 29 March 2012, as disclosed in Note 55(l).

(vi) Issuance of 37,500 new ordinary shares of RM1.00 each arising from the Supplemental Restricted Share Unit ("SRSU"), as disclosed in Note 31(e)(iv).

(b) Dividend Reinvestment Plan ("DRP")

Maybank via the announcement on 25 March 2010 proposed to undertake a recurrent and optional dividend reinvestment plan that allows shareholders of Maybank ("shareholders") to reinvest their dividend into new ordinary share(s) of RM1.00 each in Maybank ("Maybank Shares") (collectively known as the Dividend Reinvestment Plan) ("DRP").

The rationale of Maybank embarking on the DRP are as follows:

(i) To enhance and maximise shareholders' value via the subscription of new Maybank Shares where the issue price of a new Maybank Share shall be at a discount;

(ii) To provide the shareholders with greater flexibility in meeting their investment objectives, as they would have the choice of receiving cash or reinvesting in the Bank through subscription of additional Maybank Shares without having to incur material transaction or other related costs;

(iii) To benefit from the participation by shareholders in the DRP to the extent that if the shareholders elect to reinvest into new Maybank Shares, the cash which would otherwise be payable by way of dividend will be reinvested to fund the continuing business growth of the Group. The DRP will not only enlarge Maybank's share capital base and strengthen its capital position, but will also add liquidity of Maybank Shares on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

Whenever a cash dividend (either an interim, final, special or other dividend) is announced, the Board may, in its absolute discretion, determine that the DRP will apply to the whole or a portion of the cash dividend ("Electable Portion") and where applicable any remaining portion of the dividend will be paid in cash; and

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(b) Dividend Reinvestment Plan ("DRP") (cont'd.)

(iv) Each shareholder has the following options in respect of the Electable Portion:

(1) elect to receive the Electable Portion in cash; or

(2) elect to reinvest the entire Electable Portion into new Maybank Shares credited as fully paid-up at an issue price to be determined on a price fixing date subsequent to the receipt of all relevant regulatory approvals.

(c) Maybank Group Employees' Share Scheme ("ESS")

The Maybank Group Employees' Share Scheme ("ESS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011 and is valid for a period of seven (7) years from the effective date.

The maximum number of ordinary shares of RM1.00 each in the Bank available under the ESS should not exceed 10% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme. Other principal features of the ESS are as follows:

(i) The employees eligible to participate in the ESS must be employed on a full time basis and on the payroll of the Participating Maybank Group and is confirmed in service.

Participating Maybank Group includes the Bank and its overseas branches and subsidiaries, but excluding listed subsidiaries, overseas subsidiaries and dormant subsidiaries.

(ii) The entitlement under the ESS for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of the Bank in a general meeting.

(iii) The ESS shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, the Bank may terminate the ESS at any time during the duration of the scheme subject to:

- consent of Maybank's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination; and
- written consent of all participants of ESS who have yet to exercise their ESS option, either in part or in whole, and all participants whose Restricted Shares Unit ("RSU") Agreement are still subsisting.

Upon the termination of the ESS, all unexercised ESS and/or unvested RSU shall be deemed to have been cancelled and be null and void.

(iv) ESS consists of Employee Share Option Scheme ("ESOS"), Restricted Shares Unit ("RSU") and Cash-Settled Performance-Based Scheme ("CESS").

(1) ESOS

Under the ESOS award, the Bank may from time to time within the offer period, offer to eligible employees a certain number of options at the Offer Date. Subject to acceptance, the participants will be granted the ESOS options which can then be exercised within a period of five (5) years to subscribe for fully paid-up ordinary shares of RM1.00 each in the Bank, provided all the conditions including performance-related conditions are duly and fully satisfied.

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(c) Maybank Group Employees' Share Scheme ("ESS") (cont'd.)

(iv) ESS consists of Employee Share Option Scheme ("ESOS"), Restricted Shares Unit ("RSU") and Cash-Settled Performance-Based Scheme ("CESS") (cont'd.)

(2) <u>RSU</u>

Under the RSU award, the Bank may from time to time within the offer period, invite selected participants to enter into an agreement with the Bank, whereupon the Bank shall agree to award the scheme shares to the participants, subject to fulfiling the relevant service and performance objectives and provided all performance-related conditions are duly and fully satisfied. The scheme's shares as specified under the RSU award will only vest based on a three (3) year cliff vesting schedule or a two (2) year cliff vesting schedule in the case of supplemental RSU award, provided all the RSU vesting conditions are fully and duly satisfied.

(3) <u>CESS</u>

A separate Cash-Settled Performance-Based scheme ("CESS") comprising of Cash-settled Performance-Based Option Scheme ("CESOS") and Cash-Settled Performance-Based Restricted Share Unit Scheme ("CRSU") will be made available at the appropriate time to the eligible employees of overseas branches and subsidiaries of the Bank which include PT Bank Internasional Indonesia Tbk, PT Bank Maybank Syariah Indonesia, Maybank Philippines Incorporated and Maybank (PNG) Limited, subject to achievement of performance criteria set out by the Board and prevailing market practices in the respective countries.

(v) Key features of the ESOS award are as follows:

- On 23 June 2011, the Bank granted five (5) tranches of ESOS amounting to 405,308,500 options based on the assumption that the eligible employees met average performance target ("ESOS First Grant"). The first tranche of ESOS under ESOS First Grant amounting to 80,871,000 options have been vested and exercisable as at 30 June 2011. The second tranche of ESOS under ESOS First Grant amounting to 42,136,100 options have been vested and exercisable as at 30 April 2012, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfilment of predetermined vesting conditions including service period, performance targets and performance period.

- On 30 April 2012, the Bank granted five (5) tranches of ESOS amounting to 62,339,000 options to confirmed new recruits in the Group ("ESOS Second Grant"). The first tranche of ESOS under ESOS Second Grant amounting to 6,185,800 options have been vested and exercisable as at 30 April 2012, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfilment of predetermined vesting conditions including service period, performance targets and performance period.

- The new ordinary shares in the Bank allotted upon any exercise of options under the scheme will upon allotment, rank pari passu in all aspects with the then existing ordinary shares in the Bank, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and will be subject to all the provisions of the Article of Association of the Bank relating to transfer, transmission and otherwise.

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(c) Maybank Group Employees' Share Scheme ("ESS") (cont'd.)

(v) Key features of the ESOS award are as follows (cont'd.):

- The subscription price of the ESOS shall be at the Volume Weighted Average Market Price ("VWAMP") of Maybank Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.

- In the implementation of ESS, the Bank has established a Trust of which to be administered by the Trustee. To enable the Trustee to subscribe for new shares for the purposes of the ESS implementation, the Trustee will be entitled from time to time to accept funding and/or assistance from the Bank.

- The first tranche of ESOS First Grant was exercisable by way of self-funding by the respective eligible employees within twelve (12) months from the ESOS commencement date.

- Subsequent tranches and any ESOS which are unexercised after the initial twelve (12) months from the ESOS commencement date may be exercised during the remainder of the ESOS option period by way of self-funding or ESOS Trust Funding ("ETF") mechanism.

- The ETF mechanism is a trust funding mechanism for the ESOS award involving an arrangement under which Maybank will fund a certain quantum of money for the subscription of Maybank Shares by the Trustee, to be held in a pool and placed into an omnibus Central Depository System ("CDS") account of the Trustee or an authorised nominee, to facilitate the exercise of ESOS options by the eligible employees and at the request of selected employees whereupon part of the proceeds of such sale shall be utilised towards payment of the ESOS option price and the related costs. The shares to be issued and alloted under the ETF mechanism will rank equally in all respects with the existing issued Maybank shares. On 12 April 2012, the ESS Committee approved the subscription of new Maybank shares with value of RM100 million for ETF mechanism pool.

  Maybank had on 28 June 2012 announced the issuance of 11,454,700 new ordinary shares of RM1.00 each under the ETF mechanism. The new Maybank shares are recorded as "shares held-in-trust" in the financial statements.

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(c) Maybank Group Employees' Share Scheme ("ESS") (cont'd.)

(v) Key features of the ESOS award are as follows (cont'd.):

The movements of shares held-in-truth for the financial year ended 31 December 2012 are as follows:

	Number of ordinary shares of RM1.00 each	Amount RM '000
Issuance of new ordinary shares under ETF mechanism (Note 31(a)(iv))	11,454,700	100,000
Exercise of ESOS options by eligible employees	(825,800)	(7,230)
	10,628,900	92,770
Replenishment of shares held-in-trust	825,800	7,230
	11,454,700	100,000
Additional shares issued under ETF mechanism due to election under DRP	286,367	2,405
	11,741,067	102,405

(vi) Key features of the RSU award are as follows:

- The RSU granted will be vested and awarded upon fulfilment of predetermined vesting conditions including service period, performance targets and performance period.
- The scheme shares on RSU may be settled by way of issuance and transfer of new Maybank Shares or by cash at the absolute discretion of the ESS Committee. The new Maybank Shares to be issued and transferred to eligible employees pursuant to physical settlement will not require any payment to the Bank by the RSU participants.
- In the case of settlement by way of cash, the RSU vesting price will be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of Maybank Shares for the five (5) market days immediately preceding the RSU vesting date.
- The ESS Committee may, from time to time during the ESS period, make further RSU grant designated as Supplemental RSU Grant ("SRSU grant") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU grant may contain terms and conditions which may vary from earlier RSU grant made to selected senior management. The SRSU will be vested on a 2-year cliff vesting schedule.

(vii) Key features of the CESS award are as follows:

- The CESS award is a cash plan and may be awarded from time to time up to five (5) tranches. The award will be subject to fulfiling the performance targets, performance period, service period and other vesting conditions as stipulated in the CESS Guidelines.
- The amount payable for each CESS tranche will correspond to the number of reference shares awarded multiplied by the appreciation in the Bank's share price between the price at the time of award and the time of vesting of which the vesting date shall be at the end of the three (3) years from the grant date of each CESS tranche.

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Details of share options under ESOS

(i) Details of share options granted:

Grant date	Number of share options ('000)	Original exercise price RM	Exercise period
23.6.2011 – ESOS First Grant	405,309#	8.82*	30.6.2011 – 30.6.2016
30.4.2012 – ESOS Second Grant	62,339#	8.83*	30.4.2012 – 22.6.2018

The aggregate maximum allocation of share options to Chief Executive and senior management of the Group and the Bank shall not exceed 50%. The actual allocation of share options to Chief Executive and senior management is 4.0% as at 31 December 2012.

The number of share options granted are based on the assumptions that the eligible employees met average performance targets.

* The ESS Committee approved the reduction of the ESOS exercise price as follows:

Grant date	Exercise price RM	Exercise period
23.6.2011 – ESOS First Grant	8.82	23.6.2011 – 28.12.2011
	8.78	29.12.2011 – 4.6.2012
	8.76	5.6.2012 – 28.10.2012
	8.75	29.10.2012 – 30.6.2016
30.4.2012 – ESOS Second Grant	8.83	30.4.2012 – 28.10.2012
	8.82	29.10.2012 – 22.6.2018

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Details of share options under ESOS (cont'd.)

(i) Details of share options granted (cont'd.):

The following tables illustrate the number and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year:

ESOS First Grant (Vested)

Vesting date	Outstanding as at 1.1.2012 '000	Movements during the year Adjustment** '000	Vested '000	Exercised^ '000	Forfeited '000	Expired '000	Outstanding as at 31.12.2012 '000	Exercisable as at 31.12.2012 '000
23.6.2011	80,070	160	–	(798)	(2,449)	–	76,983	76,983
30.4.2012	–	–	42,136	(320)	(533)	–	41,283	41,283
Total	80,070	160	42,136	(1,118)	(2,982)	–	118,266	118,266
WAEP (RM)	8.78	8.78	8.78	8.76	–	–	8.75#	8.75#

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

^ 7,500 of the options exercised during the financial year ended 31 December 2012 were only issued and listed on the next financial year.

Revised from RM8.78 to RM8.75 during the financial year ended 31 December 2012 as disclosed above.

ESOS Second Grant (Vested)

Vesting date	Outstanding as at 1.1.2012 '000	Movements during the year Vested '000	Exercised '000	Forfeited '000	Expired '000	Outstanding as at 31.12.2012 '000	Exercisable as at 31.12.2012 '000
30.4.2012	–	6,186	(8)	(217)	–	5,961	5,961
WAEP (RM)	–	8.83	8.83	8.83	–	8.82##	8.82##

Revised from RM8.83 to RM8.82 during the financial year ended 31 December 2012 as disclosed above.

Total share options granted to the directors of the Bank as at 31 December 2012 was presented under directors' interests in the directors' report.

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Details of share options under ESOS (cont'd.)

(ii) **Share options exercised during the financial year**

As disclosed above, there are options exercised under ESOS First Grant and ESOS Second Grant during the financial year.

Options exercised under ESOS First Grant have resulted in the issuance of approximately 1,118,200 (31 December 2011: 9,000) ordinary shares as at 31 December 2012, at WAEP of RM8.76 (31 December 2011: RM8.82) each. There were 7,500 options exercised during this financial year ended 31 December 2012 and the corresponding ordinary shares will only be issued and listed in the next financial year. The related weighted average share price of ESOS First Grant at the date of exercise was RM9.12 (31 December 2011: RM8.86) per share.

Options exercised under the ESOS Second Grant have resulted in the issuance of approximately 8,000 (31 December 2011: Nil) ordinary shares as at 31 December 2012, at WAEP of RM8.82 (31 December 2011: Nil) each. The related weighted average share price of ESOS Second Grant at the date of exercise was RM9.07 (31 December 2011: Nil) per share.

(iii) **Fair value of share options granted on 23 June 2011**

The fair value of share options granted on 23 June 2011 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before DRP	After DRP
Fair value of share options under ESOS First Grant:		
– tranche 1: granted and vested on 23 June 2011 (RM)	0.627	0.714
– tranche 2: vested on 30 April 2012 (RM)	0.687	0.687
– tranche 3 to 5: granted on 23 June 2011 but not vested (RM)*	0.732 – 0.769	0.737 – 0.773
Weighted average exercise price (RM)	8.82	8.76
Expected volatility (%)	14.59	13.97
Expected life (years)	3 – 5	3 – 5
Risk free rate (%)	3.24 – 3.64	3.12 – 3.22
Expected dividend yield (%)	4.49	5.49

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

* During the financial year ended 31 December 2012, the fair value for the remaining 3 tranches under ESOS First Grant have been revised upward by RM0.005 due to the implementation of DRP.

The revision of the fair value is expected to increase the ESS expenses by RM1.4 million to the Group's personnel cost over the next three (3) financial years.

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Details of share options under ESOS (cont'd.)

(iv) Fair value of share options granted on 30 April 2012

The fair value of share options granted on 30 April 2012 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

Fair value of share options under ESOS Second Grant:

– tranche 1: granted and vested on 30 April 2012 (RM)	0.452
– tranche 2 to 5: granted on 30 April 2012 but not vested (RM)	0.486 – 0.529
Weighted average exercise price (RM)	8.83
Expected volatility (%)	14.11
Expected life (years)	2 – 5
Risk free rate (%)	3.25 – 3.42
Expected dividend yield (%)	5.49

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

(e) Details of RSU

(i) Details of RSU granted

On 23 June 2011, the Bank granted a total of 3,590,000 RSU, with a fair value of RM7.247 ("RSU First Grant"). All the RSU were allocated and granted to eligible senior management of the Group and the Bank. The vesting date of RSU is based on 3-year cliff vesting from the grant date and performance metrics.

On 30 April 2012, the Bank granted a total of 4,355,000 RSU, with a fair value of RM6.902 ("RSU Second Grant"). All the RSU were allocated and granted to eligible senior management of the Group and the Bank. The vesting date of RSU is based on a 3-year cliff vesting from the grant date and performance metrics.

Grant date	Number of share options ('000)	Fair Value RM	Vesting date
23.6.2011 – RSU First Grant	3,590	7.247	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2012 – RSU Second Grant	4,355	6.902	

None of the RSU has been vested as at 31 December 2012.

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(e) Details of RSU (cont'd.)

(ii) Fair value of RSU granted on 23 June 2011

The fair value of RSU granted on 23 June 2011 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, weighted average exercise price and the assumptions were as follows:

Fair value of RSU under RSU First Grant (RM)	7.247
Weighted average exercise price (RM)	8.82
Expected volatility (%)	14.59
Expected life (years)	3
Risk free rate (%)	3.31
Expected dividend yield (%)	4.49

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

(iii) Fair value of RSU granted on 30 April 2012

The fair value of RSU granted on 30 April 2012 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, weighted average exercise price and the assumptions were as follows:

Fair value of RSU under RSU Second Grant (RM)	6.902
Weighted average exercise price (RM)	8.63
Expected volatility (%)	14.11
Expected life (years)	3
Risk free rate (%)	3.19
Expected dividend yield (%)	5.49

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

(iv) Details of SRSU granted

During the financial year ended 31 December 2012, the Bank granted a total of 119,000 (31 December 2011: 283,900) SRSU to a selected group of eligible employees. A total of 37,500 (31 December 2011: Nil) SRSU had been vested as at 31 December 2012.

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(e) **Details of RSU (cont'd.)**

(iv) **Details of SRSU granted (cont'd.)**

The following table illustrates the number of, and movements in, SRSU during the financial year:

SRSU Granted

Grant date	Outstanding as at 1.1.2012 '000	Movements during the year Granted '000	Movements during the year Vested '000	Outstanding as at 31.12.2012 '000
31.3.2011	209	–	–	209
3.10.2011	75	–	(37)	38
16.4.2012	–	15	–	15
7.5.2012	–	15	–	15
1.6.2012	–	24	–	24
1.6.2012	–	15	–	15
2.7.2012	–	30	–	30
15.12.2012	–	20	–	20
	284	119	(37)	366

Total RSU granted to the directors of the Bank as at 31 December 2012 was presented under directors' interests in the directors' report.

(f) **Details of CESS**

The Bank granted a total of 719,500 CESOS to eligible employees in overseas branches on 23 June 2011 ("CESOS First Grant"). On 30 April 2012, the Bank granted second tranche of CESOS under CESOS First Grant amounting to 394,800 to promoted employees in overseas branches. In addition to the above, the Bank had also granted a total of 554,000 CESOS under the CESOS Second Grant to the confirmed new recruits in overseas branches and selected key retention employees of PT Bank Internasional Indonesia Tbk.

31. SHARE CAPITAL, SHARE BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(f) Details of CESS (cont'd.)

The following tables illustrate the number of, and movements in, the CESOS under CESOS First Grant and CESOS Second Grant during the financial year:

CESOS First Grant

Grant date	Outstanding as at 1.1.2012 '000	Movements during the year					Outstanding as at 31.12.2012 '000
		Adjustment*** '000	Granted '000	Exercised '000	Forfeited '000	Expired '000	
23.6.2011	720	7	–	–	(74)	–	653
30.4.2012	–	–	395	–	(22)	–	373
	720	7	395	–	(96)	–	1,026

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

CESOS Second Grant

Grant date	Outstanding as at 1.1.2012 '000	Movements during the year				Outstanding as at 31.12.2012 '000
		Granted '000	Exercised '000	Forfeited '000	Expired '000	
23.2.2012	–	430	–	–	–	430
30.4.2012	–	124	–	(10)	–	114
	–	554	–	(10)	–	544

None of the CESOS granted were vested as at 31 December 2012.

During the financial year ended 31 December 2012, the Bank also granted a total of 15,000 CRSU, with a fair value of RM6.902 to eligible senior management of the Group and the Bank. None of the CRSU granted were vested as at 31 December 2012.

32. RETAINED PROFITS

(a) The Group's retained profits

The retained profits of the Group include the non-distributable Non-DPF unallocated surplus of an insurance subsidiary as a result of the Revised Bank Negara Malaysia ("BNM") Guidelines on Financial Reporting for Insurers as disclosed in Note 2.4(iv). This non-distributable Non-DPF unallocated surplus is only available for distribution to shareholders on the amount recommended by the Appointed Actuary in accordance with the Insurance Act, 1996 in Malaysia.

The breakdown of distributable and non-distributable retained profits of the Group are as follows:

Group As at 31.12.2012	Non-distributable Non-DPF Unallocated Surplus RM'000	Distributable Retained Profits RM'000	Retained Profits RM'000
At 1 January 2012			
– as reported under FRS	–	9,713,321	9,713,321
– effects of adoption of MFRS (Note 2.4(vii)(a))	680,446	–	680,446
At 1 January 2012, under MFRS	680,446	9,713,321	10,393,767
Profit for the year	136,779	5,607,917	5,744,696
Total comprehensive income for the year	136,779	5,607,917	5,744,696
Transfer from non-DPF unallocated surplus upon recommended by Appointed Actuary	(119,111)	119,111	–
Effects of net acquisition from/disposal to non-controlling interests	–	19,275	19,275
Transfer to statutory reserves	–	(1,097,774)	(1,097,774)
Dividends (Note 46)	–	(3,944,958)	(3,944,958)
Total transactions with shareholders	(119,111)	(4,904,346)	(5,023,457)
At 31 December 2012	698,114	10,416,892	11,115,006

32. RETAINED PROFITS (CONT'D.)

(a) The Group's retained profits (cont'd.)

The breakdown of distributable and non-distributable retained profits of the Group are as follows (cont'd.):

Group As at 31.12.2011	Non-distributable Non-DPF Unallocated Surplus RM'000	Distributable Retained Profits RM'000	Retained Profits RM'000
At 1 July 2011			
– as reported under FRS	–	9,491,265	9,491,265
– effects of adoption of MFRS (Note 2.4(vii)(a))	676,463	–	676,463
At 1 July 2011, under MFRS	676,463	9,491,265	10,167,728
Profit for the period	70,092	2,516,960	2,587,052
Total comprehensive income for the period	70,092	2,516,960	2,587,052
Transfer from non-DPF unallocated surplus upon recommended by Appointed Actuary	(65,770)	65,770	–
Effects of adopting BNM Revised Guidelines for Profit Equalisation Reserve ("PER")	–	34,456	34,456
Transfer to PER	–	(34,456)	(34,456)
Effects of net acquisition from/disposal to non-controlling interests	–	(49,800)	(49,800)
Transfer to statutory reserves	–	(516,441)	(516,441)
Dividends (Note 46)	–	(1,794,772)	(1,794,772)
Total transactions with shareholders	(65,770)	(2,295,243)	(2,361,013)
At 31 December 2011	680,785	9,712,982	10,393,767

(b) The Bank's retained profits

(i) The retained profits of the Bank as at 31 December 2012, 31 December 2011 and 1 July 2011 are distributable profits.

(ii) Prior to the year of assessment 2009, Malaysian companies adopted 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 Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Bank did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the Section 108 balance as at 31 December 2012 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 December 2012, the Bank has sufficient credit in the Section 108 balance to pay franked dividends amounting to RM2,081 million out of its retained profits. If the balance of retained profits of RM2,098 million were to be distributed as dividends, the Bank may then distribute such dividends under the single tier system.

33. OTHER RESERVES

	Note	Group As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Non-distributable:				
Statutory reserve	(a)	**8,023,712**	6,926,383	6,409,922
Capital reserve	(b)	**14,254**	15,250	15,250
Unrealised holding reserve		**707,690**	681,351	674,321
Exchange fluctuation reserve		**(1,877,640)**	(969,382)	(1,007,977)
ESS reserve		**226,142**	127,317	65,000
Revaluation reserve	(c)	**7,986**	8,817	9,057
PER reserve	(d)	**34,456**	34,456	–
		7,136,600	6,824,192	6,165,573

	Note	Bank As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Non-distributable:				
Statutory reserve	(a)	**7,805,342**	6,728,866	6,212,460
Unrealised holding reserve		**393,286**	417,205	381,921
Exchange fluctuation reserve		**313,768**	227,772	239,261
ESS reserve		**226,142**	127,317	65,000
		8,738,538	7,501,160	6,898,642

(a) The statutory reserves are maintained in compliance with the requirements of Bank Negara Malaysia and certain Central Banks of the respective countries in which the Group and the Bank operate and are not distributable as cash dividends.

(b) The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous years.

(c) Revaluation reserve relates to the transfer of self-occupied properties to investment properties subsequent to the change on occupation intention.

(d) The Profit Equalisation Reserve ("PER") of Islamic Banking Institution ("IBI") is classified as a separate reserve in equity as per BNM Revised Guidelines on Profit Equalisation Reserve issued in May 2011.

34. OPERATING REVENUE

Operating revenue of the Group comprises all types of revenue derived from the business of banking, income from Islamic Banking Scheme operations, finance, investment banking, general and life insurance (including takaful), stock broking, leasing and factoring, trustee and nominee services, asset management and venture capital but excluding all transactions between related companies.

Operating revenue of the Bank comprises gross interest income, gross fee and gross commission income, investment income, gross dividends and other income derived from banking and finance operations.

35. INTEREST INCOME

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	**1.7.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.7.2011 to 31.12.2011 RM'000**
Loans, advances and financing	**12,263,433**	5,630,652	**8,888,091**	4,187,422
Money at call and deposits and placements with financial institutions	**541,204**	321,898	**540,712**	243,430
Financial assets purchased under resale agreements	**3,835**	2,529	**1,508**	141
Financial assets at FVTPL	**99,396**	64,105	**89,337**	65,233
Financial investments available-for-sale	**1,528,244**	753,393	**1,305,724**	662,867
Financial investments held-to-maturity	**294,653**	225,376	**240,699**	196,742
	14,730,765	6,997,953	**11,066,071**	5,355,835
Amortisation of premiums less accretion of discounts, net	**116,253**	6,366	**128,423**	3,746
	14,847,018	7,004,319	**11,194,494**	5,359,581

Included in interest income for the current financial year was interest on impaired assets amounting to approximately RM137,657,000 (1 July 2011 to 31 December 2011: RM110,517,000) for the Group and RM103,623,000 (1 July 2011 to 31 December 2011: RM86,126,000) for the Bank.

36. INTEREST EXPENSE

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	**1.7.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.7.2011 to 31.12.2011 RM'000**
Deposits and placements from financial institutions	**511,490**	219,732	**505,239**	218,732
Deposits from customers	**4,549,003**	2,169,377	**3,494,521**	1,589,815
Floating rate certificates of deposits	**9,477**	1,617	**9,477**	1,617
Borrowings	**389,155**	153,233	**134,435**	24,094
Subordinated notes	**429,075**	146,824	**355,246**	146,824
Subordinated bonds	**91,374**	67,852	**91,374**	67,852
Capital securities	**401,286**	201,405	**401,286**	201,405
Net interest on derivatives	**(14,559)**	18,001	**(32,576)**	3,373
	6,366,301	2,978,041	**4,959,002**	2,253,712

37. NET INCOME FROM INSURANCE/TAKAFUL BUSINESS

Net income from insurance/takaful business comprises the following items:

	Note	Group 1.1.2012 to 31.12.2012 RM'000	Group 1.7.2011 to 31.12.2011 RM'000
Gross earned premiums		5,472,743	2,437,543
Premiums ceded to reinsurers		(954,774)	(446,114)
Net earned premiums	a	4,517,969	1,991,429
Fee and commission income		21,264	9,269
Investment income		852,893	423,521
Realised gains and losses		394,173	144,906
Fair value gains and losses		(5,910)	132,042
Other revenue		1,262,420	709,738
Gross benefits and claims paid		(2,906,725)	(1,212,247)
Claims ceded to reinsurers		259,179	88,203
Gross change to contract liabilities		(2,053,331)	(792,716)
Change in contract liabilities ceded to reinsurers		572,957	219,129
Net benefits and claims	b	(4,127,920)	(1,697,631)
Management expenses		(198,779)	(118,551)
Change in expense liabilities		(84,599)	(217,529)
Fee and commission expenses		(691,100)	(239,664)
Other operating expenses		(25,546)	(1,273)
Other expenses		(1,000,024)	(577,017)
Net income from insurance/takaful business		652,445	426,519

37. NET INCOME FROM INSURANCE/TAKAFUL BUSINESS (CONT'D.)

(a) Net earned premiums

Group	General Fund RM '000	Life Fund RM '000	General Takaful Fund RM '000	Family Takaful Fund RM '000	Total RM '000
1.1.2012 to 31.12.2012					
Gross earned premiums	**1,455,869**	**1,474,383**	**797,696**	**1,744,795**	**5,472,743**
Premiums ceded to reinsurers	**(841,329)**	**(20,862)**	**(80,420)**	**(12,163)**	**(954,774)**
Net earned premiums	**614,540**	**1,453,521**	**717,276**	**1,732,632**	**4,517,969**
1.7.2011 to 31.12.2011					
Gross earned premiums	634,414	708,947	369,683	724,499	2,437,543
Premiums ceded to reinsurers	(346,538)	(12,401)	(76,567)	(10,608)	(446,114)
Net earned premiums	287,876	696,546	293,116	713,891	1,991,429

(b) Net benefits and claims

Group	General Fund RM '000	Life Fund RM '000	General Takaful Fund RM '000	Family Takaful Fund RM '000	Total RM '000
1.1.2012 to 31.12.2012					
Gross benefits and claims paid	**(537,938)**	**(1,349,141)**	**(372,058)**	**(647,588)**	**(2,906,725)**
Claims ceded to reinsurers	**237,753**	**11,041**	**6,707**	**3,678**	**259,179**
Gross change to contract liabilities	**(382,581)**	**(349,689)**	**(411,111)**	**(909,950)**	**(2,053,331)**
Change in contract liabilities ceded to reinsurers	**321,206**	**(3,145)**	**256,784**	**(1,888)**	**572,957**
Net benefits and claims	**(361,560)**	**(1,690,934)**	**(519,678)**	**(1,555,748)**	**(4,127,920)**
1.7.2011 to 31.12.2011					
Gross benefits and claims paid	(210,023)	(511,579)	(138,347)	(352,298)	(1,212,247)
Claims ceded to reinsurers	68,389	7,488	5,536	6,790	88,203
Gross change to contract liabilities	(205,597)	(322,962)	(128,441)	(135,716)	(792,716)
Change in contract liabilities ceded to reinsurers	180,022	(8)	23,449	15,666	219,129
Net benefits and claims	(167,209)	(827,061)	(237,803)	(465,558)	(1,697,631)

38. NON-INTEREST INCOME

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Fee income:				
Commission	**820,154**	391,696	**717,311**	338,033
Service charges and fees	**1,620,216**	595,097	**990,463**	383,132
Underwriting fees	**90,642**	18,087	**50,105**	13,399
Brokerage income	**539,826**	277,187	**1,725**	649
Fees on loans, advances and financing	**513,694**	285,072	**182,084**	99,374
	3,584,532	1,567,139	**1,941,688**	834,587
Investment income:				
Net gain on disposal of financial assets at FVTPL	**150,241**	17,858	**135,607**	23,872
Net gain on disposal of financial investments available-for-sale	**438,523**	271,636	**372,298**	249,361
Net (loss)/gain on redemption of financial investments held-to-maturity	**(62)**	132	**(62)**	132
Gain on disposal/liquidation of subsidiaries (Note 17(f)(i)/Note 17(h))	**806**	2,052	**341**	210
Gain on disposal of associates (Note 17(a)(i))	**8,989**	30,274	**–**	–
	598,497	321,952	**508,184**	273,575
Gross dividends from:				
Financial investments available-for-sale				
– Quoted outside Malaysia	**7,278**	689	**–**	–
– Quoted in Malaysia	**16,344**	7,226	**2,110**	1,693
– Unquoted outside Malaysia	**432**	3,744	**132**	–
– Unquoted in Malaysia	**10,552**	8,121	**9,423**	7,418
	34,606	19,780	**11,665**	9,111
Subsidiaries	**–**	–	**848,943**	358,026
Associates	**–**	–	**7,106**	5,231
	34,606	19,780	**867,714**	372,368

38. NON-INTEREST INCOME (CONT'D)

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Unrealised gain/(loss) on revaluation of:				
Financial assets at FVTPL	**56,273**	(52,564)	**21,794**	62,586
Derivatives	**29,307**	(241,409)	**9,306**	(237,213)
	85,580	(293,973)	**31,100**	(174,627)
Other income:				
Foreign exchange gain, net	**576,152**	529,283	**445,441**	489,010
Rental income	**24,559**	10,681	**23,067**	10,288
Gain on disposal of property, plant and equipment	**7,638**	4,998	**4,928**	5,348
Gain on disposal of foreclosed properties	**2,747**	782	**85**	–
Sale of development properties	**20,347**	53,560	**–**	–
Other operating income	**301,534**	132,791	**68,334**	28,286
Other non-operating income	**37,557**	27,187	**41,674**	22,374
	970,534	759,282	**583,529**	555,306
Total non-interest income	**5,273,749**	2,374,180	**3,932,215**	1,861,209

39. OVERHEAD EXPENSES

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Personnel Expenses				
Salaries, allowances and bonuses	**3,506,393**	1,589,912	**2,237,359**	988,701
Social security cost	**16,220**	13,402	**14,249**	6,911
Pension costs — defined contribution plan	**390,142**	171,992	**322,647**	146,784
ESS expenses	**96,187**	56,848	**79,274**	41,765
Other staff related expenses	**580,431**	264,561	**341,135**	153,180
	4,589,373	2,096,715	**2,994,664**	1,337,341
Establishment Costs				
Depreciation of property, plant and equipment (Note 19)	**223,646**	104,363	**119,155**	56,642
Amortisation of core deposit intangibles (Note 20)	**38,869**	22,801	**–**	–
Amortisation of agency force (Note 20)	**14,493**	9,848	**–**	–
Amortisation of customer relationship (Note 20)	**28,144**	16,196	**–**	–
Amortisation of computer software (Note 20)	**64,715**	29,265	**47,629**	21,136
Rental of leasehold land and premises	**245,261**	113,656	**104,742**	51,882
Repairs and maintenance of property, plant and equipment	**140,952**	81,583	**68,714**	33,668
Information technology expenses	**559,397**	272,959	**453,575**	231,787
Fair value adjustments on investment properties (Note 15)	**(10,583)**	(14)	**–**	–
Others	**10,493**	25,831	**6,152**	6,599
	1,315,387	676,488	**799,967**	401,714
Marketing Costs				
Advertisement and publicity	**387,500**	178,608	**222,810**	94,714
Others	**187,277**	61,515	**168,990**	51,886
	574,777	240,123	**391,800**	146,600

39. OVERHEAD EXPENSES (CONT'D.)

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Administration And General Expenses				
Fees and brokerage	**527,638**	312,693	**436,067**	259,271
Administrative expenses	**564,595**	293,291	**244,838**	126,778
General expenses	**583,886**	269,030	**126,386**	62,862
Cost of development property	**13,924**	34,762	**–**	–
Others	**(11,460)**	18,737	**1,505**	1,753
	1,678,583	928,513	**808,796**	450,664
Overhead expenses allocated to subsidiaries	**–**	–	**(591,437)**	(263,431)
Total overhead expenses	**8,158,120**	3,941,839	**4,403,790**	2,072,888
Cost to income ratio#	**48.6%**	49.7%	**43.3%**	41.7%

Included in overhead expenses are:

Directors' fees and remuneration (Note 40)	**46,700**	23,126	**10,307**	4,648
Rental of equipment	**13,871**	8,419	**11,824**	7,733
Direct operating expenses of investment properties	**238**	122	**–**	–
Auditors' remuneration:				
Statutory audit:	**11,662**	9,313	**5,725**	4,955
– Ernst & Young Malaysia	**5,607**	4,553	**3,485**	2,867
– Other member firms of Ernst & Young Global	**5,600**	2,978	**2,138**	1,436
– Other auditors*	**455**	1,782	**102**	652
Non-audit services:	**6,094**	5,561	**3,885**	1,516
– Reporting accountants, review engagements and regulatory-related services	**2,689**	2,865	**1,692**	1,420
– Other services	**3,405**	2,696	**2,193**	96
Employee benefit expenses (Note 39(a))	**80,530**	37,391	**–**	–
Property, plant and equipment written off (Note 19)	**227**	2,682	**85**	294
Intangible assets written off (Note 20)	**–**	16,594	**–**	–

Cost to income ratio is computed using total cost over the net income. Total cost of the Group is the total overhead expenses, excluding amortisation of intangible assets for PT Bank Internasional Indonesia Tbk and Maybank Kim Eng Holdings Limited of RM38,869,000 and RM42,637,000 (1 July 2011 to 31 December 2011: RM22,801,000 and RM26,044,000) respectively. Income is referring to net income amount, as stated on the face of income statements.

* Relates to fees paid and payable to accounting firms other than Ernst & Young.

39. OVERHEAD EXPENSES (CONT'D.)

(a) Employee benefit expenses during the financial year/period are as follows:

	Group	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Current service cost	**44,347**	19,085
Interest cost	**23,027**	11,291
Expected return on plan assets	**(20)**	–
Net actuarial losses recognised	**10,790**	4,229
Amortisation of past service cost – vested	**(515)**	2,362
Amortisation of past service cost – non vested	**797**	424
Others	**2,104**	–
	80,530	37,391

40. DIRECTORS' FEES AND REMUNERATION

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Directors of the Bank:				
Executive director:				
Salary	**1,632**	768	**1,632**	768
Fees	**768**	379	**–**	–
Bonus	**2,380**	768	**2,380**	768
Pension cost – defined contribution plan	**645**	247	**645**	247
ESS expenses	**1,354**	668	**1,354**	668
Other remuneration	**241**	112	**210**	106
Estimated monetary value of benefits-in-kind	**42**	21	**42**	21
	7,062	2,963	**6,263**	2,578

40. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Non-executive directors:				
Fees	**5,589**	2,494	**2,956**	1,473
Other remuneration	**1,350**	678	**1,130**	618
Estimated monetary value of benefits-in-kind	**85**	45	**85**	44
	7,024	3,217	**4,171**	2,135
Sub-total for directors of the Bank	**14,086**	6,180	**10,434**	4,713

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Directors of the subsidiaries:				
Executive directors:				
Salary and other remuneration, including meeting allowance	**11,370**	10,691	**–**	–
Bonus	**5,807**	1,163	**–**	–
Pension cost – defined contribution plan	**231**	247	**–**	–
ESS expenses	**522**	325	**–**	–
Estimated monetary value of benefits-in-kind	**100**	361	**–**	–
	18,030	12,787	**–**	–
Non-executive directors:				
Fees	**10,373**	3,468	**–**	–
Other remuneration	**3,521**	344	**–**	–
ESS expenses	**917**	774	**–**	–
	14,811	4,586	**–**	–
Sub-total for directors of the subsidiaries	**32,841**	17,373	**–**	–
Total (including benefits-in-kind) (Note 44(c))	**46,927**	23,553	**10,434**	4,713
Total (excluding benefits-in-kind) (Note 39)	**46,700**	23,126	**10,307**	4,648

40. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The remuneration attributable to the President/Chief Executive Officer of the Bank including benefits-in-kind during the financial year amounted to RM7,062,000 (1 July 2011 to 31 December 2011: RM2,963,000).

The total remuneration (including benefits-in-kind) of the directors of the Bank are as follows:

1.1.2012 to 31.12.2012	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments* RM'000	Benefits-in-kind ESS RM'000	Benefits-in-kind Others RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Subsidiaries total RM'000	Group total RM'000
Executive director:												
Dato' Sri Abdul Wahid bin Omar	1,632	–	2,380	645	210	1,354	42	6,263	768	31	799	7,062
Non-executive directors:												
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	–	300	–	–	577	–	40	917	815	12	827	1,744
Dato' Mohd Salleh bin Hj Harun	–	375	–	–	41	–	34	450	453	18	471	921
Tan Sri Datuk Dr Hadenan bin A. Jalil	–	295	–	–	52	–	3	350	75	10	85	435
Dato' Seri Ismail bin Shahudin	–	235	–	–	57	–	–	292	113	9	122	414
Dato' Dr Tan Tat Wai	–	295	–	–	53	–	–	348	71	7	78	426
Encik Zainal Abidin bin Jamal	–	280	–	–	80	–	2	362	349	36	385	747
Dato' Johan bin Ariffin	–	250	–	–	75	–	3	328	303	31	334	662
Mr Cheah Teik Seng	–	250	–	–	50	–	3	303	222	42	264	567
Mr Alister Maitland	–	280	–	–	49	–	–	329	–	25	25	354
Datuk Mohaiyani binti Shamsudin	–	220	–	–	63	–	–	283	212	29	241	524
Mr Erry Riyana Hardjapamekas	–	114	–	–	22	–	–	136	–	–	–	136
Dato' Sreesanthan Eliathamby	–	62	–	–	11	–	–	73	20	1	21	94
	–	2,956	–	–	1,130	–	85	4,171	2,633	220	2,853	7,024
Total directors' remuneration	1,632	2,956	2,380	645	1,340	1,354	127	10,434	3,401	251	3,652	14,086

* Includes duty allowances, social allowances, leave passage, staff mess, retention sum and retirement gratuity.

40. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

1.7.2011 to 31.12.2011	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments* RM'000	Benefits-in-kind ESS RM'000	Benefits-in-kind Others RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Subsidiaries total RM'000	Group total RM'000
Executive director:												
Dato' Sri Abdul Wahid bin Omar	768	–	768	247	106	668	21	2,578	379	6	385	2,963
Non-executive directors:												
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	–	150	–	–	325	–	20	495	407	–	407	902
Dato' Mohd Salleh bin Hj Harun	–	188	–	–	23	–	17	228	183	12	195	423
Tan Sri Datuk Dr Hadenan bin A. Jalil	–	147	–	–	32	–	1	180	18	4	22	202
Dato' Seri Ismail bin Shahudin	–	118	–	–	33	–	–	151	26	4	30	181
Dato' Dr Tan Tat Wai	–	147	–	–	29	–	–	176	71	2	73	249
Encik Zainal Abidin bin Jamal	–	140	–	–	46	–	1	187	88	12	100	287
Dato' Johan bin Ariffin	–	125	–	–	40	–	2	167	97	15	112	279
Mr Cheah Teik Seng	–	125	–	–	25	–	2	152	89	2	91	243
Mr Alister Maitland	–	140	–	–	29	–	–	169	–	4	4	173
Datuk Mohaiyani binti Shamsudin	–	68	–	–	12	–	–	80	30	–	30	110
Dato' Sreesanthan Eliathamby	–	125	–	–	24	–	1	150	13	5	18	168
	–	1,473	–	–	618	–	44	2,135	1,022	60	1,082	3,217
Total directors' remuneration	768	1,473	768	247	724	668	65	4,713	1,401	66	1,467	6,180

* Includes duty allowances, social allowances, leave passage, staff mess, retention sum and retirement gratuity.

41. ALLOWANCES FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING, NET

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Allowances for loans, advances and financing:				
– Individual allowance (Note 11(ix))				
Allowance made	**1,172,015**	535,890	**985,402**	464,602
Amount written back	**(437,932)**	(296,458)	**(368,351)**	(192,817)
Net	**734,083**	239,432	**617,051**	271,785
– Collective allowance (Note 11(ix))				
Allowance made	**628,222**	504,176	**205,091**	187,383
Amount written back	**–**	(306)	**–**	–
Net	**628,222**	503,870	**205,091**	187,383
Bad debts and financing:				
– Written off	**120,433**	34,188	**104,447**	32,243
– Recovered	**(851,722)**	(463,338)	**(660,391)**	(326,977)
	631,016	314,152	**266,198**	164,434
Allowance for other debts	**11,695**	14,928	**2,646**	1,707
	642,711	329,080	**268,844**	166,141

42. ALLOWANCES FOR/(WRITEBACK OF) IMPAIRMENT LOSSES OF FINANCIAL INVESTMENTS, NET

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Financial investments available-for-sale	**54,710**	68,697	**(6,823)**	59,324
Financial investments held-to-maturity	**5,506**	(1,460)	**3,738**	(1,460)
	60,216	67,237	**(3,085)**	57,864

43. TAXATION AND ZAKAT

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Malaysian income tax	**1,811,717**	786,379	**1,264,001**	543,043
Foreign tax	**455,658**	226,728	**207,556**	107,832
Less: Double taxation relief	**(184,961)**	(106,266)	**(184,963)**	(106,266)
	2,082,414	906,841	**1,286,594**	544,609
(Overprovision)/underprovision in respect of prior years:				
Malaysian income tax	**(140,772)**	–	**(106,879)**	–
Foreign income tax	**294**	97	**–**	–
	1,941,936	906,938	**1,179,715**	544,609
Deferred tax (Note 27):				
Relating to originating and reversal of temporary differences, net	**10,667**	(28,360)	**12,506**	60,269
Tax expense for the year/period	**1,952,603**	878,578	**1,192,221**	604,878
Zakat	**24,703**	10,415	**33**	22
	1,977,306	888,993	**1,192,254**	604,900

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (1 July 2011 to 31 December 2011: 25%) of the estimated chargeable profit for the year/period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

43. TAXATION AND ZAKAT (CONT'D.)

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

	Group	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Profit before taxation	7,894,599	3,571,092
Taxation at Malaysian statutory tax rate of 25% (31 December 2011: 25%)	1,973,650	892,772
Different tax rates in other countries	50,224	7,457
Income not subject to tax	(203,182)	(63,545)
Expenses not deductible for tax purposes	310,508	60,356
(Over)/under provision in tax expense in prior years	(140,478)	97
Share of profits of associates	(38,119)	(18,559)
Tax expense for the year/period	1,952,603	878,578

	Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Profit before taxation	5,498,158	2,670,185
Taxation at Malaysian statutory tax rate of 25% (31 December 2011: 25%)	1,374,540	667,546
Different tax rates in other countries	13,348	7,268
Income not subject to tax	(196,737)	(91,710)
Expenses not deductible for tax purposes	107,949	21,774
Overprovision in tax expense in prior years	(106,879)	–
Tax expense for the year/period	1,192,221	604,878

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the directors and chief executive officers of the Group and the Bank.

The Group has related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and the Bank are as follows:

(a) Significant transactions with subsidiaries and associates:

	Bank	
	1.1.2012 to 31.12.2012 RM'000	**1.7.2011 to 31.12.2011 RM'000**
Income:		
Interest on deposits	**140,468**	80,746
Dividend income	**856,049**	363,257
Rental of premises	**3,441**	1,327
Other income	**785,604**	273,279
	1,785,562	718,609
Expenditure:		
Interest on deposits	**303,686**	148,886
Other expenses	**19,253**	3,348
	322,939	152,234
Others:		
ESS expenses charged to subsidiaries	**20,554**	20,558

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(b) Balances with subsidiaries

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Amounts due from subsidiaries:			
Current accounts and deposits	**2,129,449**	3,470,049	2,218,541
Negotiable instruments of deposits	**5,330,626**	6,125,796	4,886,333
Loans, advances and financing	**–**	126,404	131,856
Interest and other receivable on deposits	**610,233**	209,063	2,239,152
Private debt securities	**284,636**	127,593	211,916
Derivative assets	**20,811**	54,912	7,231
	8,375,755	10,113,817	9,695,029
Amounts due to subsidiaries:			
Current accounts and deposits	**6,416,138**	6,965,108	6,219,839
Private debt securities	**–**	–	40,808
Interest payable on deposits	**8,680**	10,165	15,956
Deposits and other creditors	**9,568,012**	8,037,519	8,261,501
Derivative liabilities	**7,536**	935	12,287
	16,000,366	15,013,727	14,550,391

(c) Key management personnel compensation

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Short-term employee benefits				
– Fees	**16,730**	6,341	**2,956**	1,473
– Salaries, allowances and bonuses	**29,609**	18,748	**5,352**	2,260
– Pension cost - defined contribution plan	**1,562**	1,086	**645**	247
– Other staff benefits	**4,334**	1,349	**127**	65
Share-based payment				
– ESS expenses	**4,573**	2,581	**1,354**	668
Post employment benefits				
– Retirement gratuity	**–**	207	**–**	–
	56,808	30,312	**10,434**	4,713

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(c) Key management personnel compensation (cont'd.)

Included in the total key management personnel compensation are:

	Group		Bank	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Directors' remuneration including benefits-in-kind (Note 40)	**46,927**	23,553	**10,434**	4,713

The movements in number of ESOS granted and vested to key management personnel are as follows:

	Group		Bank	
	1.1.2012 to 31.12.2012 '000	1.7.2011 to 31.12.2011 '000	1.1.2012 to 31.12.2012 '000	1.7.2011 to 31.12.2011 '000
Granted during the year/period - Second Grant	**78**	–	**–**	–

	Group		Bank	
	As at 31.12.2012 '000	As at 31.12.2011 '000	As at 31.12.2012 '000	As at 31.12.2011 '000
At 1 January 2012/1 July 2011	**1,965**	1,965	**500**	500
Adjustment*	**(226)**	–	**–**	–
Vested and exercisable	**968**	–	**250**	–
Exercised	**(28)**	–	**–**	–
Forfeited	**(70)**	–	**–**	–
At 31 December	**2,609**	1,965	**750**	500

* Adjustment relates to changes in key management personnel during the financial year.

The share options in the financial year ended 31 December 2012 were also granted on the same terms and conditions as those offered to other employees of the Group, as disclosed in Note 31(c).

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(c) Key management personnel compensation (cont'd.)

The movement in the number of RSU granted to key management personnel is as follows:

	Group		Bank	
	1.1.2012 to 31.12.2012 '000	1.7.2011 to 31.12.2011 '000	1.1.2012 to 31.12.2012 '000	1.7.2011 to 31.12.2011 '000
Granted during the year/period - Second Grant	685	–	200	–

None of the RSU granted was vested as at the end of the financial year/period.

Loans to executive directors of subsidiaries for the Group and the Bank are disclosed in Note 11.

(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 December 2011: 5.21% and 1 July 2011: 5.58%) and indirect shareholding of 40.58% (31 December 2011: 46.05% and 1 July 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 Group and the Bank.

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

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

	Group	
Transactions during the year/period:	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Interest income	210,108	100,829

	Bank	
Transactions during the year/period:	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Interest income	167,533	69,177

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

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

(i) Individually significant transactions with PNB because of size of transaction (cont'd.)

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Loans, advances and financing	**5,607,680**	5,957,680	5,957,680

	Bank		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Loans, advances and financing	**4,457,680**	4,807,680	4,807,680

(ii) Collectively, but not individually, significant transactions

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

For the financial year ended 31 December 2012, management estimates that the aggregate amount of the Group's and the Bank's significant transactions with other government-related entities are at least 1.7% and 1.9% respectively of its total interest income (1 July 2011 to 31 December 2011: 1.6% for the Group and the Bank).

For the financial year ended 31 December 2012, management estimates that the aggregate amount of the significant balances due from other government-related entities for the Group and the Bank are 2.2% and 2.6% respectively of its total loans, advances and financing (31 December 2011: 2.6% for the Group and 3.1% for the Bank and 1 July 2011: 2.5% for the Group and 2.9% for the Bank).

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

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

	Group		
	As at 31.12.2012	As at 31.12.2011	As at 1.7.2011
Outstanding credit exposures with connected parties (RM'000)	**24,145,302**	24,765,729	26,226,304
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**7.8%**	9.0%	10.3%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	**–**	–	–

	Bank		
	As at 31.12.2012	As at 31.12.2011	As at 1.7.2011
Outstanding credit exposures with connected parties (RM'000)	**23,472,554**	22,922,705	21,934,288
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**10.9%**	11.8%	12.1%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	**–**	–	–

The credit exposures above are based on Paragraph 9.1 of BNM revised Guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder of the Bank and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;

(iv) 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;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) 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;

44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(e) Credit exposure arising from credit transactions with connected parties (cont'd.)

Based on these guidelines, a connected party refers to the following (cont'd.):

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

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

45. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

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

	Group		Bank	
	1.1.2012 to 31.12.2012	**1.7.2011 to 31.12.2011**	**1.1.2012 to 31.12.2012**	**1.7.2011 to 31.12.2011**
Net profit for the financial year/period attributable to equity holders of the Bank (RM'000)	**5,744,696**	2,587,052	**4,305,904**	2,065,285
Weighted average number of ordinary shares in issue ('000)	**7,904,374**	7,505,086	**7,904,374**	7,505,086
Basic earnings per share (sen)	**72.7**	34.5	**54.5**	27.5

(b) Diluted EPS

The diluted EPS of the Group and the Bank are calculated by dividing the net profit for the financial year/period attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue, which has been adjusted for the number of shares that could have been issued under the Maybank Group Employees' Share Scheme ("ESS"), details are as disclosed in Note 31(c).

In the diluted EPS calculation, it was assumed that certain number of shares under the ESS relating to the RSU were vested and awarded to employees through issuance of additional ordinary shares. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average price of the Bank's shares during the financial year/period) based on the monetary value of the ESS entitlement attached to the outstanding RSU granted. This calculation serves to determine the number of dilutive shares to be added to the weighted average ordinary shares in issue for the purpose of computing the dilution. No adjustment was made to the net profit for the financial year/period.

45. EARNINGS PER SHARE ("EPS") (CONT'D.)

(b) Diluted EPS (cont'd.)

	Group		Bank	
	1.1.2012 to 31.12.2012	1.7.2011 to 31.12.2011	1.1.2012 to 31.12.2012	1.7.2011 to 31.12.2011
Net profit for the financial year/period attributable to equity holders of the Bank (RM'000)	**5,744,696**	2,587,052	**4,305,904**	2,065,285
Weighted average number of ordinary shares in issue ('000)	**7,904,374**	7,505,086	**7,904,374**	7,505,086
Effects of dilution ('000)	**601**	85	**601**	85
Adjusted weighted average number of ordinary shares in issue ('000)	**7,904,975**	7,505,171	**7,904,975**	7,505,171
Diluted earnings per share (sen)	**72.7**	34.5	**54.5**	27.5

ESOS granted to employees under the ESS have not been included in the calculation of diluted earnings per share because these are non-dilutive potential ordinary shares.

46. DIVIDENDS

	Group and Bank			
			Net dividend per share	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 sen	1.7.2011 to 31.12.2011 sen
Final dividend of 36 sen less 25% taxation in respect of the financial period ended 31 December 2011 (Note c(i))	**2,062,651**	–	**27.00**	–
First interim dividend of 32 sen less 25% taxation in respect of the financial year ended 31 December 2012 (Note c(ii))	**1,885,055**	–	**24.00**	–
Final dividend of 32 sen less 25% taxation in respect of the financial year ended 30 June 2011	**–**	1,794,772	**–**	24.00
	3,947,706	1,794,772	**51.00**	24.00
Less: Dividend on shares held-in-trust pursuant to ETF mechanism	**(2,748)**	–		
	3,944,958	1,794,772		

46. DIVIDENDS (CONT'D.)

(a) Proposed final dividend

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2012 of 18 sen less 25% taxation and 15 sen single-tier dividend on 8,440,046,735 ordinary shares of RM1.00 each, amounting to a net dividend payable of RM2,405,413,319 (net 28.5 sen per ordinary share) will be proposed for the shareholders' approval.

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

The electable portion can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 31(b) to the financial statements and subject to the relevant regulatory approvals as well as shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 31 December 2013.

(b) Dividend Reinvestment Plan ("DRP")

The Bank via the announcement on 25 March 2010 proposed to undertake a recurrent and optional dividend reinvestment plan that allows shareholders of the Bank to reinvest electable portion of their dividends into new ordinary share(s) of RM1.00 each in the Bank.

Details of the DRP are disclosed in Note 31(b).

(c) Dividends paid during the financial year

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

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

(d) Dividends paid by Maybank's subsidiaries to non-controlling interests

Dividends paid by Maybank's subsidiaries to non-controlling interests amounted to RM42,520,000 during the financial year ended 31 December 2012 (31 December 2011: RM3,332,000).

47. COMMITMENTS AND CONTINGENCIES

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

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

	Group								
	As at 31.12.2012			As at 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
<u>Credit-related</u>									
Direct credit substitutes	9,835,215	9,330,230	5,923,432	8,260,162	7,864,786	5,463,701	6,752,978	6,227,511	4,099,984
Certain transaction-related contingent items	12,386,664	6,086,424	4,548,217	13,333,375	5,797,032	4,339,391	11,877,557	5,432,538	4,249,138
Short-term self-liquidating trade-related contingencies	4,149,665	968,455	702,003	3,316,365	1,243,447	704,094	2,568,575	823,220	466,841
Obligations under underwriting agreements	30,000	15,000	3,000	30,000	15,000	15,000	–	–	–
Irrevocable commitments to extend credit:									
– Maturity within one year	92,616,125	15,352,562	9,652,404	96,902,460	3,398,686	2,109,787	90,585,383	3,377,523	1,577,558
– Maturity exceeding one year	34,602,180	20,418,739	8,169,932	19,584,365	11,669,069	4,829,809	17,429,274	6,027,366	2,818,245
Miscellaneous commitments and contingencies	9,773,807	798,322	201,617	8,782,439	97,824	73,043	9,605,986	95,365	71,442
Total credit-related commitments and contingencies	163,393,656	52,969,732	29,200,605	150,209,166	30,085,844	17,534,825	138,819,753	21,983,523	13,283,208
<u>Derivative Financial Instruments</u>									
Foreign exchange related contracts:									
– Less than one year	95,679,030	1,897,261	520,511	89,398,924	1,697,361	589,459	73,859,524	999,219	341,316
– One year to less than five years	18,646,950	3,391,757	1,444,007	16,659,300	61,824	52,846	12,415,335	98,952	65,569
– Five years and above	1,780,543	1,780,543	891,778	827,609	45,053	44,520	605,885	54,096	52,937
	116,106,523	7,069,561	2,856,296	106,885,833	1,804,238	686,825	86,880,744	1,152,267	459,822
Interest rate related contracts:									
– Less than one year	19,401,506	550,359	199,287	52,227,798	515,281	420,674	42,098,665	625,318	389,499
– One year to less than five years	63,714,009	1,824,999	569,365	50,556,677	3,275,364	1,408,777	17,922,122	2,944,133	1,495,547
– Five years and above	16,401,202	9,974	2,286	9,176,736	1,133,644	528,435	5,120,193	733,014	316,936
	99,516,717	2,385,332	770,938	111,961,211	4,924,289	2,357,886	65,140,980	4,302,465	2,201,982
Equity and commodity related contracts:									
– Less than one year	260,907	–	–	345,357	–	–	1,112,179	–	–
– One year to less than five years	365,646	–	–	377,592	–	–	155,607	–	–
– Five years and above	30,198	–	–	–	–	–	–	–	–
	656,751	–	–	722,949	–	–	1,267,786	–	–
Credit related contracts:									
– Less than one year	–	–	–	12,677	–	–	–	–	–
– Five years and above	21,388	–	–	–	–	–	–	–	–
	21,388	–	–	12,677	–	–	–	–	–
Total treasury-related commitments and contingencies	216,301,379	9,454,893	3,627,234	219,582,670	6,728,527	3,044,711	153,289,510	5,454,732	2,661,804
Total commitments and contingencies	379,695,035	62,424,625	32,827,839	369,791,836	36,814,371	20,579,536	292,109,263	27,438,255	15,945,012

47. COMMITMENTS AND CONTINGENCIES (CONT'D.)

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

The risk-weighted exposures of the Bank as at the following reporting dates are as follows:

	Bank								
	As at 31.12.2012			As at 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	7,442,874	7,442,874	4,459,633	5,926,466	5,790,525	3,584,047	4,649,552	4,649,552	2,664,930
Certain transaction-related contingent items	10,752,852	5,156,128	3,749,803	11,673,152	4,944,380	3,558,588	10,543,747	4,935,629	3,801,327
Short-term self-liquidating trade-related contingencies	3,775,633	652,838	390,388	2,952,658	1,057,766	648,554	2,408,875	760,622	431,034
Irrevocable commitments to extend credit:									
– Maturity within one year	74,529,072	12,760,456	7,776,780	82,414,863	2,586,209	1,767,836	78,255,915	2,613,454	1,366,897
– Maturity exceeding one year	29,371,486	16,843,478	6,482,755	16,410,180	10,258,612	4,369,422	15,431,262	5,632,158	2,648,543
Miscellaneous commitments and contingencies	9,616,211	613,053	149,236	8,475,251	97,824	73,043	9,576,083	95,365	71,442
Total credit-related commitments and contingencies	135,488,128	43,468,827	23,008,595	127,852,570	24,735,316	14,001,490	120,865,434	18,686,780	10,984,173
Derivative Financial Instruments									
Foreign exchange related contracts:									
– Less than one year	90,499,688	1,842,737	501,780	84,129,446	1,598,591	534,060	69,241,688	974,508	330,847
– One year to less than five years	17,371,300	3,289,005	1,354,451	13,766,757	61,824	52,846	11,703,995	98,952	65,569
– Five years and above	1,780,543	1,780,543	890,710	827,609	43,500	42,967	605,885	54,096	52,937
	109,651,531	6,912,285	2,746,941	98,723,812	1,703,915	629,873	81,551,568	1,127,556	449,353
Interest rate related contracts:									
– Less than one year	18,785,656	510,253	188,501	52,092,953	245,271	150,835	39,794,395	618,202	386,088
– One year to less than five years	58,128,406	1,589,845	393,724	48,442,901	3,138,356	1,349,099	17,674,164	2,899,881	1,473,840
– Five years and above	16,340,036	9,974	2,286	8,931,398	1,118,606	524,691	4,996,206	733,014	344,942
	93,254,098	2,110,072	584,511	109,467,252	4,502,233	2,024,625	62,464,765	4,251,097	2,204,870
Equity and commodity related contracts:									
– Less than one year	260,907	–	–	58,934	–	–	808,651	–	–
– One year to less than five years	144,716	–	–	377,592	–	–	155,607	–	–
	405,623	–	–	436,526	–	–	964,258	–	–
Total treasury-related commitments and contingencies	203,311,252	9,022,357	3,331,452	208,627,590	6,206,148	2,654,498	144,980,591	5,378,653	2,654,223
Total commitments and contingencies	338,799,380	52,491,184	26,340,047	336,480,160	30,941,464	16,655,988	265,846,025	24,065,433	13,638,396

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

47. COMMITMENTS AND CONTINGENCIES (CONT'D.)

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

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

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

- Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank and certain subsidiaries have a gain position. As at 31 December 2012, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM2,880.5 million (31 December 2011: RM1,987.5 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices; and

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

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

- The types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;

- The risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and

- The related accounting policies.

(b) Arising from the recourse obligation on loans and financing sold to Cagamas Berhad as disclosed in Note 25, the Group is contingently liable in respect of loans sold to Cagamas Berhad on the condition that they undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators.

(c) **Contingent liabilities**

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

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

47. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(c) Contingent liabilities (cont'd.)

(i) (cont'd.)

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

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

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

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

The credit facilities consist of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million which were granted by Maybank IB and the three syndicated lenders. The loan was subsequently restructured to RM38.0 million with terms for repayment. In 2006, Maybank IB and the three syndicated lenders filed a suit against the corporate borrower for the recovery of the said credit facilities. The two claims were heard together.

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

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

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

47. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(c) Contingent liabilities (cont'd.)

(ii) (cont'd.)

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

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

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

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

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

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

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

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

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

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

47. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(c) Contingent liabilities (cont'd.)

(iv) (cont'd.)

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

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

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

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

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

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

The second and third Defendants were receivers and managers ("R&Ms") appointed by Maybank under debentures given by the Plaintiff.

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

47. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(c) Contingent liabilities (cont'd.)

(v) (cont'd.)

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

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

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

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

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

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

48. FINANCIAL RISK MANAGEMENT POLICIES

(a) Financial risk management overview

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

The Executive-level Risk Management Committees, which include Executive Risk Committee, Group Operational Risk Management Committee, Asset and Liability Management Committee and Group Management Credit Committee, are responsible for the management of all material risks within the Group.

The Group'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, operational and other industry-specific risk types (e.g. insurance and stockbroking risks).

(d) Risk Management ensures that the core risk policies of the Group are consistent, set the risk tolerance level and facilitate 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 Group.

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

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

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category

Group As at 31.12.2012	Held-for-trading RM'000	Designated as fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans 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	–	–	–	–	40,018,633	40,018,633	–	40,018,633
Deposits and placements with financial institutions	–	–	–	–	11,949,150	11,949,150	–	11,949,150
Financial assets purchased under resale agreements	–	–	–	–	798,180	798,180	–	798,180
Financial investments portfolio*	16,719,811	12,436,881	60,792,374	2,870,768	–	92,819,834	–	92,819,834
Loans, advances and financing	–	–	–	–	311,824,735	311,824,735	–	311,824,735
Derivative assets	2,880,492	–	–	–	–	2,880,492	–	2,880,492
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	572,295	572,295	1,983,432	2,555,727
Other assets	–	–	–	–	6,039,675	6,039,675	640,582	6,680,257
Investment properties	–	–	–	–	–	–	572,662	572,662
Statutory deposits with central banks	–	–	–	–	12,298,362	12,298,362	–	12,298,362
Interest in associates	–	–	–	–	–	–	2,235,233	2,235,233
Property, plant and equipment	–	–	–	–	–	–	2,402,821	2,402,821
Intangible assets	–	–	–	–	–	–	6,531,336	6,531,336
Deferred tax assets	–	–	–	–	–	–	1,298,871	1,298,871
TOTAL ASSETS	19,600,303	12,436,881	60,792,374	2,870,768	383,501,030	479,201,356	15,664,937	494,866,293

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Group As at 31.12.2012 (cont'd.)	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	–	347,155,510	347,155,510	–	347,155,510
Deposits and placements from financial institutions	–	33,887,376	33,887,376	–	33,887,376
Bills and acceptances payable	–	2,269,513	2,269,513	–	2,269,513
Derivative liabilities	2,376,979	–	2,376,979	–	2,376,979
Insurance/takaful contract liabilities and other insurance payables	–	535,117	535,117	21,393,755	21,928,872
Other liabilities	–	6,561,396	6,561,396	3,036,346	9,597,742
Recourse obligation on loans and financing sold to Cagamas	–	1,592,974	1,592,974	–	1,592,974
Provision for taxation and zakat	–	–	–	1,051,798	1,051,798
Deferred tax liabilities	–	–	–	676,514	676,514
Borrowings	–	10,714,266	10,714,266	–	10,714,266
Subordinated obligations	–	13,510,041	13,510,041	–	13,510,041
Capital securities	–	6,150,351	6,150,351	–	6,150,351
TOTAL LIABILITIES	2,376,979	422,376,544	424,753,523	26,158,413	450,911,936

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Group As at 31.12.2011	Held-for-trading RM'000	Designated as fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans 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	–	–	–	–	49,387,882	49,387,882	–	49,387,882
Deposits and placements with financial institutions	–	–	–	–	7,161,651	7,161,651	–	7,161,651
Financial assets purchased under resale agreements	–	–	–	–	1,397,235	1,397,235	–	1,397,235
Financial investments portfolio*	10,793,878	7,599,874	63,585,045	2,689,806	–	84,668,603	–	84,668,603
Loans, advances and financing	–	–	–	–	276,252,853	276,252,853	–	276,252,853
Derivative assets	1,987,502	–	–	–	–	1,987,502	–	1,987,502
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	439,433	439,433	1,734,361	2,173,794
Other assets	–	–	–	–	3,509,983	3,509,983	1,239,837	4,749,820
Investment properties	–	–	–	–	–	–	542,477	542,477
Statutory deposits with central banks	–	–	–	–	10,577,416	10,577,416	–	10,577,416
Interest in associates	–	–	–	–	–	–	2,406,462	2,406,462
Property, plant and equipment	–	–	–	–	–	–	2,217,483	2,217,483
Intangible assets	–	–	–	–	–	–	6,748,053	6,748,053
Deferred tax assets	–	–	–	–	–	–	1,323,606	1,323,606
TOTAL ASSETS	12,781,380	7,599,874	63,585,045	2,689,806	348,726,453	435,382,558	16,212,279	451,594,837

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Group As at 31.12.2011 (cont'd.)	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	–	314,692,245	314,692,245	–	314,692,245
Deposits and placements from financial institutions	–	36,760,978	36,760,978	–	36,760,978
Obligations on financial assets sold under repurchase agreements	–	267,652	267,652	–	267,652
Bills and acceptances payable	–	4,472,872	4,472,872	–	4,472,872
Derivative liabilities	2,162,709	–	2,162,709	–	2,162,709
Insurance/takaful contract liabilities and other insurance payables	–	458,400	458,400	19,632,508	20,090,908
Other liabilities	–	3,890,638	3,890,638	2,517,268	6,407,906
Recourse obligation on loans and financing sold to Cagamas	–	2,214,873	2,214,873	–	2,214,873
Provision for taxation and zakat	–	–	–	382,562	382,562
Deferred tax liabilities	–	–	–	672,025	672,025
Borrowings	–	7,185,230	7,185,230	–	7,185,230
Subordinated obligations	–	14,160,553	14,160,553	–	14,160,553
Capital securities	–	6,113,761	6,113,761	–	6,113,761
TOTAL LIABILITIES	2,162,709	390,217,202	392,379,911	23,204,363	415,584,274

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Group As at 1.7.2011	Held-for-trading RM'000	Designated as fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans 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	–	–	–	–	39,481,871	39,481,871	–	39,481,871
Deposits and placements with financial institutions	–	–	–	–	10,423,251	10,423,251	–	10,423,251
Financial investments portfolio*	5,268,793	7,397,031	61,767,912	2,437,441	–	76,871,177	–	76,871,177
Loans, advances and financing	–	–	–	–	255,017,693	255,017,693	–	255,017,693
Derivative assets	1,693,964	–	–	–	–	1,693,964	–	1,693,964
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	467,824	467,824	1,639,516	2,107,340
Other assets	–	–	–	–	3,804,763	3,804,763	1,093,891	4,898,654
Investment properties	–	–	–	–	–	–	525,521	525,521
Statutory deposits with central banks	–	–	–	–	7,698,425	7,698,425	–	7,698,425
Interest in associates	–	–	–	–	–	–	2,439,654	2,439,654
Property, plant and equipment	–	–	–	–	–	–	2,125,217	2,125,217
Intangible assets	–	–	–	–	–	–	6,637,954	6,637,954
Deferred tax assets	–	–	–	–	–	–	1,333,696	1,333,696
TOTAL ASSETS	6,962,757	7,397,031	61,767,912	2,437,441	316,893,827	395,458,968	15,795,449	411,254,417

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Group As at 1.7.2011 (cont'd.)	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	–	282,797,134	282,797,134	–	282,797,134
Deposits and placements from financial institutions	–	33,303,655	33,303,655	–	33,303,655
Obligations on financial assets sold under repurchase agreements	–	373,562	373,562	–	373,562
Bills and acceptances payable	–	8,513,401	8,513,401	–	8,513,401
Derivative liabilities	1,533,935	–	1,533,935	–	1,533,935
Insurance/takaful contract liabilities and other insurance payables	–	466,699	466,699	18,846,841	19,313,540
Other liabilities	–	4,767,828	4,767,828	2,498,533	7,266,361
Recourse obligation on loans and financing sold to Cagamas	–	1,210,964	1,210,964	–	1,210,964
Provision for taxation and zakat	–	–	–	182,759	182,759
Deferred tax liabilities	–	–	–	658,582	658,582
Borrowings	–	5,447,120	5,447,120	–	5,447,120
Subordinated obligations	–	10,800,539	10,800,539	–	10,800,539
Capital securities	–	6,120,774	6,120,774	–	6,120,774
TOTAL LIABILITIES	1,533,935	353,801,676	355,335,611	22,186,715	377,522,326

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank As at 31.12.2012	Held-for-trading RM'000	Designated as fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans 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	–	–	–	–	23,153,242	23,153,242	–	23,153,242
Deposits and placements with financial institutions	–	–	–	–	10,039,999	10,039,999	–	10,039,999
Financial assets purchased under resale agreements	–	–	–	–	650,314	650,314	–	650,314
Financial investments portfolio*	10,719,937	–	47,366,309	2,556,849	–	60,643,095	–	60,643,095
Loans, advances and financing	–	–	–	–	214,852,046	214,852,046	–	214,852,046
Derivative assets	2,812,148	–	–	–	–	2,812,148	–	2,812,148
Other assets	–	–	–	–	2,528,814	2,528,814	184,249	2,713,063
Statutory deposits with central banks	–	–	–	–	6,888,916	6,888,916	–	6,888,916
Investment in subsidiaries	–	–	–	–	–	–	17,634,469	17,634,469
Interest in associates	–	–	–	–	–	–	456,512	456,512
Property, plant and equipment	–	–	–	–	–	–	1,205,788	1,205,788
Intangible assets	–	–	–	–	–	–	697,066	697,066
Deferred tax assets	–	–	–	–	–	–	810,015	810,015
TOTAL ASSETS	13,532,085	–	47,366,309	2,556,849	258,113,331	321,568,574	20,988,099	342,556,673

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank As at 31.12.2012 (cont'd.)	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	–	237,402,079	237,402,079	–	237,402,079
Deposits and placements from financial institutions	–	29,198,776	29,198,776	–	29,198,776
Bills and acceptances payable	–	1,553,312	1,553,312	–	1,553,312
Derivative liabilities	2,243,617	–	2,243,617	–	2,243,617
Other liabilities	–	6,988,101	6,988,101	1,657,322	8,645,423
Recourse obligation on loans and financing sold to Cagamas	–	687,793	687,793	–	687,793
Provision for taxation and zakat	–	–	–	758,446	758,446
Borrowings	–	7,382,719	7,382,719	–	7,382,719
Subordinated obligations	–	11,638,850	11,638,850	–	11,638,850
Capital securities	–	6,150,351	6,150,351	–	6,150,351
TOTAL LIABILITIES	2,243,617	301,001,981	303,245,598	2,415,768	305,661,366

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank As at 31.12.2011	Held-for-trading RM'000	Designated as fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans 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	–	–	–	–	35,966,579	35,966,579	–	35,966,579
Deposits and placements with financial institutions	–	–	–	–	6,246,093	6,246,093	–	6,246,093
Financial assets purchased under resale agreements	–	–	–	–	1,397,235	1,397,235	–	1,397,235
Financial investments portfolio*	7,325,466	–	46,514,200	2,115,933	–	55,955,599	–	55,955,599
Loans, advances and financing	–	–	–	–	194,174,085	194,174,085	–	194,174,085
Derivative assets	1,949,344	–	–	–	–	1,949,344	–	1,949,344
Other assets	–	–	–	–	2,015,839	2,015,839	224,594	2,240,433
Statutory deposits with central banks	–	–	–	–	6,095,129	6,095,129	–	6,095,129
Investment in subsidiaries	–	–	–	–	–	–	17,230,202	17,230,202
Interest in associates	–	–	–	–	–	–	456,512	456,512
Property, plant and equipment	–	–	–	–	–	–	1,083,279	1,083,279
Intangible assets	–	–	–	–	–	–	389,545	389,545
Deferred tax assets	–	–	–	–	–	–	815,573	815,573
TOTAL ASSETS	9,274,810	–	46,514,200	2,115,933	245,894,960	303,799,903	20,199,705	323,999,608

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank As at 31.12.2011 (cont'd.)	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	–	222,895,293	222,895,293	–	222,895,293
Deposits and placements from financial institutions	–	35,555,592	35,555,592	–	35,555,592
Obligations on financial assets sold under repurchase agreements	–	267,652	267,652	–	267,652
Bills and acceptances payable	–	3,610,141	3,610,141	–	3,610,141
Derivative liabilities	2,072,731	–	2,072,731	–	2,072,731
Other liabilities	–	4,958,097	4,958,097	1,393,081	6,351,178
Recourse obligation on loans and financing sold to Cagamas	–	715,603	715,603	–	715,603
Borrowings	–	4,208,282	4,208,282	–	4,208,282
Subordinated obligations	–	12,574,919	12,574,919	–	12,574,919
Capital securities	–	6,113,761	6,113,761	–	6,113,761
TOTAL LIABILITIES	2,072,731	290,899,340	292,972,071	1,393,081	294,365,152

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank As at 1.7.2011	Held-for-trading RM'000	Designated as fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans 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	–	–	–	–	25,803,796	25,803,796	–	25,803,796
Deposits and placements with financial institutions	–	–	–	–	7,644,471	7,644,471	–	7,644,471
Financial investments portfolio*	2,884,895	–	47,100,880	1,638,070	–	51,623,845	–	51,623,845
Loans, advances and financing	–	–	–	–	181,572,844	181,572,844	–	181,572,844
Derivative assets	1,626,415	–	–	–	–	1,626,415	–	1,626,415
Other assets	–	–	–	–	1,146,591	1,146,591	273,774	1,420,365
Statutory deposits with central banks	–	–	–	–	4,313,116	4,313,116	–	4,313,116
Investment in subsidiaries	–	–	–	–	–	–	17,070,392	17,070,392
Interest in associates	–	–	–	–	–	–	454,412	454,412
Property, plant and equipment	–	–	–	–	–	–	1,044,934	1,044,934
Intangible assets	–	–	–	–	–	–	302,519	302,519
Deferred tax assets	–	–	–	–	–	–	886,484	886,484
TOTAL ASSETS	4,511,310	–	47,100,880	1,638,070	220,480,818	273,731,078	20,032,515	293,763,593

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank As at 1.7.2011 (cont'd.)	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	–	201,465,408	201,465,408	–	201,465,408
Deposits and placements from financial institutions	–	31,441,675	31,441,675	–	31,441,675
Obligations on financial assets sold under repurchase agreements	–	373,562	373,562	–	373,562
Bills and acceptances payable	–	7,115,673	7,115,673	–	7,115,673
Derivative liabilities	1,446,311	–	1,446,311	–	1,446,311
Other liabilities	–	2,631,835	2,631,835	1,608,321	4,240,156
Recourse obligation on loans and financing sold to Cagamas	–	528,285	528,285	–	528,285
Borrowings	–	3,420,499	3,420,499	–	3,420,499
Subordinated obligations	–	9,509,786	9,509,786	–	9,509,786
Capital securities	–	6,120,774	6,120,774	–	6,120,774
TOTAL LIABILITIES	1,446,311	262,607,497	264,053,808	1,608,321	265,662,129

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management

1. Credit risk management overview

Risk appetite for credit risk is an expression of the amount of risk that the Group is willing to take in pursuing its strategic objectives. It reflects the Group'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.

Credit risk definition

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

Reviews are conducted at least once a year with updated information on 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.

Counterparty credit risk exposures are managed via counterparty limits either on a single name basis or counterparty group basis that also adhere to BNM GP5. These exposures are actively monitored to protect the Bank's balance sheet in the event of counterparty default. The Bank monitors and manages its exposures to counterparties on a day-to-day basis.

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

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

- Countries
- Business segments
- Economic sectors
- Single customer groups
- Banks and non-bank financial institutions
- Counterparties
- Collaterals

To effectively manage vulnerable corporate and institutional credits of the Group, 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.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

1. Credit risk management overview (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 Group'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 Risk Management team designs strategies to achieve a desired ideal portfolio risk tolerance level. The team also prepares regular credit risk reports which are submitted to the various risk committees as part of on-going monitoring and review of borrowers and loan 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; and
- Leveraging on knowledge sharing tools including e-learning courses to enhance credit skills within the Group.

The Group'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 Group 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 ("EL") framework and internally developed Credit Risk Rating System ("CRRS").

Credit Risk Measurement

The Group's retail portfolios are under Basel II Advanced Internal-Ratings Based ("AIRB") Approach. This approach calls for more extensive reliance on the Bank's own internal experience whereby estimations for all the three components of Risk Weighted Assets ("RWA") calculation namely Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") are based on its own historical data. Separate PD, EAD and LGD statistical models were developed at portfolio level; each model covering borrowers with fundamentally similar risk profiles in a portfolio. The estimations derived from the models are used as input for RWA calculations.

For non-retail portfolios, the Group has obtained BNM approval to use internal credit models for evaluating the majority of its credit risk exposures. For Corporate and Bank portfolios, the Group has adopted the Foundation Internal-Ratings Based ("FIRB") Approach, which allows the Group to use its internal PD estimates to determine an asset risk weighting.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

1. Credit risk management overview (cont'd.)

Credit Risk Measurement (cont'd.)

CRRS is developed to allow the Group to identify, assess and measure corporate, commercial and small business borrowers' credit risk. CRRS is a statistical default prediction model. The model was developed and recalibrated to suit the Group's banking environment using internal data. The model development process was conducted and documented in line with specific criteria for model development in accordance to Basel II. The EL framework employed in the Group enables the calculation of expected loss using PD estimate facilitated by the CRRS and LGD and EAD.

To account for differences in risk due to industry and size, CRRS is designed to rate all corporate and commercial borrowers by their respective industry segments (i.e. manufacturing, services, trading, contractors, property developers (single project) and property investors (single property)).

For counterparty risk exposures (on-balance sheet), the Group employs risk treatments that are in accordance with BNM Guidelines and Basel II requirements. While for off-balance sheet exposures, the Group measures the credit risk using Credit Risk Equivalent via the Current Exposure Method. This method calculates the Bank's credit risk exposure after considering both the marked-to-market exposures and the appropriate add-on factors for potential future exposures. The add-on factors employed are in accordance with BNM Guidelines and Basel II requirements.

2. Maximum exposure to credit risk

The following analysis represents the Group's maximum exposure to credit risk of on-balance sheet financial assets and off-balance sheet exposures, without taking into account of any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposures, the maximum exposure to credit risk is the maximum amount that the Group 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		
Group	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Credit exposure for on-balance sheet financial assets:			
Cash and short-term funds	**40,018,633**	49,387,882	39,481,871
Deposits and placements with financial institutions	**11,949,150**	7,161,651	10,423,251
Financial assets purchased under resale agreements	**798,180**	1,397,235	–
Financial investments portfolio*	**89,413,581**	81,689,794	73,710,061
Loans, advances and financing	**311,824,735**	276,252,853	255,017,693
Derivative assets	**2,880,492**	1,987,502	1,693,964
Reinsurance/retakaful assets and other insurance receivables	**572,295**	439,433	467,824
Other assets	**6,039,675**	3,509,983	3,804,763
Statutory deposits with central banks	**12,298,362**	10,577,416	7,698,425
	475,795,103	432,403,749	392,297,852

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

2. Maximum exposure to credit risk (cont'd.)

Group (cont'd.)	Maximum exposure As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Credit exposure for off-balance sheet items:			
Direct credit substitutes	**9,835,215**	8,260,162	6,752,978
Certain transaction-related contingent items	**12,386,664**	13,333,375	11,877,557
Short-term self-liquidating trade-related contingencies	**4,149,665**	3,316,365	2,568,575
Obligations under underwriting agreements	**30,000**	30,000	–
Irrevocable commitments to extend credit	**127,218,305**	116,486,825	108,014,657
Miscellaneous	**9,773,807**	8,782,439	9,605,986
	163,393,656	150,209,166	138,819,753
Total maximum credit risk exposure	**639,188,759**	582,612,915	531,117,605

Bank	Maximum exposure As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Credit exposure for on-balance sheet financial assets:			
Cash and short-term funds	**23,153,242**	35,966,579	25,803,796
Deposits and placements with financial institutions	**10,039,999**	6,246,093	7,644,471
Financial assets purchased under resale agreements	**650,314**	1,397,235	–
Financial investments portfolio*	**60,546,463**	55,847,918	51,488,205
Loans, advances and financing	**214,852,046**	194,174,085	181,572,844
Derivative assets	**2,812,148**	1,949,344	1,626,415
Other assets	**2,528,814**	2,015,839	1,146,591
Statutory deposits with central banks	**6,888,916**	6,095,129	4,313,116
	321,471,942	303,692,222	273,595,438

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

2. Maximum exposure to credit risk (cont'd.)

Bank (cont'd.)	Maximum exposure As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Credit exposure for off-balance sheet items:			
Direct credit substitutes	**7,442,874**	5,926,466	4,649,552
Certain transaction-related contingent items	**10,752,852**	11,673,152	10,543,747
Short-term self-liquidating trade-related contingencies	**3,775,633**	2,952,658	2,408,875
Irrevocable commitments to extend credit	**103,900,558**	98,825,043	93,687,177
Miscellaneous	**9,616,211**	8,475,251	9,576,083
	135,488,128	127,852,570	120,865,434
Total maximum credit risk exposure	**456,960,070**	431,544,792	394,460,872

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group and the Bank is at 54% and 56% respectively as at 31 December 2012 (31 December 2011: 46% for the Group; 47% for the Bank and 1 July 2011: 45% for the Group; 46% for the Bank). The financial effect of collateral held for other financial assets is not significant.

48. FINANCIAL RISK MANAGEMENT POLICIES (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 Group analysed the concentration of credit risk by geographic purpose and industry sector as follows:

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

Group As at 31.12.2012	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	17,673,083	3,513,437	–	66,136,207	199,889,428	1,054,824	563,527	3,142,578	7,109,206	299,082,290	123,959,772
Singapore	4,124,198	351,805	650,314	14,115,356	68,742,501	1,740,159	7,716	1,113,078	2,152,825	92,997,952	31,378,740
Indonesia	4,068,001	24,533	147,866	2,926,387	26,174,457	73,201	–	533,188	2,467,681	36,415,314	1,776,775
Labuan Offshore	2,614,863	1,218,823	–	950,727	5,019,578	549	–	–	–	9,804,540	1,870,216
Hong Kong SAR	3,220,960	3,847,534	–	2,332,808	7,123,422	3,248	–	269,069	–	16,797,041	2,197,767
United States of America	4,508,865	792,070	–	1,054,415	1,013,744	5,233	–	71,691	–	7,446,018	456,991
People's Republic of China	220,383	297,416	–	10,349	1,448,290	–	–	62,795	–	2,039,233	744,097
Vietnam	152,164	100,699	–	–	407,405	–	–	36,980	3,230	700,478	276,402
United Kingdom	1,480,572	381,459	–	411,811	1,108,573	33	–	7,470	–	3,389,918	431,779
Philippines	566,057	153,950	–	761,616	2,349,538	3,245	–	151,579	398,531	4,384,516	129,825
Brunei	20,641	–	–	69,992	288,101	–	1,052	149	22,203	402,138	170,372
Cambodia	73,915	497,746	–	–	701,313	–	–	3,045	108,579	1,384,598	–
Bahrain	–	–	–	7,276	236,658	–	–	143	–	244,077	–
Papua New Guinea	6,460	142,995	–	391,135	152,330	–	–	15,643	35,550	744,113	–
Thailand	34,854	6,142	–	18,721	910,703	–	–	577,336	–	1,547,756	–
India	2,454	11,362	–	12,979	–	–	–	5,207	–	32,002	–
Others	1,251,163	609,179	–	213,802	3,688	–	–	49,724	557	2,128,113	920
	40,018,633	11,949,150	798,180	89,413,581	315,569,729	2,880,492	572,295	6,039,675	12,298,362	479,540,097	163,393,656
Less:											
Collective allowance	–	–	–	–	(3,744,994)	–	–	–	–	(3,744,994)	–
	40,018,633	11,949,150	798,180	89,413,581	311,824,735	2,880,492	572,295	6,039,675	12,298,362	475,795,103	163,393,656

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. Credit risk concentration profile (cont'd.)

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows (cont'd.):

Group As at 31.12.2011	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	35,363,340	4,406,227	–	60,856,543	177,701,355	1,336,997	416,824	516,357	6,025,005	286,622,648	113,359,993
Singapore	1,773,557	1,268,415	1,397,235	10,375,106	60,620,388	568,097	12,813	801,032	1,790,084	78,606,727	28,844,441
Indonesia	3,636,856	257,332	–	2,993,009	23,863,309	46,043	–	481,307	2,269,461	33,547,317	1,770,737
Labuan Offshore	6	2,094	–	83	4,336,774	–	–	1,343	–	4,340,300	–
Hong Kong SAR	3,139,155	124,069	–	3,046,506	6,445,305	824	–	192,547	–	12,948,406	1,867,037
United States of America	564,450	375,090	–	1,651,185	1,107,362	33,007	–	28,915	–	3,760,009	901,731
People's Republic of China	208,609	56,218	–	20,480	1,211,386	–	–	387	–	1,497,080	736,419
Vietnam	115,343	3,507	–	–	538,198	–	–	9,997	2,035	669,080	406,466
United Kingdom	2,455,791	111,262	–	325,659	1,192,627	–	–	451,868	–	4,537,207	1,948,804
Philippines	425,586	94,204	–	1,194,885	1,808,142	2,249	–	208,429	357,489	4,090,984	35,477
Brunei	15,696	–	–	175,929	165,396	–	9,796	5,036	–	371,853	118,675
Cambodia	129,430	246,429	–	–	527,998	–	–	3,683	93,723	1,001,263	170,103
Bahrain	336	28	–	203,108	296,375	–	–	60	19,187	519,094	–
Papua New Guinea	18,571	144,342	–	322,633	128,380	–	–	–	20,432	634,358	49,283
Thailand	150,816	3,787	–	25,616	477,043	–	–	149,035	–	806,297	–
India	789	13,081	–	4,059	–	–	–	804	–	18,733	–
Others	1,389,551	55,566	–	494,993	2,789	285	–	659,183	–	2,602,367	–
	49,387,882	7,161,651	1,397,235	81,689,794	280,422,827	1,987,502	439,433	3,509,983	10,577,416	436,573,723	150,209,166
Less: Collective allowance	–	–	–	–	(4,169,974)	–	–	–	–	(4,169,974)	–
	49,387,882	7,161,651	1,397,235	81,689,794	276,252,853	1,987,502	439,433	3,509,983	10,577,416	432,403,749	150,209,166

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. **Credit risk concentration profile (cont'd.)**

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows (cont'd.):

Group As at 1.7.2011	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	29,976,693	4,630,465	–	53,335,235	168,659,443	1,054,685	447,576	1,689,527	3,607,104	263,400,728	104,554,914
Singapore	2,535,353	791,708	–	10,333,221	54,725,102	570,338	14,254	604,443	1,523,923	71,098,342	24,578,168
Indonesia	1,996,092	836,193	–	3,625,952	21,154,585	26,642	–	585,088	1,975,346	30,199,898	1,407,711
Labuan Offshore	1,218,224	1,405,747	–	776,995	3,661,171	–	–	2,498	–	7,064,635	1,781,069
Hong Kong SAR	1,996,787	1,222,740	–	2,679,524	4,394,796	394	–	308,241	–	10,602,482	2,963,321
United States of America	171,394	779,690	–	1,241,576	1,176,644	41,782	–	140,341	–	3,551,427	1,381,451
People's Republic of China	93,423	58,656	–	–	986,362	–	–	1,078	–	1,139,519	407,443
Vietnam	52,746	38,643	–	–	516,692	–	–	272	1,460	609,813	446,890
United Kingdom	1,114,072	235,305	–	322,506	1,257,980	–	–	38,344	–	2,968,207	996,906
Philippines	86,470	3,956	–	867,019	1,396,499	–	–	60,766	486,700	2,901,410	21,266
Brunei	16,025	55,087	–	49,162	159,334	–	5,994	13	19,056	304,671	124,617
Cambodia	66,685	249,565	–	–	419,304	–	–	–	75,577	811,131	115,012
Bahrain	202	–	–	209,994	184,690	–	–	–	–	394,886	–
Papua New Guinea	–	–	–	265,516	115,297	–	–	8,543	9,259	398,615	40,985
Thailand	49,529	23,725	–	–	437,722	–	–	302,685	–	813,661	–
India	6,905	30,268	–	–	–	–	–	1,282	–	38,455	–
Others	101,271	61,503	–	3,361	43,280	123	–	61,642	–	271,180	–
	39,481,871	10,423,251	–	73,710,061	259,288,901	1,693,964	467,824	3,804,763	7,698,425	396,569,060	138,819,753
Less:											
Collective allowance	–	–	–	–	(4,271,208)	–	–	–	–	(4,271,208)	–
	39,481,871	10,423,251	–	73,710,061	255,017,693	1,693,964	467,824	3,804,763	7,698,425	392,297,852	138,819,753

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. **Credit risk concentration profile (cont'd.)**

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows (cont'd.):

Bank As at 31.12.2012	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	6,490,136	3,343,830	–	42,806,883	137,931,095	1,068,743	1,928,380	4,710,101	198,279,168	99,952,659
Singapore	3,961,825	234,808	650,314	13,978,211	68,141,847	1,740,159	513,494	2,152,825	91,373,483	31,258,061
Indonesia	224,774	278,324	–	–	–	–	–	–	503,098	–
Labuan Offshore	1,411,936	–	–	–	–	–	–	–	1,411,936	–
Hong Kong SAR	3,209,392	3,840,544	–	2,298,473	7,033,726	3,246	303	–	16,385,684	2,197,767
United States of America	4,494,161	792,070	–	967,360	1,013,745	–	21,493	–	7,288,829	456,991
People's Republic of China	220,310	297,416	–	–	1,448,137	–	62,733	–	2,028,596	744,097
Vietnam	133,562	80,254	–	–	377,070	–	246	3,230	594,362	276,402
United Kingdom	1,460,552	381,459	–	401,752	1,108,515	–	–	–	3,352,278	431,779
Philippines	287,852	71,263	–	–	–	–	–	–	359,115	–
Brunei	20,640	–	–	69,992	288,102	–	148	22,203	401,085	170,372
Cambodia	–	139,926	–	–	–	–	1,874	–	141,800	–
Bahrain	–	–	–	7,276	236,658	–	143	–	244,077	–
Papua New Guinea	1,419	–	–	–	–	–	–	–	1,419	–
Thailand	6,645	–	–	–	–	–	–	–	6,645	–
India	2,313	–	–	–	–	–	–	–	2,313	–
Others	1,227,725	580,105	–	16,516	–	–	–	557	1,824,903	–
	23,153,242	10,039,999	650,314	60,546,463	217,578,895	2,812,148	2,528,814	6,888,916	324,198,791	135,488,128
Less: Collective allowance	–	–	–	–	(2,726,849)	–	–	–	(2,726,849)	–
	23,153,242	10,039,999	650,314	60,546,463	214,852,046	2,812,148	2,528,814	6,888,916	321,471,942	135,488,128

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. **Credit risk concentration profile (cont'd.)**

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows (cont'd.):

Bank As at 31.12.2011	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	27,245,322	3,487,448	–	40,554,668	125,668,906	1,380,659	891,929	4,190,100	203,419,032	93,279,471
Singapore	1,485,949	1,143,875	1,397,235	10,568,517	60,222,514	567,861	665,759	1,790,084	77,841,794	28,423,864
Labuan Offshore	4	–	–	–	–	–	–	–	4	–
Hong Kong SAR	3,446,375	822,236	–	2,899,238	6,344,381	824	6,358	–	13,519,412	1,867,037
United States of America	319,902	375,090	–	1,150,959	1,105,244	–	1,520	–	2,952,715	901,731
People's Republic of China	207,943	56,218	–	–	1,209,861	–	347	–	1,474,369	736,419
Vietnam	113,138	3,507	–	–	538,198	–	461	2,035	657,339	406,466
United Kingdom	2,131,857	111,262	–	304,474	1,192,578	–	440,686	–	4,180,857	1,948,804
Philippines	57,213	–	–	–	–	–	–	–	57,213	–
Brunei	15,695	–	–	175,929	165,396	–	5,036	–	362,056	118,675
Cambodia	129,430	246,429	–	–	527,998	–	3,683	93,723	1,001,263	170,103
Bahrain	336	28	–	194,133	296,375	–	60	19,187	510,119	–
Papua New Guinea	25	–	–	–	–	–	–	–	25	–
Thailand	356	–	–	–	–	–	–	–	356	–
India	33	–	–	–	–	–	–	–	33	–
Others	813,001	–	–	–	–	–	–	–	813,001	–
	35,966,579	6,246,093	1,397,235	55,847,918	197,271,451	1,949,344	2,015,839	6,095,129	306,789,588	127,852,570
Less: Collective allowance	–	–	–	–	(3,097,366)	–	–	–	(3,097,366)	–
	35,966,579	6,246,093	1,397,235	55,847,918	194,174,085	1,949,344	2,015,839	6,095,129	303,692,222	127,852,570

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. **Credit risk concentration profile (cont'd.)**

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows (cont'd.):

Bank As at 1.7.2011	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	19,501,134	4,100,957	–	36,918,248	121,591,575	1,055,683	993,986	2,693,100	186,854,683	89,851,626
Singapore	3,022,319	1,187,932	–	10,330,760	54,188,181	570,338	141,292	1,523,923	70,964,745	24,578,168
Labuan Offshore	–	–	–	–	–	–	–	–	–	–
Hong Kong SAR	1,909,860	1,091,041	–	2,679,524	4,271,855	394	5,671	–	9,958,345	2,963,321
United States of America	140,004	695,827	–	978,011	1,176,644	–	5,214	–	2,995,700	1,381,451
People's Republic of China	86,865	52,347	–	–	986,362	–	19	–	1,125,593	407,443
Vietnam	49,032	34,487	–	–	516,692	–	288	1,460	601,959	446,890
United Kingdom	1,017,323	209,996	–	322,506	1,257,980	–	107	–	2,807,912	996,906
Philippines	–	–	–	–	–	–	–	–	–	–
Brunei	14,932	49,162	–	49,162	159,334	–	14	19,056	291,660	124,617
Cambodia	62,139	222,722	–	–	419,304	–	–	75,577	779,742	115,012
Bahrain	188	–	–	209,994	184,690	–	–	–	394,872	–
Papua New Guinea	–	–	–	–	–	–	–	–	–	–
Thailand	–	–	–	–	–	–	–	–	–	–
India	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–
	25,803,796	7,644,471	–	51,488,205	184,752,617	1,626,415	1,146,591	4,313,116	276,775,211	120,865,434
Less: Collective allowance	–	–	–	–	(3,179,773)	–	–	–	(3,179,773)	–
	25,803,796	7,644,471	–	51,488,205	181,572,844	1,626,415	1,146,591	4,313,116	273,595,438	120,865,434

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. **Credit risk concentration profile (cont'd.)**

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

Group As at 31.12.2012	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	–	–	–	245,602	6,872,166	1,948	–	11	–	7,119,727	1,650,888
Mining and quarrying	–	–	–	228,861	2,127,641	–	–	93	–	2,356,595	277,297
Manufacturing	–	–	–	490,536	27,492,597	36,282	–	43	–	28,019,458	10,801,228
Construction	–	–	–	827,934	30,508,693	32,790	–	–	–	31,369,417	10,909,209
Electricity, gas and water supply	–	–	–	1,965,858	6,349,754	69,037	–	174	–	8,384,823	6,826,786
Wholesale, retail trade, restaurants and hotels	–	–	–	509,995	32,288,009	9,482	–	480	–	32,807,966	18,450,103
Finance, insurance, real estate and business	38,378,528	11,806,155	798,180	68,830,368	47,286,756	2,644,826	572,295	4,149,944	12,298,362	186,765,414	55,565,721
Transport, storage and communication	–	–	–	3,686,143	12,516,159	70,590	–	783	–	16,273,675	6,413,794
Education, health and others	–	–	–	2,423	6,974,215	658	–	131	–	6,977,427	1,629,841
Household	–	–	–	257	132,943,097	522	–	819,909	–	133,763,785	38,377,602
Others	1,640,105	142,995	–	12,625,604	10,210,642	14,357	–	1,068,107	–	25,701,810	12,491,187
	40,018,633	11,949,150	798,180	89,413,581	315,569,729	2,880,492	572,295	6,039,675	12,298,362	479,540,097	163,393,656
Less: Collective allowance	–	–	–	–	(3,744,994)	–	–	–	–	(3,744,994)	–
	40,018,633	11,949,150	798,180	89,413,581	311,824,735	2,880,492	572,295	6,039,675	12,298,362	475,795,103	163,393,656

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. **Credit risk concentration profile (cont'd.)**

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

Group As at 31.12.2011	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	–	–	–	399,907	5,042,602	181	–	977,806	–	6,420,496	1,585,894
Mining and quarrying	–	–	–	206,398	1,837,370	45	–	48	–	2,043,861	644,903
Manufacturing	–	–	–	775,286	27,125,966	124,210	–	18,586	–	28,044,048	9,523,030
Construction	–	–	–	1,636,225	22,649,569	500	–	758	–	24,287,052	17,964,571
Electricity, gas and water supply	–	–	–	3,126,180	6,310,468	70,524	–	11,923	–	9,519,095	1,019,878
Wholesale, retail trade, restaurants and hotels	–	–	–	566,036	25,983,589	232,011	–	66,369	–	26,848,005	15,987,655
Finance, insurance, real estate and business	45,920,549	7,161,651	1,397,235	63,056,386	44,152,884	1,527,548	439,433	1,368,239	10,577,416	175,601,341	50,785,281
Transport, storage and communication	–	–	–	3,781,012	13,347,122	13,785	–	29,128	–	17,171,047	860,693
Education, health and others	–	–	–	26,169	4,943,552	344	–	140	–	4,970,205	422,841
Household	–	–	–	3,149	117,390,264	–	–	335,841	–	117,729,254	37,851,621
Others	3,467,333	–	–	8,113,046	11,639,441	18,354	–	701,145	–	23,939,319	13,562,799
	49,387,882	7,161,651	1,397,235	81,689,794	280,422,827	1,987,502	439,433	3,509,983	10,577,416	436,573,723	150,209,166
Less: Collective allowance	–	–	–	–	(4,169,974)	–	–	–	–	(4,169,974)	–
	49,387,882	7,161,651	1,397,235	81,689,794	276,252,853	1,987,502	439,433	3,509,983	10,577,416	432,403,749	150,209,166

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. **Credit risk concentration profile (cont'd.)**

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

Group As at 1.7.2011	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	–	–	–	322,801	4,716,612	–	–	–	–	5,039,413	1,814,330
Mining and quarrying	–	–	–	23,050	1,311,519	–	–	–	–	1,334,569	486,968
Manufacturing	–	–	–	445,878	26,406,978	–	–	–	–	26,852,856	9,781,499
Construction	–	–	–	1,108,796	19,514,562	–	–	–	–	20,623,358	10,255,527
Electricity, gas and water supply	–	–	–	3,423,459	6,457,513	–	–	–	–	9,880,972	3,388,165
Wholesale, retail trade, restaurants and hotels	–	–	–	265,247	22,026,618	–	–	–	–	22,291,865	8,134,038
Finance, insurance, real estate and business	39,481,616	10,420,373	–	57,534,282	41,785,930	1,693,964	467,824	3,779,265	7,698,425	162,861,679	55,713,260
Transport, storage and communication	–	–	–	3,478,045	11,525,646	–	–	–	–	15,003,691	4,237,579
Education, health and others	–	–	–	11,008	4,735,128	–	–	–	–	4,746,136	2,292,071
Household	–	–	–	81,542	110,616,466	–	–	–	–	110,698,008	40,392,393
Others	255	2,878	–	7,015,953	10,191,929	–	–	25,498	–	17,236,513	2,323,923
	39,481,871	10,423,251	–	73,710,061	259,288,901	1,693,964	467,824	3,804,763	7,698,425	396,569,060	138,819,753
Less: Collective allowance	–	–	–	–	(4,271,208)	–	–	–	–	(4,271,208)	–
	39,481,871	10,423,251	–	73,710,061	255,017,693	1,693,964	467,824	3,804,763	7,698,425	392,297,852	138,819,753

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. **Credit risk concentration profile (cont'd.)**

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

Bank As at 31.12.2012	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	–	–	–	25,786	4,342,992	1,948	–	–	4,370,726	869,556
Mining and quarrying	–	–	–	218,518	1,085,458	–	–	–	1,303,976	220,281
Manufacturing	–	–	–	28,701	19,295,357	36,215	–	–	19,360,273	9,603,665
Construction	–	–	–	165,217	26,723,111	29,270	–	–	26,917,598	9,433,035
Electricity, gas and water supply	–	–	–	434,417	3,689,013	41,792	–	–	4,165,222	6,504,223
Wholesale, retail trade, restaurants and hotels	–	–	–	293,826	22,503,775	9,482	–	–	22,807,083	17,739,320
Finance, insurance, real estate and business	21,490,728	10,039,999	650,314	53,828,014	36,277,895	2,607,351	2,156,846	6,888,916	133,940,063	47,139,080
Transport, storage and communication	–	–	–	2,205,878	8,191,249	70,590	–	–	10,467,717	5,675,693
Education, health and others	–	–	–	–	4,705,320	658	–	–	4,705,978	1,392,675
Household	–	–	–	–	88,977,612	522	–	–	88,978,134	28,166,892
Others	1,662,514	–	–	3,346,106	1,787,113	14,320	371,968	–	7,182,021	8,743,708
	23,153,242	10,039,999	650,314	60,546,463	217,578,895	2,812,148	2,528,814	6,888,916	324,198,791	135,488,128
Less: Collective allowance	–	–	–	–	(2,726,849)	–	–	–	(2,726,849)	–
	23,153,242	10,039,999	650,314	60,546,463	214,852,046	2,812,148	2,528,814	6,888,916	321,471,942	135,488,128

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. **Credit risk concentration profile (cont'd.)**

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

Bank As at 31.12.2011	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	–	–	–	167,443	2,984,216	181	–	–	3,151,840	860,083
Mining and quarrying	–	–	–	200,019	781,306	45	–	–	981,370	620,189
Manufacturing	–	–	–	441,695	19,075,691	124,210	–	–	19,641,596	8,075,349
Construction	–	–	–	1,174,939	19,473,833	500	–	–	20,649,272	16,226,257
Electricity, gas and water supply	–	–	–	1,976,489	4,610,744	70,524	–	–	6,657,757	522,803
Wholesale, retail trade, restaurants and hotels	–	–	–	508,690	19,149,885	232,011	48,299	–	19,938,885	15,285,240
Finance, insurance, real estate and business	32,519,870	6,246,093	1,397,235	45,420,088	33,413,722	1,489,389	1,277,071	6,095,129	127,858,597	46,574,916
Transport, storage and communication	–	–	–	2,156,259	8,181,845	13,785	–	–	10,351,889	1,753,649
Education, health and others	–	–	–	10,633	4,075,282	344	–	–	4,086,259	261,067
Household	–	–	–	–	83,730,066	–	–	–	83,730,066	27,799,930
Others	3,446,709	–	–	3,791,663	1,794,861	18,355	690,469	–	9,742,057	9,873,087
	35,966,579	6,246,093	1,397,235	55,847,918	197,271,451	1,949,344	2,015,839	6,095,129	306,789,588	127,852,570
Less: Collective allowance	–	–	–	–	(3,097,366)	–	–	–	(3,097,366)	–
	35,966,579	6,246,093	1,397,235	55,847,918	194,174,085	1,949,344	2,015,839	6,095,129	303,692,222	127,852,570

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. **Credit risk concentration profile (cont'd.)**

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

Bank As at 1.7.2011	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	–	–	–	154,753	3,076,615	–	–	–	3,231,368	1,411,812
Mining and quarrying	–	–	–	22,807	591,234	–	–	–	614,041	268,280
Manufacturing	–	–	–	319,944	18,244,673	–	–	–	18,564,617	8,111,041
Construction	–	–	–	672,218	17,571,166	–	–	–	18,243,384	7,970,691
Electricity, gas and water supply	–	–	–	2,267,142	5,072,218	–	–	–	7,339,360	3,206,630
Wholesale, retail trade, restaurants and hotels	–	–	–	256,655	16,004,572	–	–	–	16,261,227	7,104,670
Finance, insurance, real estate and business	25,803,796	7,644,471	–	42,787,007	33,606,866	1,626,415	1,121,993	4,313,116	116,903,664	51,016,179
Transport, storage and communication	–	–	–	2,492,814	7,218,438	–	–	–	9,711,252	4,242,930
Education, health and others	–	–	–	10,639	4,066,687	–	–	–	4,077,326	1,781,419
Household	–	–	–	10,676	77,684,310	–	–	–	77,694,986	33,945,608
Others	–	–	–	2,493,550	1,615,838	–	24,598	–	4,133,986	1,806,174
	25,803,796	7,644,471	–	51,488,205	184,752,617	1,626,415	1,146,591	4,313,116	276,775,211	120,865,434
Less: Collective allowance	–	–	–	–	(3,179,773)	–	–	–	(3,179,773)	–
	25,803,796	7,644,471	–	51,488,205	181,572,844	1,626,415	1,146,591	4,313,116	273,595,438	120,865,434

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

4. **Collateral**

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

- For mortgages - charges over residential properties
- For auto loans and financing - ownership claims over the vehicles financed
- For share margin financing - pledges over securities from listed exchanges
- For commercial property loans and financing - charges over the properties being financed
- For other loans and financing - charges over business assets such as premises, inventories, trade receivables or deposits

5. **Credit quality of financial assets**

Credit classification for financial assets

For the purposes of disclosure relating to MFRS 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 (4) credit quality categories set out and defined as follows, from very low to high, apart from impaired, describe the credit quality of the Group's lending. These classifications encompass a range of more granular, internal gradings assigned to loans, advances and financing 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.

Risk Category	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 BB+	AA to A
Moderate	11 – 15	BB+ to B+	A to BBB
High	16 – 21	B+ to CCC	BBB to C

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 have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.3(v)(d).
Unrated	:	Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.
Sovereign	:	Refer to obligors which are governments and/or government-related agencies.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

Group As at 31.12.2012	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	Non-impaired total RM'000	Impaired RM'000	Total RM'000
Overdrafts	15,195,025	205,031	73,776	17,218	15,491,050	1,314,856	16,805,906
Term loans	220,532,182	12,793,619	4,117,433	1,329,561	238,772,795	3,869,228	242,642,023
Others	57,176,945	617,001	73,030	13,091	57,880,067	470,268	58,350,335
Gross loans, advances and financing	292,904,152	13,615,651	4,264,239	1,359,870	312,143,912	5,654,352	317,798,264
Less:							
– Individual allowance							(2,228,535)
– Collective allowance							(3,744,994)
							(5,973,529)
Net loans, advances and financing							311,824,735
As a percentage of total gross loans, advances and financing	92.17%	4.28%	1.34%	0.43%	98.22%	1.78%	100.00%

Summary of risk categories of gross loans, advances and financing of the Group are assessed based on credit quality classification as described in Note 48(c)(5).

Group As at 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
Overdrafts	781,905	2,552,861	4,778,211	1,808,946	5,273,102	15,195,025
Term loans	42,656,971	71,056,936	50,603,187	12,107,381	44,107,707	220,532,182
Others	9,895,502	14,174,003	15,688,271	2,894,374	14,524,795	57,176,945
Total - Neither past due nor impaired	53,334,378	87,783,800	71,069,669	16,810,701	63,905,604	292,904,152
As a percentage of total gross loans, advances and financing	16.78%	27.62%	22.37%	5.29%	20.11%	92.17%

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

6. Credit quality of financial assets - gross loans, advances and financing (cont'd.)

Group As at 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	Non-impaired total RM'000	Impaired RM'000	Total RM'000
Overdrafts	13,727,113	138,840	54,833	25,163	13,945,949	2,005,078	15,951,027
Term loans	195,798,326	3,234,119	994,915	1,008,097	201,035,457	5,453,067	206,488,524
Others	59,900,124	197,344	96,718	23,498	60,217,684	578,699	60,796,383
Gross loans, advances and financing	269,425,563	3,570,303	1,146,466	1,056,758	275,199,090	8,036,844	283,235,934
Less:							
- Individual allowance							(2,813,107)
- Collective allowance							(4,169,974)
							(6,983,081)
Net loans, advances and financing							276,252,853
As a percentage of total gross loans, advances and financing	95.13%	1.26%	0.40%	0.37%	97.16%	2.84%	100.00%

Summary of risk categories of gross loans, advances and financing of the Group are assessed based on credit quality classification as described in Note 48(c)(5).

Group As at 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
Overdrafts	728,818	2,904,016	5,651,453	2,090,929	2,351,897	13,727,113
Term loans	34,588,279	65,990,456	48,100,635	15,227,160	31,891,796	195,798,326
Others	10,017,328	15,985,375	14,323,743	2,764,352	16,809,326	59,900,124
Total - Neither past due nor impaired	45,334,425	84,879,847	68,075,831	20,082,441	51,053,019	269,425,563
As a percentage of total gross loans, advances and financing	16.01%	29.97%	24.04%	7.09%	18.02%	95.13%

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

6. Credit quality of financial assets - gross loans, advances and financing (cont'd.)

Group As at 1.7.2011	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	Non-impaired total RM'000	Impaired RM'000	Total RM'000
Overdrafts	13,378,291	182,653	119,516	105,072	13,785,532	1,817,447	15,602,979
Term loans	164,558,207	9,840,170	1,876,128	3,651,817	179,926,322	5,622,654	185,548,976
Others	54,846,077	3,618,463	833,448	454,325	59,752,313	1,317,255	61,069,568
Gross loans, advances and financing	232,782,575	13,641,286	2,829,092	4,211,214	253,464,167	8,757,356	262,221,523
Less:							
- Individual allowance							(2,932,622)
- Collective allowance							(4,271,208)
							(7,203,830)
Net loans, advances and financing							255,017,693
As a percentage of total gross loans, advances and financing	88.77%	5.20%	1.08%	1.61%	96.66%	3.34%	100.00%

Summary of risk categories of gross loans, advances and financing of the Group are assessed based on credit quality classification as described in Note 48(c)(5).

Group 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
Overdrafts	824,877	2,638,928	5,837,043	2,391,226	1,686,217	13,378,291
Term loans	34,421,865	54,380,546	35,675,407	12,194,599	27,885,790	164,558,207
Others	11,230,197	15,618,229	12,879,015	2,487,354	12,631,282	54,846,077
Total - Neither past due nor impaired	46,476,939	72,637,703	54,391,465	17,073,179	42,203,289	232,782,575
As a percentage of total gross loans, advances and financing	17.72%	27.70%	20.74%	6.51%	16.10%	88.77%

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

6. Credit quality of financial assets - gross loans, advances and financing (cont'd.)

Bank As at 31.12.2012	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	Non-impaired total RM'000	Impaired RM'000	Total RM'000
Overdrafts	9,458,830	174,683	66,323	11,080	9,710,916	1,135,883	10,846,799
Term loans	153,468,730	7,254,432	2,647,167	845,355	164,215,684	2,708,778	166,924,462
Others	40,569,834	565,571	61,893	12,151	41,209,449	317,640	41,527,089
Gross loans, advances and financing	203,497,394	7,994,686	2,775,383	868,586	215,136,049	4,162,301	219,298,350
Less:							
- Individual allowance							(1,719,455)
- Collective allowance							(2,726,849)
							(4,446,304)
Net loans, advances and financing							214,852,046
As a percentage of total gross loans, advances and financing	92.79%	3.64%	1.27%	0.40%	98.10%	1.90%	100.00%

Summary of risk categories of gross loans, advances and financing of the Bank are assessed based on credit quality classification as described in Note 48(c)(5).

Bank As at 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
Overdrafts	144,100	1,115,754	2,870,554	1,104,189	4,224,233	9,458,830
Term loans	29,858,555	52,300,913	34,722,094	5,118,601	31,468,567	153,468,730
Others	8,524,241	10,978,983	10,402,554	1,293,754	9,370,302	40,569,834
Total - Neither past due nor impaired	38,526,896	64,395,650	47,995,202	7,516,544	45,063,102	203,497,394
As a percentage of total gross loans, advances and financing	17.57%	29.36%	21.88%	3.43%	20.55%	92.79%

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

6. Credit quality of financial assets - gross loans, advances and financing (cont'd.)

Bank As at 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	Non-impaired total RM'000	Impaired RM'000	Total RM'000
Overdrafts	9,215,778	122,328	46,148	24,300	9,408,554	1,673,347	11,081,901
Term loans	135,416,367	2,068,623	665,403	842,913	138,993,306	4,190,806	143,184,112
Others	44,463,634	153,281	88,781	20,480	44,726,176	381,683	45,107,859
Gross loans, advances and financing	189,095,779	2,344,232	800,332	887,693	193,128,036	6,245,836	199,373,872
Less:							
- Individual allowance							(2,102,421)
- Collective allowance							(3,097,366)
							(5,199,787)
Net loans, advances and financing							194,174,085
As a percentage of total gross loans, advances and financing	94.84%	1.18%	0.40%	0.45%	96.87%	3.13%	100.00%

Summary of risk categories of gross loans, advances and financing of the Bank are assessed based on credit quality classification as described in Note 48(c)(5).

Bank As at 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
Overdrafts	153,360	1,807,526	4,177,146	1,495,135	1,582,611	9,215,778
Term loans	21,982,492	52,769,992	31,149,951	8,283,194	21,230,738	135,416,367
Others	8,451,824	13,260,909	9,569,279	2,044,206	11,137,416	44,463,634
Total - Neither past due nor impaired	30,587,676	67,838,427	44,896,376	11,822,535	33,950,765	189,095,779
As a percentage of total gross loans, advances and financing	15.34%	34.02%	22.52%	5.93%	17.03%	94.84%

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

6. Credit quality of financial assets - gross loans, advances and financing (cont'd.)

Bank As at 1.7.2011	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	Non-impaired total RM'000	Impaired RM'000	Total RM'000
Overdrafts	9,333,680	150,386	108,449	31,624	9,624,139	1,505,975	11,130,114
Term loans	112,192,258	8,664,481	1,616,355	3,052,737	125,525,831	4,129,469	129,655,300
Others	44,970,781	228,654	65,589	76,024	45,341,048	742,052	46,083,100
Gross loans, advances and financing	166,496,719	9,043,521	1,790,393	3,160,385	180,491,018	6,377,496	186,868,514
Less:							
- Individual allowance							(2,115,897)
- Collective allowance							(3,179,773)
							(5,295,670)
Net loans, advances and financing							181,572,844
As a percentage of total gross loans, advances and financing	89.10%	4.84%	0.96%	1.69%	96.59%	3.41%	100.00%

Summary of risk categories of gross loans, advances and financing of the Bank are assessed based on credit quality classification as described in Note 48(c)(5).

Bank 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
Overdrafts	238,841	1,636,716	4,290,654	1,817,916	1,349,553	9,333,680
Term loans	16,819,459	41,934,966	23,589,832	6,785,164	23,062,837	112,192,258
Others	11,176,776	12,947,582	10,417,123	2,128,517	8,300,783	44,970,781
Total - Neither past due nor impaired	28,235,076	56,519,264	38,297,609	10,731,597	32,713,173	166,496,719
As a percentage of total gross loans, advances and financing	15.11%	30.25%	20.49%	5.74%	17.51%	89.10%

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

Group As at 31.12.2012	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	Non-impaired total RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net Total RM'000
Cash and short-term funds	40,018,633	–	–	–	40,018,633	–	40,018,633	–	40,018,633
Deposits and placements with financial institutions	11,949,150	–	–	–	11,949,150	–	11,949,150	–	11,949,150
Financial assets purchased under resale agreements	798,180	–	–	–	798,180	–	798,180	–	798,180
Financial investments portfolio*	88,953,689	–	–	–	88,953,689	1,669,052	90,622,741	(1,209,160)	89,413,581
Derivative assets	2,880,492	–	–	–	2,880,492	–	2,880,492	–	2,880,492
Reinsurance/retakaful assets and other insurance receivables	505,679	–	–	66,616	572,295	108,270	680,565	(108,270)	572,295
Other assets	5,923,856	99,480	1,168	5,820	6,030,324	96,783	6,127,107	(87,432)	6,039,675
Statutory deposits with central banks	12,298,362	–	–	–	12,298,362	–	12,298,362	–	12,298,362
	163,328,041	99,480	1,168	72,436	163,501,125	1,874,105	165,375,230	(1,404,862)	163,970,368
As a percentage of gross balances	98.76%	0.06%	0.00%	0.05%	98.87%	1.13%	100.00%		

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. **Credit quality of financial assets - financial investments portfolio and other financial assets (cont'd.)**

Summary of risk categories of financial investments portfolio and other financial assets of the Group are assessed based on credit quality classification as described in Note 48(c)(5).

Group As at 31.12.2012	<----Neither past due nor impaired					---->	
	Sovereign 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	12,619,729	11,964,446	5,318,229	1,004,652	150,487	8,961,090	40,018,633
Deposits and placements with financial institutions	711,347	1,090,789	6,069,239	1,206,948	–	2,870,827	11,949,150
Financial assets purchased under resale agreements	650,314	147,866	–	–	–	–	798,180
Financial investments portfolio*	40,218,117	34,851,197	5,021,758	872,910	319,003	7,670,704	88,953,689
Derivative assets	–	2,677,162	29,217	91,971	17,057	65,085	2,880,492
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	–	505,679	505,679
Other assets	39,637	16,127	1,416	–	–	5,866,676	5,923,856
Statutory deposits with central banks	11,791,252	–	–	–	–	507,110	12,298,362
Total - Neither past due nor impaired	66,030,396	50,747,587	16,439,859	3,176,481	486,547	26,447,171	163,328,041
As a percentage of gross balances	39.93%	30.69%	9.94%	1.92%	0.29%	15.99%	98.76%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. Credit quality of financial assets - financial investments portfolio and other financial assets (cont'd.)

Group As at 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	Non-impaired total RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net Total RM'000
Cash and short-term funds	49,387,882	–	–	–	49,387,882	–	49,387,882	–	49,387,882
Deposits and placements with financial institutions	7,161,651	–	–	–	7,161,651	–	7,161,651	–	7,161,651
Financial assets purchased under resale agreements	1,397,235	–	–	–	1,397,235	–	1,397,235	–	1,397,235
Financial investments portfolio*	80,968,008	–	–	–	80,968,008	1,910,907	82,878,915	(1,189,121)	81,689,794
Derivative assets	1,987,502	–	–	–	1,987,502	–	1,987,502	–	1,987,502
Reinsurance/retakaful assets and other insurance receivables	298,424	–	30,479	110,530	439,433	88,066	527,499	(88,066)	439,433
Other assets	3,466,005	–	–	43,376	3,509,381	98,515	3,607,896	(97,913)	3,509,983
Statutory deposits with central banks	10,577,416	–	–	–	10,577,416	–	10,577,416	–	10,577,416
	155,244,123	–	30,479	153,906	155,428,508	2,097,488	157,525,996	(1,375,100)	156,150,896
As a percentage of gross balances	98.55%	0.00%	0.02%	0.10%	98.67%	1.33%	100.00%		

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. **Credit quality of financial assets - financial investments portfolio and other financial assets (cont'd.)**

Summary of risk categories of financial investments portfolio and other financial assets of the Group are assessed based on credit quality classification as described in Note 48(c)(5).

Group As at 31.12.2011	<----------Neither past due nor impaired---------->						Total RM'000
	Sovereign RM'000	Very low RM'000	Low RM'000	Moderate RM'000	High RM'000	Unrated RM'000	
Cash and short-term funds	15,849,635	12,697,002	6,548,092	2,576,338	13,209	11,703,606	49,387,882
Deposits and placements with financial institutions	635,805	2,642,784	2,445,042	961,864	–	476,156	7,161,651
Financial assets purchased under resale agreements	1,299,578	97,657	–	–	–	–	1,397,235
Financial investments portfolio*	35,899,043	36,786,252	2,867,008	1,620,193	240,316	3,555,196	80,968,008
Derivative assets	26,707	1,620,747	130,488	84,913	8,935	115,712	1,987,502
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	–	298,424	298,424
Other assets	–	3,798	1,325	–	–	3,460,882	3,466,005
Statutory deposits with central banks	10,483,588	–	–	–	–	93,828	10,577,416
Total - Neither past due nor impaired	64,194,356	53,848,240	11,991,955	5,243,308	262,460	19,703,804	155,244,123
As a percentage of gross balances	40.75%	34.18%	7.61%	3.33%	0.17%	12.51%	98.55%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. Credit quality of financial assets - financial investments portfolio and other financial assets (cont'd.)

Group As at 1.7.2011	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	Non-impaired total RM'000	Impaired RM'000	Total RM'000	Impairment allowance RM'000	Net Total RM'000
Cash and short-term funds	39,481,871	–	–	–	39,481,871	–	39,481,871	–	39,481,871
Deposits and placements with financial institutions	10,423,251	–	–	–	10,423,251	–	10,423,251	–	10,423,251
Financial investments portfolio*	72,888,432	–	–	–	72,888,432	1,999,539	74,887,971	(1,177,910)	73,710,061
Derivative assets	1,693,964	–	–	–	1,693,964	–	1,693,964	–	1,693,964
Reinsurance/retakaful assets and other insurance receivables	392,114	–	–	75,710	467,824	98,231	566,055	(98,231)	467,824
Other assets	3,737,455	–	–	51,588	3,789,043	103,054	3,892,097	(87,334)	3,804,763
Statutory deposits with central banks	7,698,425	–	–	–	7,698,425	–	7,698,425	–	7,698,425
	136,315,512	–	–	127,298	136,442,810	2,200,824	138,643,634	(1,363,475)	137,280,159
As a percentage of gross balances	98.32%	0.00%	0.00%	0.09%	98.41%	1.59%	100.00%		

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. **Credit quality of financial assets - financial investments portfolio and other financial assets (cont'd.)**

Summary of risk categories of financial investments portfolio and other financial assets of the Group are assessed based on credit quality classification as described in Note 48(c)(5).

Group As at 1.7.2011	<----Neither past due nor impaired---->						
	Sovereign 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	21,061,641	6,006,376	3,479,245	628,067	35,200	8,271,342	39,481,871
Deposits and placements with financial institutions	946,668	871,252	3,537,011	602,263	33,255	4,432,802	10,423,251
Financial investments portfolio*	32,057,038	34,183,738	1,678,489	1,012,910	466,546	3,489,711	72,888,432
Derivative assets	6,250	772,185	595,941	238,969	808	79,811	1,693,964
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	–	392,114	392,114
Other assets	–	4,466	8	–	–	3,732,981	3,737,455
Statutory deposits with central banks	7,698,425	–	–	–	–	–	7,698,425
Total - Neither past due nor impaired	61,770,022	41,838,017	9,290,694	2,482,209	535,809	20,398,761	136,315,512
As a percentage of gross balances	44.55%	30.18%	6.70%	1.79%	0.39%	14.71%	98.32%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. Credit quality of financial assets - financial investments portfolio and other financial assets (cont'd.)

Bank As at 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	23,153,242	–	23,153,242	–	23,153,242
Deposits and placements with financial institutions	10,039,999	–	10,039,999	–	10,039,999
Financial assets purchased under resale agreements	650,314	–	650,314	–	650,314
Financial investments portfolio*	60,363,756	1,141,317	61,505,073	(958,610)	60,546,463
Derivative assets	2,812,148	–	2,812,148	–	2,812,148
Other assets	2,524,482	62,985	2,587,467	(58,653)	2,528,814
Statutory deposits with central banks	6,888,916	–	6,888,916	–	6,888,916
	106,432,857	1,204,302	107,637,159	(1,017,263)	106,619,896
As a percentage of gross balances	98.88%	1.12%	100.00%		

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. **Credit quality of financial assets-financial investments portfolio and other financial assets (cont'd.)**

Summary of risk categories of financial investments portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 48(c)(5).

Bank As at 31.12.2012	<------Neither past due nor impaired------> Sovereign 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	1,769,882	10,777,202	4,051,114	845,724	148,610	5,560,710	23,153,242
Deposits and placements with financial institutions	406,171	271,286	5,844,816	1,110,533	–	2,407,193	10,039,999
Financial assets purchased under resale agreements	650,314	–	–	–	–	–	650,314
Financial investments portfolio*	27,544,088	23,916,225	3,803,227	441,044	48,048	4,611,124	60,363,756
Derivative assets	–	2,650,607	29,153	91,964	17,057	23,367	2,812,148
Other assets	–	–	–	–	–	2,524,482	2,524,482
Statutory deposits with central banks	6,888,916	–	–	–	–	–	6,888,916
Total - Neither past due nor impaired	37,259,371	37,615,320	13,728,310	2,489,265	213,715	15,126,876	106,432,857
As a percentage of gross balances	34.62%	34.95%	12.75%	2.31%	0.20%	14.05%	98.88%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. Credit quality of financial assets-financial investments portfolio and other financial assets (cont'd.)

Bank As at 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	35,966,579	–	35,966,579	–	35,966,579
Deposits and placements with financial institutions	6,246,093	–	6,246,093	–	6,246,093
Financial assets purchased under resale agreements	1,397,235	–	1,397,235	–	1,397,235
Financial investments portfolio*	55,116,818	1,730,275	56,847,093	(999,175)	55,847,918
Derivative assets	1,949,344	–	1,949,344	–	1,949,344
Other assets	2,010,736	69,156	2,079,892	(64,053)	2,015,839
Statutory deposits with central banks	6,095,129	–	6,095,129	–	6,095,129
	108,781,934	1,799,431	110,581,365	(1,063,228)	109,518,137
As a percentage of gross balances	98.37%	1.63%	100.00%		

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. **Credit quality of financial assets-financial investments portfolio and other financial assets (cont'd.)**

Summary of risk categories of financial investments portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 48(c)(5).

Bank As at 31.12.2011	<------Neither past due nor impaired------>						
	Sovereign 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	12,460,586	7,188,525	6,114,648	1,399,917	8,479	8,794,424	35,966,579
Deposits and placements with financial institutions	450,254	968,659	3,611,653	873,555	–	341,972	6,246,093
Financial assets purchased under resale agreements	1,299,578	97,657	–	–	–	–	1,397,235
Financial investments portfolio*	25,600,708	21,553,239	1,811,916	1,339,835	78,733	4,732,387	55,116,818
Derivative assets	–	1,668,093	129,431	84,913	8,213	58,694	1,949,344
Other assets	–	–	–	–	–	2,010,736	2,010,736
Statutory deposits with central banks	6,001,405	–	–	–	–	93,724	6,095,129
Total - Neither past due nor impaired	45,812,531	31,476,173	11,667,648	3,698,220	95,425	16,031,937	108,781,934
As a percentage of gross balances	41.43%	28.46%	10.55%	3.34%	0.09%	14.50%	98.37%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. Credit quality of financial assets-financial investments portfolio and other financial assets (cont'd.)

Bank 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	25,803,796	–	25,803,796	–	25,803,796
Deposits and placements with financial institutions	7,644,471	–	7,644,471	–	7,644,471
Financial investments portfolio*	50,571,317	1,887,843	52,459,160	(970,955)	51,488,205
Derivative assets	1,626,415	–	1,626,415	–	1,626,415
Other assets	1,126,951	82,606	1,209,557	(62,966)	1,146,591
Statutory deposits with central banks	4,313,116	–	4,313,116	–	4,313,116
	91,086,066	1,970,449	93,056,515	(1,033,921)	92,022,594
As a percentage of gross balances	97.88%	2.12%	100.00%		

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. **Credit quality of financial assets-financial investments portfolio and other financial assets (cont'd.)**

Summary of risk categories of financial investments portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 48(c)(5).

Bank As at 1.7.2011	<-----Neither past due nor impaired----->						Total RM'000
	Sovereign RM'000	Very low RM'000	Low RM'000	Moderate RM'000	High RM'000	Unrated RM'000	
Cash and short-term funds	11,142,491	5,190,781	3,462,945	351,855	–	5,655,724	25,803,796
Deposits and placements with financial institutions	186,032	100,778	3,523,722	198,828	–	3,635,111	7,644,471
Financial assets purchased under resale agreements	–	–	–	–	–	–	–
Financial investments portfolio*	23,802,077	21,798,900	837,056	517,767	246,179	3,369,338	50,571,317
Derivative assets	–	703,791	567,372	226,518	768	127,966	1,626,415
Other assets	–	–	–	–	–	1,126,951	1,126,951
Statutory deposits with central banks	4,313,116	–	–	–	–	–	4,313,116
Total - Neither past due nor impaired	39,443,716	27,794,250	8,391,095	1,294,968	246,947	13,915,090	91,086,066
As a percentage of gross balances	42.39%	29.87%	9.02%	1.39%	0.26%	14.95%	97.88%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

8. Credit quality of impaired financial assets

(i) Impaired financial assets analysed by geographic purpose are as follows:

	Group				
As at 31.12.2012	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
Malaysia	4,007,515	1,276,696	107,479	50,013	5,441,703
Singapore	363,344	10,100	475	9,959	383,878
Indonesia	572,768	101,607	–	8,203	682,578
Labuan Offshore	138,160	–	–	–	138,160
Hong Kong SAR	16,367	–	–	1	16,368
United States of America	431	1,185	–	25,364	26,980
Vietnam	19,051	–	–	1,914	20,965
United Kingdom	277,477	142,505	–	1	419,983
Philippines	83,971	17,158	–	667	101,796
Brunei	2,107	–	316	–	2,423
Cambodia	31,653	–	–	–	31,653
Bahrain	89,577	13,447	–	–	103,024
Thailand	25,486	1,464	–	649	27,599
Others	26,445	104,890	–	12	131,347
	5,654,352	1,669,052	108,270	96,783	7,528,457

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

(i) Impaired financial assets analysed by geographic purpose are as follows (cont'd.):

	Group				
As at 31.12.2011	**Loans, advances and financing RM'000**	**Financial investments portfolio* RM'000**	**Reinsurance/ retakaful assets and other insurance receivables RM'000**	**Other assets RM'000**	**Total RM'000**
Malaysia	6,308,840	1,545,869	87,266	46,161	7,988,136
Singapore	379,834	31,928	293	20,348	432,403
Indonesia	538,420	65,382	–	6,590	610,392
Labuan Offshore	230,647	–	–	–	230,647
Hong Kong SAR	72,093	53,005	–	–	125,098
United States of America	–	31,770	–	25,416	57,186
People's Republic of China	5,932	–	–	–	5,932
Vietnam	80,335	–	–	–	80,335
United Kingdom	215,719	131,197	–	–	346,916
Philippines	73,677	12,436	–	–	86,113
Brunei	768	–	507	–	1,275
Cambodia	18,602	–	–	–	18,602
Bahrain	58,618	36,213	–	–	94,831
Thailand	25,672	1,472	–	–	27,144
Others	27,687	1,635	–	–	29,322
	8,036,844	1,910,907	88,066	98,515	10,134,332

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

(i) Impaired financial assets analysed by geographic purpose are as follows (cont'd.):

	Group				
As at 1.7.2011	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
Malaysia	6,713,064	1,675,541	97,041	67,942	8,553,588
Singapore	330,730	–	135	–	330,865
Indonesia	874,375	62,501	–	10,298	947,174
Labuan Offshore	351,094	–	–	–	351,094
Hong Kong SAR	85,675	49,254	–	–	134,929
United States of America	–	30,230	–	24,814	55,044
Vietnam	75,692	–	–	–	75,692
United Kingdom	141,478	127,179	–	–	268,657
Philippines	50,733	13,204	–	–	63,937
Brunei	2,613	–	1,055	–	3,668
Cambodia	12,499	–	–	–	12,499
Bahrain	48,708	34,005	–	–	82,713
Thailand	28,953	–	–	–	28,953
Others	41,742	7,625	–	–	49,367
	8,757,356	1,999,539	98,231	103,054	10,958,180

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

(i) Impaired financial assets analysed by geographic purpose are as follows (cont'd.):

	Bank			
As at 31.12.2012	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
Malaysia	**3,469,194**	**998,812**	**37,799**	**4,505,805**
Singapore	**289,364**	**–**	**–**	**289,364**
Hong Kong SAR	**15,531**	**–**	**–**	**15,531**
United States of America	**–**	**–**	**24,468**	**24,468**
Vietnam	**19,051**	**–**	**718**	**19,769**
United Kingdom	**277,477**	**142,505**	**–**	**419,982**
Brunei	**2,107**	**–**	**–**	**2,107**
Cambodia	**–**	**–**	**–**	**–**
Bahrain	**89,577**	**–**	**–**	**89,577**
	4,162,301	**1,141,317**	**62,985**	**5,366,603**

	Bank			
As at 31.12.2011	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
Malaysia	5,482,340	1,478,090	43,740	7,004,170
Singapore	312,294	–	–	312,294
Hong Kong SAR	71,228	53,005	–	124,233
United States of America	–	31,770	25,416	57,186
People's Republic of China	5,932	–	–	5,932
Vietnam	80,335	–	–	80,335
United Kingdom	215,719	131,197	–	346,916
Brunei	768	–	–	768
Cambodia	18,602	–	–	18,602
Bahrain	58,618	36,213	–	94,831
	6,245,836	1,730,275	69,156	8,045,267

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

(i) Impaired financial assets analysed by geographic purpose are as follows (cont'd.):

	Bank			
As at 1.7.2011	**Loans, advances and financing RM'000**	**Financial investments portfolio* RM'000**	**Other assets RM'000**	**Total RM'000**
Malaysia	5,769,484	1,647,175	57,792	7,474,451
Singapore	242,169	–	–	242,169
Hong Kong SAR	84,853	49,254	–	134,107
United States of America	–	30,230	24,814	55,044
Vietnam	75,692	–	–	75,692
United Kingdom	141,478	127,179	–	268,657
Brunei	2,613	–	–	2,613
Cambodia	12,499	–	–	12,499
Bahrain	48,708	34,005	–	82,713
	6,377,496	1,887,843	82,606	8,347,945

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

(ii) Impaired financial assets analysed by industry sectors are as follows:

	Group				
As at 31.12.2012	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
Agriculture	118,868	14,092	–	–	132,960
Mining and quarrying	148,873	–	–	–	148,873
Manufacturing	2,212,490	–	–	–	2,212,490
Construction	351,303	20,592	–	–	371,895
Electricity, gas and water supply	27,760	–	–	–	27,760
Wholesale, retail trade, restaurants and hotels	564,082	262,007	–	–	826,089
Finance, insurance, real estate and business	627,043	325,244	108,270	91,623	1,152,180
Transport, storage and communication	413,003	85,339	–	–	498,342
Education, health and others	52,759	–	–	–	52,759
Household	829,936	–	–	4,457	834,393
Others	308,235	961,778	–	703	1,270,716
	5,654,352	1,669,052	108,270	96,783	7,528,457

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

(ii) Impaired financial assets analysed by industry sectors are as follows (cont'd.):

	Group				
As at 31.12.2011	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
Agriculture	206,520	17,579	–	–	224,099
Mining and quarrying	43,850	–	–	–	43,850
Manufacturing	2,751,960	181,082	–	–	2,933,042
Construction	821,897	93,238	–	–	915,135
Electricity, gas and water supply	94,955	–	–	–	94,955
Wholesale, retail trade, restaurants and hotels	810,649	–	–	–	810,649
Finance, insurance, real estate and business	804,688	264,306	88,066	98,515	1,255,575
Transport, storage and communication	737,305	86,833	–	–	824,138
Education, health and others	116,459	–	–	–	116,459
Household	1,261,714	–	–	–	1,261,714
Others	386,847	1,267,869	–	–	1,654,716
	8,036,844	1,910,907	88,066	98,515	10,134,332

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

(ii) Impaired financial assets analysed by industry sectors are as follows (cont'd.):

	Group				
As at 1.7.2011	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
Agriculture	154,061	27,560	–	–	181,621
Mining and quarrying	210,375	–	–	–	210,375
Manufacturing	2,526,157	56,567	–	–	2,582,724
Construction	852,027	90,803	–	–	942,830
Electricity, gas and water supply	434,290	251,405	–	–	685,695
Wholesale, retail trade, restaurants and hotels	879,741	–	–	–	879,741
Finance, insurance, real estate and business	499,522	349,384	98,231	103,054	1,050,191
Transport, storage and communication	904,040	46,271	–	–	950,311
Education, health and others	124,549	–	–	–	124,549
Household	1,303,994	–	–	–	1,303,994
Others	868,600	1,177,549	–	–	2,046,149
	8,757,356	1,999,539	98,231	103,054	10,958,180

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

(ii) Impaired financial assets analysed by industry sectors are as follows (cont'd.):

	Bank			
As at 31.12.2012	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
Agriculture	100,185	–	–	100,185
Mining and quarrying	10,500	–	–	10,500
Manufacturing	1,889,932	–	–	1,889,932
Construction	272,416	20,592	–	293,008
Electricity, gas and water supply	26,117	–	–	26,117
Wholesale, retail trade, restaurants and hotels	386,138	–	–	386,138
Finance, insurance, real estate and business	437,241	298,041	62,985	798,267
Transport, storage and communication	285,099	–	–	285,099
Education, health and others	28,311	–	–	28,311
Household	606,651	–	–	606,651
Others	119,711	822,684	–	942,395
	4,162,301	1,141,317	62,985	5,366,603

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

(ii) Impaired financial assets analysed by industry sectors are as follows (cont'd.):

	Bank			
As at 31.12.2011	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
Agriculture	186,053	8,121	–	194,174
Mining and quarrying	5,699	–	–	5,699
Manufacturing	2,306,918	113,537	–	2,420,455
Construction	702,904	93,238	–	796,142
Electricity, gas and water supply	84,873	–	–	84,873
Wholesale, retail trade, restaurants and hotels	679,819	–	–	679,819
Finance, insurance, real estate and business	563,331	226,061	69,156	858,548
Transport, storage and communication	523,430	38,450	–	561,880
Education, health and others	34,316	–	–	34,316
Household	990,518	–	–	990,518
Others	167,975	1,250,868	–	1,418,843
	6,245,836	1,730,275	69,156	8,045,267

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

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

(ii) Impaired financial assets analysed by industry sectors are as follows (cont'd.):

	Bank			
As at 1.7.2011	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
Agriculture	140,765	–	–	140,765
Mining and quarrying	5,940	–	–	5,940
Manufacturing	1,971,066	56,567	–	2,027,633
Construction	720,305	90,349	–	810,654
Electricity, gas and water supply	411,533	251,405	–	662,938
Wholesale, retail trade, restaurants and hotels	693,278	–	–	693,278
Finance, insurance, real estate and business	315,683	335,828	82,606	734,117
Transport, storage and communication	578,221	–	–	578,221
Education, health and others	41,237	–	–	41,237
Household	1,266,969	–	–	1,266,969
Others	232,499	1,153,694	–	1,386,193
	6,377,496	1,887,843	82,606	8,347,945

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

9. Possessed collateral

Assets obtained by taking possession of collateral held as security against loans, advances and financing and held as at the year/period end are as follows:

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Residential properties	**31,466**	41,895	53,850
Non-residential properties	**78,144**	71,756	71,109
	109,610	113,651	124,959

	Bank		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Residential properties	**1,575**	1,575	1,575
Non-residential properties	**34,426**	38,552	41,227
	36,001	40,127	42,802

Repossessed collaterals are sold as soon as practicable. Repossessed collaterals are included under other assets on the statement of financial position. The Group and the Bank do not occupy repossessed properties for its business use.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

10. Reconciliation of allowance account

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

Group As at 31.12.2012	Loans, advances and financing RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
Individual allowance						
At 1 January 2012	2,813,107	1,172,983	16,138	88,066	97,913	4,188,207
Allowance made during the year	1,172,015	92,275	7,172	28,348	1,855	1,301,665
Amount written back	(437,932)	(59,271)	(316)	(8,144)	(9,037)	(514,700)
Amount written off	(1,222,716)	(16,869)	–	–	(5,828)	(1,245,413)
Transferred to collective allowance	(60,216)	–	–	–	–	(60,216)
Acquisition of subsidiaries	(2,720)	–	–	–	808	(1,912)
Exchange differences	(33,003)	(2,952)	–	–	1,721	(34,234)
At 31 December 2012	2,228,535	1,186,166	22,994	108,270	87,432	3,633,397
Collective allowance						
At 1 January 2012	4,169,974	–	–	–	–	4,169,974
Allowance made during the year	628,222	–	–	–	–	628,222
Amount written off	(1,069,222)	–	–	–	–	(1,069,222)
Transferred from individual allowance	60,216	–	–	–	–	60,216
Exchange differences	(44,196)	–	–	–	–	(44,196)
At 31 December 2012	3,744,994	–	–	–	–	3,744,994

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

10. **Reconciliation of allowance account (cont'd.)**

Movements in allowances for impairment losses for financial assets are as follows (cont'd.):

Group As at 31.12.2011	Loans, advances and financing RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
Individual allowance						
At 1 July 2011	2,932,622	1,146,528	31,382	98,231	87,334	4,296,097
Allowance made during the period	535,890	80,800	–	3,105	15,008	634,803
Amount written back	(296,458)	(55,331)	(15,244)	(13,270)	(380)	(380,683)
Amount written off	(364,074)	–	–	–	(5,193)	(369,267)
Transferred to impairment losses in financial investments	(9,327)	–	–	–	–	(9,327)
Transferred to collective allowance	(15,628)	–	–	–	–	(15,628)
Acquisition of subsidiaries	20,553	(2,960)	–	–	762	18,355
Exchange differences	9,529	3,946	–	–	382	13,857
At 31 December 2011	2,813,107	1,172,983	16,138	88,066	97,913	4,188,207
Collective allowance						
At 1 July 2011	4,271,208	–	–	–	–	4,271,208
Allowance made during the period	504,176	–	–	–	–	504,176
Amount written back	(306)	–	–	–	–	(306)
Amount written off	(632,964)	–	–	–	–	(632,964)
Transferred from individual allowance	15,628	–	–	–	–	15,628
Exchange differences	12,232	–	–	–	–	12,232
At 31 December 2011	4,169,974	–	–	–	–	4,169,974

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

10. Reconciliation of allowance account (cont'd.)

Movements in allowances for impairment losses for financial assets are as follows (cont'd.):

Bank As at 31.12.2012	Loans, advances and financing RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Total RM'000
Individual allowance					
At 1 January 2012	2,102,421	983,133	16,042	64,053	3,165,649
Allowance made during the year	985,402	36,879	4,054	718	1,027,053
Amount written back	(368,351)	(56,876)	(316)	–	(425,543)
Amount written off	(904,764)	(14,555)	–	(5,170)	(924,489)
Transferred to collective allowance	(57,882)	–	–	–	(57,882)
Transferred to a newly incorporated subsidiary	(36,822)	–	–	–	(36,822)
Exchange differences	(549)	(9,751)	–	(948)	(11,248)
At 31 December 2012	1,719,455	938,830	19,780	58,653	2,736,718
Collective allowance					
At 1 January 2012	3,097,366	–	–	–	3,097,366
Allowance made during the year	205,091	–	–	–	205,091
Amount written off	(628,911)	–	–	–	(628,911)
Transferred from individual allowance	57,882	–	–	–	57,882
Transferred to a newly incorporated subsidiary	(5,488)	–	–	–	(5,488)
Exchange differences	909	–	–	–	909
At 31 December 2012	2,726,849	–	–	–	2,726,849

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

10. **Reconciliation of allowance account (cont'd.)**

Movements in allowances for impairment losses for financial assets are as follows (cont'd.):

Bank As at 31.12.2011	Loans, advances and financing RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Total RM'000
Individual allowance					
At 1 July 2011	2,115,897	939,668	31,287	62,966	3,149,818
Allowance made during the period	464,602	67,198	–	–	531,800
Amount written back	(192,817)	(34,048)	(15,245)	(145)	(242,255)
Amount written off	(269,614)	–	–	–	(269,614)
Transferred to impairment losses in financial investments	(9,327)	–	–	–	(9,327)
Transferred to collective allowance	(14,411)	–	–	–	(14,411)
Exchange differences	8,091	10,315	–	1,232	19,638
At 31 December 2011	2,102,421	983,133	16,042	64,053	3,165,649
Collective allowance					
At 1 July 2011	3,179,773	–	–	–	3,179,773
Allowance made during the period	187,383	–	–	–	187,383
Amount written off	(290,779)	–	–	–	(290,779)
Transferred from individual allowance	14,411	–	–	–	14,411
Exchange differences	6,578	–	–	–	6,578
At 31 December 2011	3,097,366	–	–	–	3,097,366

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management

1. Market risk management overview

Market risk management

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

(i) Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;

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

(iii) Commodity price risk: arising from changes in commodity prices' and commodity options' implied volatilities; and

(iv) 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 business volumes, targeted returns, market volatility and range 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, submitted to RMC for approval.

The Asset and Liability Management Committee ("ALCO") ensures that the approved market risk policies and limits are implemented effectively.

Market Risk Management ("MRM") as an independent risk control unit ensures efficient implementation of market risk management frameworks and risk controls to support business growth. Its primary objective is to facilitate risk/return decisions, reduce volatility in earnings, highlight transparent market 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. It 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 Group to manage its market risk exposures in a systematic and consistent manner.

Management of trading activities

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

<u>Value at Risk</u>

Value at Risk ("VaR") measures the potential loss of value resulting from market movement over a specified period of time within a specified probability of occurrence under normal business situations. The Group'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.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

3. Market risk management framework (cont'd.)

Management of trading activities (cont'd.)

Value at Risk (cont'd.)

Besides VaR, the Group utilises other non-statistical risk measures, such as interest rate sensitivity, e.g. exposure to a one basis point increase in yields ("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 Group's market risk exposures and are used for control and monitoring purposes.

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 adjustments are made to incorporate counterparty risk, bid/ask spreads and market liquidity, which is in line with MFRS 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 Group performs Stress Tests 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 undertakes 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.

Other risk control

The business strategies to manage risk include transferring the risk to another party such as entering into a back-to-back deal with external counterparties, avoiding the risk, reducing the negative effect or probability of the risk through offsetting positions, or even accepting some or all of the consequences of a particular risk. The Group's policies, processes and controls are designed to achieve a balance between exploiting trading opportunities and managing earnings volatility within a framework of sound and prudent practices.

Risk management controls such as stop-loss limits, VaR limits, sensitivity limits, Greek limits and FX NOP limits are emplaced to cap the size of potential and actual loss arising from trading activities.

The MRM team produces a number of detailed and summarised market risk reports on a daily and monthly basis. These include Daily Market Risk Exposure Report (daily) and the Senior Management Risk Dashboard such as ALCO/ERC Pack (monthly).

Where the above risk management tools and controls tend to be pre-emptive, the Group enforces a business continuity plan ("BCP") to deal with the consequences of realised residual risks. The BCP test that involves the front office, middle office and back office is conducted periodically to ensure that business continuity is sustainable.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

3. Market risk management framework (cont'd.)

Management and Measurement of Interest Rate Risk ("IRR")/Rate of Return Risk ("RoR") in the banking book

The Group emphasises the importance of managing IRR/RoR in the banking book as most of the balance sheet items of the Group generate interest income and interest expense, which are indexed to interest rates. Volatility of earnings can pose a threat to the Group's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Group's overall capital adequacy.

IRR/RoR in the banking book encompasses repricing risk, yield curve risk and basis risk arising from different interest rate benchmarks and embedded optionality. The objective of the Group's IRR/RoR in the banking book framework is to ensure that all IRR/RoR in the banking book is managed within its risk appetite.

IRR/RoR in the banking book is measured and monitored proactively, using the following principal measurement techniques:

- Repricing Gap Analysis
- Dynamic Simulation
- Economic Value at Risk
- Stress Testing

The Group also proactively manages the IRR/RoR by applying Funds Transfer Pricing ("FTP") to transfer IRR to Funding Unit/Treasury ALM books with supervision of the ALCO. IRR/RoR in the banking book is proactively managed where hedging strategies and mitigating actions are regularly reviewed to achieve a balance between risks, earnings and capital against tolerance limits. The various strategies adopted include adjusting the maturity tenure or repricing tenure of assets and liabilities, re-strategising new business growth, securing long-term fixed-rate funding and entering into interest rate derivative contracts.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. **Interest rate risk**

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

The table below summarises the Group's and Bank's exposure to interest rate risk as at 31 December 2012, 31 December 2011 and 1 July 2011. The table indicates effective average interest rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier.

	Group								
As at 31.12.2012	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	28,686,848	–	–	–	–	11,331,785	–	40,018,633	1.98
Deposits and placements with financial institutions	500,067	7,291,462	3,317,352	232,884	–	607,385	–	11,949,150	1.60
Financial assets purchased under resale agreements	798,180	–	–	–	–	–	–	798,180	1.90
Financial assets at fair value through profit or loss	–	–	–	–	–	–	29,156,692	29,156,692	3.89
Financial investments available-for-sale	4,317,361	3,054,565	3,985,081	20,758,861	20,086,942	1,575,049	7,014,515	60,792,374	3.38
Financial investments held-to-maturity	42,707	115,007	28,921	928,453	1,745,683	9,997	–	2,870,768	3.56
Loans, advances and financing									
– Non-impaired	164,224,297	29,563,537	27,476,692	33,261,555	57,617,831	–	–	312,143,912	6.38
– Impaired*	3,425,817	–	–	–	–	–	–	3,425,817	–
– Collective allowance	–	–	–	–	–	(3,744,994)	–	(3,744,994)	–
Derivative assets	–	–	–	–	–	–	2,880,492	2,880,492	–
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	–	2,555,727	–	2,555,727	–
Other assets	–	–	–	–	–	6,680,257	–	6,680,257	–
Other non-interest sensitive balances	–	–	–	–	–	25,339,285	–	25,339,285	–
Total Assets	201,995,277	40,024,571	34,808,046	55,181,753	79,450,456	44,354,491	39,051,699	494,866,293	

* This is arrived after deducting the individual allowance from gross impaired loans.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

	Group								
As at 31.12.2012 (cont'd.)	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity									
Deposits from customers	173,293,511	41,768,369	68,462,231	60,603,700	7,101	3,020,598	–	347,155,510	1.78
Deposits and placements from financial institutions	17,232,352	5,846,999	4,001,878	1,052,814	–	5,753,333	–	33,887,376	2.03
Obligations on financial assets sold under repurchase agreements	–	–	–	–	–	–	–	–	–
Bills and acceptances payable	464,366	137,724	17,293	–	–	1,650,130	–	2,269,513	3.19
Derivative liabilities	–	–	–	–	–	–	2,376,979	2,376,979	–
Insurance/takaful contract liabilities and other insurance payables	–	–	–	–	–	21,928,872	–	21,928,872	–
Other liabilities	–	–	–	–	–	9,597,742	–	9,597,742	–
Recourse obligation on loans and financing sold to Cagamas	–	114,980	5,269	1,472,725	–	–	–	1,592,974	4.24
Borrowings	517,757	208,487	744,439	6,810,678	1,740,593	692,312	–	10,714,266	3.29
Subordinated obligations	–	–	1,590,250	8,709,382	3,210,409	–	–	13,510,041	4.46
Capital securities	–	–	–	49,271	6,101,080	–	–	6,150,351	6.54
Other non-interest sensitive balances	–	–	–	–	–	1,728,312	–	1,728,312	–
Total Liabilities	191,507,986	48,076,559	74,821,360	78,698,570	11,059,183	44,371,299	2,376,979	450,911,936	
Shareholders' equity	–	–	–	–	–	42,228,893	–	42,228,893	–
Non-controlling interests	–	–	–	–	–	1,725,464	–	1,725,464	–
	–	–	–	–	–	43,954,357	–	43,954,357	
Total Liabilities and Shareholders' Equity	191,507,986	48,076,559	74,821,360	78,698,570	11,059,183	88,325,656	2,376,979	494,866,293	
On-balance sheet interest sensitivity gap	10,487,291	(8,051,988)	(40,013,314)	(23,516,817)	68,391,273	(43,971,165)	36,674,720		
Off-balance sheet interest sensitivity gap (interest rate swaps)	438,300	1,196,469	180,814	(2,124,553)	308,970	–	–		
Total interest sensitivity gap	10,925,591	(6,855,519)	(39,832,500)	(25,641,370)	68,700,243	(43,971,165)	36,674,720		
Cumulative interest rate sensitivity gap	10,925,591	4,070,072	(35,762,428)	(61,403,798)	7,296,445	(36,674,720)	–		

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

	Group								
As at 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-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	41,068,081	–	–	–	–	8,319,801	–	49,387,882	2.17
Deposits and placements with financial institutions	459,070	4,446,254	1,834,926	15,545	–	405,856	–	7,161,651	2.21
Financial assets purchased under resale agreements	1,397,235	–	–	–	–	–	–	1,397,235	1.72
Financial assets at fair value through profit or loss	–	–	–	–	–	–	18,393,752	18,393,752	3.21
Financial investments available-for-sale	5,469,131	1,906,907	5,456,993	22,679,699	17,860,456	1,370,287	8,841,572	63,585,045	3.66
Financial investments held-to-maturity	54,401	120,709	904,012	630,205	885,271	95,208	–	2,689,806	3.67
Loans, advances and financing									
– Non-impaired	156,026,636	28,197,203	28,572,934	30,312,167	32,090,150	–	–	275,199,090	6.46
– Impaired*	5,223,737	–	–	–	–	–	–	5,223,737	–
– Collective allowance	–	–	–	–	–	(4,169,974)	–	(4,169,974)	–
Derivative assets	–	–	–	–	–	–	1,987,502	1,987,502	–
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	–	2,173,794	–	2,173,794	–
Other assets	–	–	–	–	–	4,749,820	–	4,749,820	–
Other non-interest sensitive balances	–	–	–	–	–	23,815,497	–	23,815,497	–
Total Assets	209,698,291	34,671,073	36,768,865	53,637,616	50,835,877	36,760,289	29,222,826	451,594,837	

* This is arrived after deducting the individual allowance from gross impaired loans.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

	Group								
As at 31.12.2011 (cont'd.)	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity									
Deposits from customers	147,139,497	43,147,522	68,468,153	52,547,192	129,729	3,260,152	–	314,692,245	1.92
Deposits and placements from financial institutions	21,481,806	9,689,419	2,852,080	1,862,288	–	875,385	–	36,760,978	1.90
Obligations on financial assets sold under repurchase agreements	267,652	–	–	–	–	–	–	267,652	0.57
Bills and acceptances payable	1,496,909	1,515,385	139,850	–	–	1,320,728	–	4,472,872	3.07
Derivative liabilities	–	–	–	–	–	–	2,162,709	2,162,709	–
Insurance/takaful contract liabilities and other insurance payables	–	–	–	–	–	20,090,908	–	20,090,908	–
Other liabilities	–	–	–	–	–	6,407,906	–	6,407,906	–
Recourse obligation on loans and financing sold to Cagamas	–	–	298,882	1,915,991	–	–	–	2,214,873	4.08
Borrowings	453,333	491,330	542,514	3,885,420	1,812,633	–	–	7,185,230	4.00
Subordinated obligations	–	–	2,530,419	6,694,500	4,935,634	–	–	14,160,553	4.27
Capital securities	–	–	–	–	6,113,761	–	–	6,113,761	6.54
Other non-interest sensitive balances	–	–	–	–	–	1,054,587	–	1,054,587	–
Total Liabilities	170,839,197	54,843,656	74,831,898	66,905,391	12,991,757	33,009,666	2,162,709	415,584,274	
Shareholders' equity	–	–	–	–	–	34,456,243	–	34,456,243	–
Non-controlling interests	–	–	–	–	–	1,554,320	–	1,554,320	–
	–	–	–	–	–	36,010,563	–	36,010,563	
Total Liabilities and Shareholders' Equity	170,839,197	54,843,656	74,831,898	66,905,391	12,991,757	69,020,229	2,162,709	451,594,837	
On-balance sheet interest sensitivity gap	38,859,094	(20,172,583)	(38,063,033)	(13,267,775)	37,844,120	(32,259,940)	27,060,117		
Off-balance sheet interest sensitivity gap (interest rate swaps)	3,863,318	2,853,303	(1,514,212)	(5,083,725)	(118,684)	–	–		
Total interest sensitivity gap	42,722,412	(17,319,280)	(39,577,245)	(18,351,500)	37,725,436	(32,259,940)	27,060,117		
Cumulative interest rate sensitivity gap	42,722,412	25,403,132	(14,174,113)	(32,525,613)	5,199,823	(27,060,117)	–		

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

	Group								
As at 1.7.2011	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-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	30,606,901	–	–	–	–	8,874,970	–	39,481,871	2.34
Deposits and placements with financial institutions	698,943	6,099,336	3,122,074	65,832	–	437,066	–	10,423,251	1.29
Financial assets purchased under resale agreements	–	–	–	–	–	–	–	–	–
Financial assets at fair value through profit or loss	–	–	–	–	–	–	12,665,824	12,665,824	3.39
Financial investments available-for-sale	1,081,002	640,204	2,198,291	19,337,451	24,901,214	4,212,030	9,397,720	61,767,912	4.07
Financial investments held-to-maturity	161,580	174,352	927,425	494,337	584,754	94,993	–	2,437,441	3.98
Loans, advances and financing									
– Non-impaired	138,477,841	25,811,863	24,558,317	30,644,841	33,971,306	–	–	253,464,168	6.52
– Impaired*	5,824,733	–	–	–	–	–	–	5,824,733	–
– Collective allowance	–	–	–	–	–	(4,271,208)	–	(4,271,208)	–
Derivative assets	–	–	–	–	–	–	1,693,964	1,693,964	–
Reinsurance/retakaful assets and other insurance receivables	–	–	–	–	–	2,107,340	–	2,107,340	–
Other assets	–	–	–	–	–	4,898,654	–	4,898,654	–
Other non-interest sensitive balances	–	–	–	–	–	20,760,467	–	20,760,467	–
Total Assets	176,851,000	32,725,755	30,806,107	50,542,461	59,457,274	37,114,312	23,757,508	411,254,417	

* This is arrived after deducting the individual allowance from gross impaired loans.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

	Group								
As at 1.7.2011 (cont'd.)	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity									
Deposits from customers	118,670,464	45,679,943	65,466,779	49,041,307	6,110	3,932,531	–	282,797,134	1.94
Deposits and placements from financial institutions	16,477,657	7,656,832	4,861,121	1,531,225	11,904	2,764,916	–	33,303,655	1.83
Obligations on financial assets sold under repurchase agreements	373,562	–	–	–	–	–	–	373,562	0.85
Bills and acceptances payable	2,897,085	3,417,788	586,991	–	–	1,611,537	–	8,513,401	3.09
Derivative liabilities	–	–	–	–	–	–	1,533,935	1,533,935	–
Insurance/takaful contract liabilities and other insurance payables	–	–	–	–	–	19,313,540	–	19,313,540	–
Other liabilities	–	–	–	–	–	7,266,361	–	7,266,361	–
Recourse obligation on loans and financing sold to Cagamas	–	9,357	–	1,201,607	–	–	–	1,210,964	4.16
Borrowings	200,948	104,366	1,166,489	2,791,840	1,183,477	–	–	5,447,120	3.67
Subordinated obligations	–	–	2,400,880	3,935,470	4,464,189	–	–	10,800,539	3.83
Capital securities	–	–	–	–	6,120,774	–	–	6,120,774	6.54
Other non-interest sensitive balances	–	–	–	–	–	841,341	–	841,341	–
Total Liabilities	138,619,716	56,868,286	74,482,260	58,501,449	11,786,454	35,730,226	1,533,935	377,522,326	
Shareholders' equity	–	–	–	–	–	32,395,218	–	32,395,218	–
Non-controlling interests	–	–	–	–	–	1,336,873	–	1,336,873	–
	–	–	–	–	–	33,732,091	–	33,732,091	
Total Liabilities and Shareholders' Equity	138,619,716	56,868,286	74,482,260	58,501,449	11,786,454	69,462,317	1,533,935	411,254,417	
On-balance sheet interest sensitivity gap	38,231,284	(24,142,531)	(43,676,153)	(7,958,988)	47,670,820	(32,348,005)	22,223,573		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,649,323)	5,999,105	3,581,821	(5,025,062)	(2,906,541)	–	–		
Total interest sensitivity gap	36,581,961	(18,143,426)	(40,094,332)	(12,984,050)	44,764,279	(32,348,005)	22,223,573		
Cumulative interest rate sensitivity gap	36,581,961	18,438,535	(21,655,797)	(34,639,847)	10,124,432	(22,223,573)	–		

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

	Bank								
As at 31.12.2012	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	13,273,821	–	–	–	–	9,879,421	–	23,153,242	1.25
Deposits and placements with financial institutions	522,500	6,496,437	2,425,631	278,323	–	317,108	–	10,039,999	1.51
Financial assets purchased under resale agreements	650,314	–	–	–	–	–	–	650,314	1.90
Financial assets at fair value through profit or loss	–	–	–	–	–	–	10,719,937	10,719,937	3.17
Financial investments available-for-sale	4,368,717	3,433,561	4,538,132	18,510,198	15,704,402	811,299	–	47,366,309	3.52
Financial investments held-to-maturity	29,996	113,813	27,497	789,085	1,594,413	2,045	–	2,556,849	3.02
Loans, advances and financing									
– Non-impaired	145,885,274	20,999,836	21,175,104	14,131,795	12,944,040	–	–	215,136,049	6.09
– Impaired*	2,442,846	–	–	–	–	–	–	2,442,846	–
– Collective allowance	–	–	–	–	–	(2,726,849)	–	(2,726,849)	–
Derivative assets	–	–	–	–	–	–	2,812,148	2,812,148	–
Other assets	–	–	–	–	–	2,713,063	–	2,713,063	–
Other non-interest sensitive balances	–	–	–	–	–	27,692,766	–	27,692,766	–
Total Assets	167,173,468	31,043,647	28,166,364	33,709,401	30,242,855	38,688,853	13,532,085	342,556,673	

* This is arrived after deducting the individual allowance from gross impaired loans.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

As at 31.12.2012 (cont'd.)	Bank Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity									
Deposits from customers	101,075,619	33,757,483	58,711,341	40,166,812	75	3,690,749	–	237,402,079	1.37
Deposits and placements from financial institutions	18,195,588	5,428,068	2,243,418	1,099,353	–	2,232,349	–	29,198,776	1.38
Obligations on financial assets sold under repurchase agreements	–	–	–	–	–	–	–	–	–
Bills and acceptances payable	8,438	28,006	17,293	–	–	1,499,575	–	1,553,312	3.46
Derivative liabilities	–	–	–	–	–	–	2,243,617	2,243,617	–
Other liabilities	–	–	–	–	–	8,645,423	–	8,645,423	–
Recourse obligation on loans and financing sold to Cagamas	–	–	5,269	682,524	–	–	–	687,793	4.78
Borrowings	–	73,405	88,814	5,479,908	1,740,592	–	–	7,382,719	1.89
Subordinated obligations	–	–	1,590,250	7,698,600	2,350,000	–	–	11,638,850	3.99
Capital securities	–	–	–	49,271	6,101,080	–	–	6,150,351	6.54
Other non-interest sensitive balances	–	–	–	–	–	758,446	–	758,446	–
Total Liabilities	119,279,645	39,286,962	62,656,385	55,176,468	10,191,747	16,826,542	2,243,617	305,661,366	
Shareholders' equity	–	–	–	–	–	36,895,307	–	36,895,307	–
Total Liabilities and Shareholders' Equity	119,279,645	39,286,962	62,656,385	55,176,468	10,191,747	53,721,849	2,243,617	342,556,673	
On-balance sheet interest sensitivity gap	47,893,823	(8,243,315)	(34,490,021)	(21,467,067)	20,051,108	(15,032,996)	11,288,468		
Off-balance sheet interest sensitivity gap (interest rate swaps)	377,130	1,159,767	180,814	(2,026,681)	308,970	–	–		
Total interest sensitivity gap	48,270,953	(7,083,548)	(34,309,207)	(23,493,748)	20,360,078	(15,032,996)	11,288,468		
Cumulative interest rate sensitivity gap	48,270,953	41,187,405	6,878,198	(16,615,550)	3,744,528	(11,288,468)	–		

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

	Bank								
As at 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-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	28,898,780	–	–	–	–	7,067,799	–	35,966,579	1.82
Deposits and placements with financial institutions	464,961	3,989,208	1,426,205	–	–	365,719	–	6,246,093	1.87
Financial assets purchased under resale agreements	1,397,235	–	–	–	–	–	–	1,397,235	1.72
Financial assets at fair value through profit or loss	–	–	–	–	–	–	7,325,466	7,325,466	3.43
Financial investments available-for-sale	4,972,729	1,210,247	4,864,880	18,533,624	14,017,796	2,914,924	–	46,514,200	3.06
Financial investments held-to-maturity	–	35,052	786,231	544,821	654,815	95,014	–	2,115,933	3.25
Loans, advances and financing									
– Non-impaired	120,871,791	24,748,300	23,253,965	13,029,253	11,224,727	–	–	193,128,036	6.12
– Impaired*	4,143,415	–	–	–	–	–	–	4,143,415	–
– Collective allowance	–	–	–	–	–	(3,097,366)	–	(3,097,366)	–
Derivative assets	–	–	–	–	–	–	1,949,344	1,949,344	–
Other assets	–	–	–	–	–	2,240,433	–	2,240,433	–
Other non-interest sensitive balances	–	–	–	–	–	26,070,240	–	26,070,240	–
Total Assets	160,748,911	29,982,807	30,331,281	32,107,698	25,897,338	35,656,763	9,274,810	323,999,608	

* This is arrived after deducting the individual allowance from gross impaired loans.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

Bank									
As at 31.12.2011 (cont'd.)	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity									
Deposits from customers	94,665,504	31,532,872	55,443,215	36,947,238	–	4,306,464	–	222,895,293	1.44
Deposits and placements from financial institutions	20,306,036	9,243,682	2,704,628	1,601,491	–	1,699,755	–	35,555,592	1.71
Obligations on financial assets sold under repurchase agreements	267,652	–	–	–	–	–	–	267,652	0.57
Bills and acceptances payable	939,752	1,412,246	17,764	–	–	1,240,379	–	3,610,141	3.19
Derivative liabilities	–	–	–	–	–	–	2,072,731	2,072,731	–
Other liabilities	–	–	–	–	–	6,351,178	–	6,351,178	–
Recourse obligation on loans and financing sold to Cagamas	–	–	–	715,603	–	–	–	715,603	4.80
Borrowings	31,770	63,540	–	2,300,339	1,812,633	–	–	4,208,282	1.58
Subordinated obligations	–	–	2,530,419	6,694,500	3,350,000	–	–	12,574,919	3.88
Capital securities	–	–	–	–	6,113,761	–	–	6,113,761	6.54
Total Liabilities	116,210,714	42,252,340	60,696,026	48,259,171	11,276,394	13,597,776	2,072,731	294,365,152	
Shareholders' equity	–	–	–	–	–	29,634,456	–	29,634,456	–
Total Liabilities and Shareholders' Equity	116,210,714	42,252,340	60,696,026	48,259,171	11,276,394	43,232,232	2,072,731	323,999,608	
On-balance sheet interest sensitivity gap	44,538,197	(12,269,533)	(30,364,745)	(16,151,473)	14,620,944	(7,575,469)	7,202,079		
Off-balance sheet interest sensitivity gap (interest rate swaps)	3,749,577	2,865,380	(1,514,212)	(5,013,831)	(86,914)	–	–		
Total interest sensitivity gap	48,287,774	(9,404,153)	(31,878,957)	(21,165,304)	14,534,030	(7,575,469)	7,202,079		
Cumulative interest rate sensitivity gap	48,287,774	38,883,621	7,004,664	(14,160,640)	373,390	(7,202,079)	–		

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

	Bank								
As at 1.7.2011	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-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	20,838,402	–	–	–	–	4,965,394	–	25,803,796	1.92
Deposits and placements with financial institutions	656,401	4,302,746	2,243,674	52,328	–	389,322	–	7,644,471	0.97
Financial assets purchased under resale agreements	–	–	–	–	–	–	–	–	–
Financial assets at fair value through profit or loss	–	–	–	–	–	–	2,884,895	2,884,895	3.16
Financial investments available-for-sale	689,224	126,834	1,646,715	15,132,506	20,708,501	3,783,382	5,013,718	47,100,880	3.46
Financial investments held-to-maturity	6,056	74,173	788,875	451,138	222,742	95,086	–	1,638,070	3.38
Loans, advances and financing									
– Non-impaired	108,846,234	22,432,329	19,730,461	18,462,127	11,019,867	–	–	180,491,018	6.12
– Impaired*	4,261,599	–	–	–	–	–	–	4,261,599	–
– Collective allowance	–	–	–	–	–	(3,179,773)	–	(3,179,773)	–
Derivative assets	–	–	–	–	–	–	1,626,415	1,626,415	–
Other assets	–	–	–	–	–	1,420,365	–	1,420,365	–
Other non-interest sensitive balances	–	–	–	–	–	24,071,857	–	24,071,857	–
Total Assets	135,297,916	26,936,082	24,409,725	34,098,099	31,951,110	31,545,633	9,525,028	293,763,593	

* This is arrived after deducting the individual allowance from gross impaired loans.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

	Bank								
As at 1.7.2011 (cont'd.)	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Liabilities and Shareholders' Equity									
Deposits from customers	80,875,288	29,673,901	51,998,559	33,835,232	–	5,082,428	–	201,465,408	1.45
Deposits and placements from financial institutions	14,862,256	8,651,518	5,273,576	1,264,687	6,904	1,382,734	–	31,441,675	1.33
Obligations on financial assets sold under repurchase agreements	373,562	–	–	–	–	–	–	373,562	0.85
Bills and acceptances payable	2,202,596	2,810,320	545,812	–	–	1,556,945	–	7,115,673	3.15
Derivative liabilities	–	–	–	–	–	–	1,446,311	1,446,311	–
Other liabilities	–	–	–	–	–	4,240,156	–	4,240,156	–
Recourse obligation on loans and financing sold to Cagamas	–	9,357	–	518,928	–	–	–	528,285	4.96
Borrowings	–	–	120,920	2,116,100	1,183,479	–	–	3,420,499	1.08
Subordinated obligations	–	–	2,400,880	3,975,470	3,133,436	–	–	9,509,786	3.80
Capital securities	–	–	–	–	6,120,774	–	–	6,120,774	6.54
Total Liabilities	98,313,702	41,145,096	60,339,747	41,710,417	10,444,593	12,262,263	1,446,311	265,662,129	
Shareholders' equity	–	–	–	–	–	28,101,464	–	28,101,464	–
Total Liabilities and Shareholders' Equity	98,313,702	41,145,096	60,339,747	41,710,417	10,444,593	40,363,727	1,446,311	293,763,593	
On-balance sheet interest sensitivity gap	36,984,214	(14,209,014)	(35,930,022)	(7,612,318)	21,506,517	(8,818,094)	8,078,717		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,798,551)	5,962,829	3,640,359	(4,928,326)	(2,876,311)	–	–		
Total interest sensitivity gap	35,185,663	(8,246,185)	(32,289,663)	(12,540,644)	18,630,206	(8,818,094)	8,078,717		
Cumulative interest rate sensitivity gap	35,185,663	26,939,478	(5,350,185)	(17,890,829)	739,377	(8,078,717)	–		

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

5. Yield/profit rate risk on IBS portfolio

The Group and the Bank are 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 of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in profit rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the ALCO to protect the income from IBS operations.

The table below summarises the Group's exposure to yield/profit rate risk for the IBS operations as at 31 December 2012, 31 December 2011 and 1 July 2011. The table indicates effective average yield/profit rates at the reporting date and the periods in which the financial instruments are either repriced or mature, whichever is earlier.

	Group								
As at 31.12.2012	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-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	10,753,503	–	–	–	–	2,273,383	–	13,026,886	2.82
Deposits and placements with financial institutions	22,177	271,334	–	–	–	41	–	293,552	3.09
Financial assets at fair value through profit or loss	–	–	–	–	–	–	4,098,406	4,098,406	3.07
Financial investments available-for-sale	910,034	510,534	93,071	1,723,070	2,342,401	–	–	5,579,110	3.55
Financial investments held-to-maturity	28,530	–	104,452	–	–	–	–	132,982	4.29
Financing and advances									
– Non-impaired	28,286,516	2,161,750	1,699,982	10,575,614	19,679,556	–	–	62,403,418	5.24
– Impaired*	435,212	–	–	–	–	–	–	435,212	–
– Collective allowance	–	–	–	–	–	(607,837)	–	(607,837)	–
Derivative assets	–	–	–	–	–	–	48,227	48,227	–
Other assets	–	–	–	–	–	4,891,200	–	4,891,200	–
Other non-yield/profit sensitive balances	–	–	–	–	–	2,603,333	–	2,603,333	–
Total Assets	40,435,972	2,943,618	1,897,505	12,298,684	22,021,957	9,160,120	4,146,633	92,904,489	

* This is arrived after deducting the individual allowance from gross impaired financing outstanding.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

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

	Group								
As at 31.12.2012 (cont'd.)	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-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Liabilities and Islamic Banking Fund									
Deposits from customers	52,501,187	1,194,035	5,300,393	12,324,020	–	–	–	71,319,635	2.37
Deposits and placements from financial institutions	2,546,597	2,383,342	2,727,484	871,903	–	4,676,916	–	13,206,242	3.13
Bills and acceptances payable	189,035	109,718	–	–	–	120,996	–	419,749	3.10
Derivative liabilities	–	–	–	–	–	–	113,980	113,980	–
Other liabilities	–	–	–	–	–	281,481	–	281,481	–
Recourse obligation on financing sold to Cagamas	–	114,979	–	790,202	–	–	–	905,181	3.83
Subordinated sukuk	–	–	–	1,010,782	–	–	–	1,010,782	4.22
Other non-yield/profit sensitive balances	–	–	–	–	–	162,043	–	162,043	–
Total Liabilities	55,236,819	3,802,074	8,027,877	14,996,907	–	5,241,436	113,980	87,419,093	
Islamic banking fund	–	–	–	–	–	5,485,396	–	5,485,396	
Total Liabilities and Islamic Banking Fund	55,236,819	3,802,074	8,027,877	14,996,907	–	10,726,832	113,980	92,904,489	
On-balance sheet yield/profit rate sensitivity gap	(14,800,847)	(858,456)	(6,130,372)	(2,698,223)	22,021,957	(1,566,712)	4,032,653	–	
Cumulative yield/ profit rate sensitivity gap	(14,800,847)	(15,659,303)	(21,789,675)	(24,487,898)	(2,465,941)	(4,032,653)	–		

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

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

	Group								
As at 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-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	7,177,788	–	–	–	–	1,793,829	–	8,971,617	2.97
Deposits and placements with financial institutions	23,800	370,820	35,079	–	–	211	–	429,910	3.34
Financial assets at fair value through profit or loss	–	–	–	–	–	–	2,360,877	2,360,877	0.53
Financial investments available-for-sale	391,424	543,922	389,294	2,602,634	2,305,472	–	–	6,232,746	3.72
Financial investments held-to-maturity	–	50,424	–	–	–	–	–	50,424	3.79
Financing and advances									
– Non-impaired	19,899,071	2,034,749	1,510,866	9,900,029	19,214,780	73	–	52,559,568	5.19
– Impaired*	513,133	–	–	–	–	–	–	513,133	–
– Collective allowance	–	–	–	–	–	(647,427)	–	(647,427)	–
Derivative assets	–	–	–	–	–	–	28,198	28,198	–
Other assets	–	–	–	–	–	4,492,748	–	4,492,748	–
Other non-yield/profit sensitive balances	–	–	–	–	–	2,018,421	–	2,018,421	–
Total Assets	28,005,216	2,999,915	1,935,239	12,502,663	21,520,252	7,657,855	2,389,075	77,010,215	

* This is arrived after deducting the individual allowance from gross impaired financing outstanding.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

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

	Group								
As at 31.12.2011 (cont'd.)	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-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Liabilities and Islamic Banking Fund									
Deposits from customers	35,101,728	5,625,391	9,728,779	8,482,911	121,626	29,965	–	59,090,400	2.45
Deposits and placements from financial institutions	1,826,395	179,019	1,624,717	1,894,840	538,046	3,386,441	–	9,449,458	2.01
Bills and acceptances payable	242,614	103,139	122,086	–	–	36,398	–	504,237	3.13
Derivative liabilities	–	–	–	–	–	–	96,179	96,179	–
Other liabilities	–	–	–	–	–	193,515	–	193,515	–
Recourse obligation on financing sold to Cagamas	–	–	298,882	1,200,388	–	–	–	1,499,270	3.73
Subordinated sukuk	–	–	–	1,010,723	–	–	–	1,010,723	4.22
Other non-yield/profit sensitive balances	–	–	–	–	–	109,256	–	109,256	–
Total Liabilities	37,170,737	5,907,549	11,774,464	12,588,862	659,672	3,755,575	96,179	71,953,038	
Islamic banking fund	–	–	–	–	–	5,057,177	–	5,057,177	
Total Liabilities and Islamic Banking Fund	37,170,737	5,907,549	11,774,464	12,588,862	659,672	8,812,752	96,179	77,010,215	
On-balance sheet yield/profit rate sensitivity gap	(9,165,521)	(2,907,634)	(9,839,225)	(86,199)	20,860,580	(1,154,897)	2,292,896	–	
Cumulative yield/ profit rate sensitivity gap	(9,165,521)	(12,073,155)	(21,912,380)	(21,998,579)	(1,137,999)	(2,292,896)	–		

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

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

	Group								
As at 1.7.2011	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-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	8,159,131	–	–	–	–	1,525,038	–	9,684,169	3.04
Deposits and placements with financial institutions	–	366,796	–	–	–	27,340	–	394,136	3.29
Financial assets at fair value through profit or loss	–	–	–	–	–	–	513,225	513,225	0.27
Financial investments available-for-sale	275,350	354,743	373,665	2,493,635	2,763,877	–	–	6,261,270	3.79
Financial investments held-to-maturity	–	–	50,542	–	–	–	–	50,542	3.83
Financing and advances									
– Non-impaired	16,146,530	2,004,103	1,044,383	6,062,192	21,676,459	–	–	46,933,667	5.33
– Impaired*	573,861	–	–	–	–	–	–	573,861	–
– Collective allowance	–	–	–	–	–	(580,818)	–	(580,818)	–
Derivative assets	–	–	–	–	–	–	14,646	14,646	–
Other assets	–	–	–	–	–	4,737,314	–	4,737,314	–
Other non-yield/profit sensitive balances	–	–	–	–	–	1,076,304	–	1,076,304	–
Total Assets	25,154,872	2,725,642	1,468,590	8,555,827	24,440,336	6,785,178	527,871	69,658,316	

* This is arrived after deducting the individual allowance from gross impaired financing outstanding.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

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

	Group								
As at 1.7.2011 (cont'd.)	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-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Liabilities and Islamic Banking Fund									
Deposits from customers	24,701,773	7,486,042	8,111,720	8,436,309	–	2,154,426	–	50,890,270	2.56
Deposits and placements from financial institutions	3,785,981	66,373	1,598,485	2,338,657	564,515	2,938,066	–	11,292,077	2.79
Bills and acceptances payable	370,242	607,467	42,147	–	–	95,494	–	1,115,350	2.94
Derivative liabilities	–	–	–	–	–	–	53,504	53,504	–
Other liabilities	–	–	–	–	–	175,494	–	175,494	–
Recourse obligation on financing sold to Cagamas	–	–	–	682,679	–	–	–	682,679	3.54
Subordinated sukuk	–	–	–	1,010,637	–	–	–	1,010,637	4.22
Other non-yield/profit sensitive balances	–	–	–	–	–	52,931	–	52,931	–
Total Liabilities	28,857,996	8,159,882	9,752,352	12,468,282	564,515	5,416,411	53,504	65,272,942	
Islamic banking fund	–	–	–	–	–	4,385,374	–	4,385,374	
Total Liabilities and Islamic Banking Fund	28,857,996	8,159,882	9,752,352	12,468,282	564,515	9,801,785	53,504	69,658,316	
On-balance sheet yield/profit rate sensitivity gap	(3,703,124)	(5,434,240)	(8,283,762)	(3,912,455)	23,875,821	(3,016,607)	474,367	–	
Cumulative yield/ profit rate sensitivity gap	(3,703,124)	(9,137,364)	(17,421,126)	(21,333,581)	2,542,240	(474,367)	–		

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

6. Sensitivity analysis for interest rate risk

The table below shows the sensitivity of the Group's and Bank's profit after tax to an up and down 100 basis points parallel rate shock.

		Group		Bank	
1.1.2012 to 31.12.2012	**Tax rate**	**+ 100 basis points RM'000**	**–100 basis points RM'000**	**+ 100 basis points RM'000**	**–100 basis points RM'000**
Impact to profit before tax		**249,668**	**(249,668)**	**383,089**	**(383,089)**
Impact to profit after tax	**25%**	**187,251**	**(187,251)**	**287,317**	**(287,317)**

		Group		Bank	
1.7.2011 to 31.12.2011	**Tax rate**	**+ 100 basis points RM'000**	**–100 basis points RM'000**	**+ 100 basis points RM'000**	**–100 basis points RM'000**
Impact to profit before tax		236,854	(236,854)	333,869	(333,869)
Impact to profit after tax	25%	177,640	(177,640)	250,402	(250,402)

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

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

6. Sensitivity analysis for interest rate risk (cont'd.)

Impact to revaluation reserve is assessed by applying up and down 100 basis points rate shocks to the yield curve to model the impact on marked-to-market of financial investments available-for-sale ("AFS").

	Group		Bank	
As at 31.12.2012	+ 100 basis points RM'000	–100 basis points RM'000	+ 100 basis points RM'000	–100 basis points RM'000
Impact to revaluation reserve for AFS	**(1,956,387)**	**1,956,387**	**(1,512,240)**	**1,512,240**

	Group		Bank	
As at 31.12.2011	+ 100 basis points RM'000	–100 basis points RM'000	+ 100 basis points RM'000	–100 basis points RM'000
Impact to revaluation reserve for AFS	(1,498,964)	1,498,964	(1,144,449)	1,144,449

	Group		Bank	
As at 1.7.2011	+ 100 basis points RM'000	–100 basis points RM'000	+ 100 basis points RM'000	–100 basis points RM'000
Impact to revaluation reserve for AFS	(2,041,772)	2,041,772	(1,774,311)	1,774,311

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Group is exposed to three types of foreign exchange risk such as translation risk, transactional risk and economic risk which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. In addition, the earnings from the overseas operations are repatriated in line with Management Committees' direction as and when required. The Group controls its FX exposures by transacting in permissible currencies. It has an internal FX NOP to measure, control and monitor its FX risk and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

The table below analyses the net foreign exchange positions of the Group and the Bank as at 31 December 2012, 31 December 2011 and 1 July 2011, by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, the Great Britain Pound, Hong Kong Dollar, US Dollar, Indonesia Rupiah and Euro. The "others" foreign exchange risk include mainly exposure to Japanese Yen, Chinese Renminbi, Philippine Peso, Papua New Guinea Kina and Brunei Dollars.

	Group								
	<---------------------------- Balance Before Consolidation Adjustments ---------------------------->								Balance After Consolidation Adjustments
As at 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	15,949,815	690,745	563,982	581,250	15,401,619	2,714,629	1,311,945	2,804,648	40,018,633
Deposits and placements with financial institutions	3,291,824	192,452	13	–	7,275,426	(29,681)	–	1,219,116	11,949,150
Financial assets purchased under resale agreements	–	650,314	–	–	–	147,866	–	–	798,180
Financial assets at fair value through profit or loss	27,926,934	385,019	–	3,416	557,603	81,989	–	201,731	29,156,692
Financial investments available-for-sale	32,452,401	12,035,880	227,419	197,362	8,314,625	3,598,168	624,862	3,341,657	60,792,374
Financial investments held-to-maturity	2,486,998	–	–	–	259,093	4,394	–	120,283	2,870,768
Loans, advances and financing	188,117,443	58,419,761	652,577	1,982,440	37,596,021	20,149,118	161,857	4,745,518	311,824,735
Derivative assets	5,896,734	831,964	759,841	(68,966)	(5,567,051)	(123,978)	325,959	825,989	2,880,492
Reinsurance/retakaful assets and other insurance receivables	2,555,727	–	–	–	–	–	–	–	2,555,727
Other assets	2,332,021	1,163,111	137,396	1,078,571	189,226	526,617	493,953	759,362	6,680,257
Investment properties	571,747	–	–	–	915	–	–	–	572,662
Statutory deposits with central banks	7,109,205	2,152,825	–	–	714,083	1,864,925	–	457,324	12,298,362
Interest in associates	42,791	–	–	–	12,420	–	–	2,180,022	2,235,233
Property, plant and equipment	1,058,905	881,578	23,029	8,744	19,663	326,943	–	83,959	2,402,821
Intangible assets	693,884	1,285,737	–	79,164	797	3,616,496	–	855,258	6,531,336
Deferred tax assets	1,133,367	(3,625)	39	1,099	12,149	129,253	–	26,589	1,298,871
Total Assets	291,619,796	78,685,761	2,364,296	3,863,080	64,786,589	33,006,739	2,918,576	17,621,456	494,866,293

* Included in Malaysian Ringgit are the consolidation adjustments on inter-company balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

	Group								
	<---------- Balance Before Consolidation Adjustments							---------->	Balance After Consolidation Adjustments
As at 31.12.2012 (cont'd.)	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	210,626,099	68,702,137	1,989,204	1,504,500	36,016,275	21,317,593	732,629	6,267,073	347,155,510
Deposits and placements from financial institutions	5,868,060	1,690,864	2,188,901	1,608,547	15,286,843	165,431	1,675,050	5,403,680	33,887,376
Bills and acceptances payable	1,795,625	172,776	147	571	237,636	8,592	2,025	52,141	2,269,513
Derivative liabilities	(1,418,348)	918,645	149,075	(181,138)	1,899,013	27,172	1,062,588	(80,028)	2,376,979
Insurance/takaful contract liabilities and other insurance payables	21,920,077	–	–	–	8,795	–	–	–	21,928,872
Other liabilities	4,540,517	(2,484,980)	(1,687,958)	51,212	8,344,736	1,127,338	(704,166)	411,043	9,597,742
Recourse obligation on loans and financing sold to Cagamas	1,592,974	–	–	–	–	–	–	–	1,592,974
Provision for taxation and zakat	747,125	235,257	108	26,844	7,186	(12,674)	–	47,952	1,051,798
Deferred tax liabilities	550,412	69,682	–	–	–	25,398	–	31,022	676,514
Borrowings	–	710,647	–	749,640	6,229,471	2,261,078	–	763,430	10,714,266
Subordinated obligations	7,702,338	2,500,935	–	–	2,446,358	860,410	–	–	13,510,041
Capital securities	4,614,232	1,536,119	–	–	–	–	–	–	6,150,351
Total Liabilities	258,539,111	74,052,082	2,639,477	3,760,176	70,476,313	25,780,338	2,768,126	12,896,313	450,911,936
On-balance sheet open position	33,080,685	4,633,679	(275,181)	102,904	(5,689,724)	7,226,401	150,450	4,725,143	43,954,357
Less: Derivative assets	(5,896,734)	(831,964)	(759,841)	68,966	5,567,051	123,978	(325,959)	(825,989)	(2,880,492)
Add: Derivative liabilities	(1,418,348)	918,645	149,075	(181,138)	1,899,013	27,172	1,062,588	(80,028)	2,376,979
Add: Net forward position	4,095,206	4,546,543	2,240,856	153,998	(7,240,907)	154,193	(202,208)	1,403,149	5,150,830
Net open position	29,860,809	9,266,903	1,354,909	144,730	(5,464,567)	7,531,744	684,871	5,222,275	48,601,674
Net structural currency exposures	–	6,150,935	(227,968)	699,770	813,047	7,191,590	(29)	4,254,219	18,881,564

* Included in Malaysian Ringgit are the consolidation adjustments on inter-company balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

	Group								
	<---------- Balance Before Consolidation Adjustments							---------->	Balance After Consolidation Adjustments
As at 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	30,193,993	1,483,816	442,182	84,059	13,023,894	1,455,930	981,149	1,722,889	49,387,882
Deposits and placements with financial institutions	3,138,522	325,908	24,517	1,893	1,891,675	168,751	82,225	1,528,160	7,161,651
Financial assets purchased under resale agreements	–	56	–	–	1,221,601	–	175,578	–	1,397,235
Financial assets at fair value through profit or loss	16,907,413	199,346	–	90,654	840,888	302,374	–	53,077	18,393,752
Financial investments available-for-sale	39,241,503	10,275,484	11,084	459,288	6,773,468	3,112,101	524,605	3,187,512	63,585,045
Financial investments held-to-maturity	1,744,711	–	187	2,692	426,038	61,718	1,055	453,405	2,689,806
Loans, advances and financing	166,242,547	49,605,323	649,404	1,775,645	36,167,292	17,880,634	46,610	3,885,398	276,252,853
Derivative assets	4,982,840	(383,862)	6,859	3,183	(2,898,699)	30,919	18,305	227,957	1,987,502
Reinsurance/retakaful assets and other insurance receivables	2,163,999	–	–	–	–	–	–	9,795	2,173,794
Other assets	1,145,285	779,179	81,931	6,489	902,739	783,879	(31,881)	1,082,199	4,749,820
Investment properties	523,353	18,231	–	–	893	–	–	–	542,477
Statutory deposits with central banks	6,025,005	1,790,084	–	–	755,811	1,608,926	–	397,590	10,577,416
Interest in associates	42,873	1,233	–	–	12,102	–	–	2,350,254	2,406,462
Property, plant and equipment	933,841	841,557	23,680	4,435	18,299	328,138	–	67,533	2,217,483
Intangible assets	398,338	1,306,666	–	78,979	618	4,180,846	–	782,606	6,748,053
Deferred tax assets	1,118,173	3,485	55	548	10,021	166,624	–	24,700	1,323,606
Total Assets	274,802,396	66,246,506	1,239,899	2,507,865	59,146,640	30,080,840	1,797,646	15,773,045	451,594,837

* Included in Malaysian Ringgit are the consolidation adjustments on inter-company balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

	Group								
	<---------------------------- Balance Before Consolidation Adjustments ---------------------------->								Balance After Consolidation Adjustments
As at 31.12.2011 (cont'd.)	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	193,983,326	58,019,452	2,121,668	934,323	34,880,301	17,970,677	725,671	6,056,827	314,692,245
Deposits and placements from financial institutions	17,743,408	1,040,919	1,434,473	998,754	10,120,852	2,503	3,242,627	2,177,442	36,760,978
Obligations on financial assets sold under repurchase agreements	–	189	–	–	–	–	267,463	–	267,652
Bills and acceptances payable	3,965,351	141,524	86	211	311,083	6,195	2,758	45,664	4,472,872
Derivative liabilities	(1,042,651)	(159,137)	5,706	(121,136)	3,081,233	105,584	23,988	269,122	2,162,709
Insurance/takaful contract liabilities and other insurance payables	20,087,657	–	–	–	3,251	–	–	–	20,090,908
Other liabilities	3,072,586	1,031,042	(59,546)	139,678	459,405	1,242,327	5,111	517,303	6,407,906
Recourse obligation on loans and financing sold to Cagamas	2,214,873	–	–	–	–	–	–	–	2,214,873
Provision for taxation and zakat	24,534	196,253	99	35,862	7,644	64,950	–	53,220	382,562
Deferred tax liabilities	536,871	64,324	–	131	(3,313)	23,983	–	50,029	672,025
Borrowings	2,907	438,693	–	291,031	4,006,480	1,945,304	–	500,815	7,185,230
Subordinated obligations	10,192,940	2,444,500	–	–	948,202	574,911	–	–	14,160,553
Capital securities	4,612,825	1,500,936	–	–	–	–	–	–	6,113,761
Total Liabilities	255,394,627	64,718,695	3,502,486	2,278,854	53,815,138	21,936,434	4,267,618	9,670,422	415,584,274
On-balance sheet open position	19,407,769	1,527,811	(2,262,587)	229,011	5,331,502	8,144,406	(2,469,972)	6,102,623	36,010,563
Less: Derivative assets	(4,982,840)	383,862	(6,859)	(3,183)	2,898,699	(30,919)	(18,305)	(227,957)	(1,987,502)
Add: Derivative liabilities	(1,042,651)	(159,137)	5,706	(121,136)	3,081,233	105,584	23,988	269,122	2,162,709
Add: Net forward position	5,121,509	2,216,499	2,187,016	185,456	(13,269,485)	411,802	2,355,968	(566,452)	(1,357,687)
Net open position	18,503,787	3,969,035	(76,724)	290,148	(1,958,051)	8,630,873	(108,321)	5,577,336	34,828,083
Net structural currency exposures	–	5,191,121	(191,060)	553,540	399,926	6,924,421	(30)	4,313,068	17,190,986

* Included in Malaysian Ringgit are the consolidation adjustments on inter-company balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

	Group								
	<---- Balance Before Consolidation Adjustments ---->								Balance After Consolidation Adjustments
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	26,084,139	1,172,727	248,559	(74,872)	8,539,226	1,309,537	483,983	1,718,572	39,481,871
Deposits and placements with financial institutions	1,619,463	1,289,991	–	145,365	6,438,102	730,574	28,838	170,918	10,423,251
Financial assets purchased under resale agreements	–	–	–	–	–	–	–	–	–
Financial assets at fair value through profit or loss	10,045,080	164,480	–	240,403	1,378,627	347,087	109,870	380,277	12,665,824
Financial investments available-for-sale	39,556,912	8,542,542	7,815	226,168	7,267,137	3,010,803	662,068	2,494,467	61,767,912
Financial investments held-to-maturity	1,639,591	27,957	–	217	604,695	57,901	9,531	97,549	2,437,441
Loans, advances and financing	157,492,610	46,562,954	532,854	1,682,008	29,712,949	16,179,917	68,919	2,785,482	255,017,693
Derivative assets	5,562,084	2,038,415	3,084	–	(6,076,457)	1,450	2,640	162,748	1,693,964
Reinsurance/retakaful assets and other insurance receivables	2,107,340	–	–	–	–	–	–	–	2,107,340
Other assets	1,358,462	1,655,031	226,984	(1,990)	21,872	564,692	79,590	994,013	4,898,654
Investment properties	524,763	–	–	–	758	–	–	–	525,521
Statutory deposits with central banks	3,607,105	1,523,923	–	–	616,312	1,435,613	–	515,472	7,698,425
Interest in associates	41,084	–	–	–	11,024	–	–	2,387,546	2,439,654
Property, plant and equipment	912,508	808,526	23,727	2,181	17,931	309,810	–	50,534	2,125,217
Intangible assets	293,080	938,192	–	157,710	628	4,228,833	–	1,019,511	6,637,954
Deferred tax assets	1,145,515	19,807	(16,677)	8,962	8,888	154,434	–	12,767	1,333,696
Total Assets	251,989,736	64,744,545	1,026,346	2,386,152	48,541,692	28,330,651	1,445,439	12,789,856	411,254,417

* Included in Malaysian Ringgit are the consolidation adjustments on inter-company balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

	Group								
	<---------------------------- Balance Before Consolidation Adjustments							---------------------------->	Balance After Consolidation Adjustments
As at 1.7.2011 (cont'd.)	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	181,111,065	50,827,474	2,192,017	291,285	26,377,848	17,179,087	732,139	4,086,219	282,797,134
Deposits and placements from financial institutions	15,837,470	715,867	765,707	1,303,924	9,357,261	193,189	3,564,550	1,565,687	33,303,655
Obligations on financial assets sold under repurchase agreements	–	98,147	–	–	–	–	275,415	–	373,562
Bills and acceptances payable	7,968,587	194,069	85	467	303,127	23,219	540	23,307	8,513,401
Derivative liabilities	1,213,381	1,204,635	(4,828)	(21)	(1,013,629)	(2,392)	(7,507)	144,296	1,533,935
Insurance/takaful contract liabilities and other insurance payables	19,308,129	–	–	–	5,411	–	–	–	19,313,540
Other liabilities	2,170,868	2,510,917	23,946	318,001	132,818	1,228,358	34,031	847,422	7,266,361
Recourse obligation on loans and financing sold to Cagamas	1,210,964	–	–	–	–	–	–	–	1,210,964
Provision for taxation and zakat	(20,639)	213,163	(27,186)	22,752	101	(47,698)	–	42,266	182,759
Deferred tax liabilities	540,091	83,491	–	–	(2,364)	21,952	–	15,412	658,582
Borrowings	1,551	532,738	2,093	–	3,551,063	1,281,066	–	78,609	5,447,120
Subordinated obligations	7,155,503	2,424,039	–	–	900,880	320,117	–	–	10,800,539
Capital securities	4,611,853	1,508,921	–	–	–	–	–	–	6,120,774
Total Liabilities	241,108,823	60,313,461	2,951,834	1,936,408	39,612,516	20,196,898	4,599,168	6,803,218	377,522,326
On-balance sheet open position	10,880,913	4,431,084	(1,925,488)	449,744	8,929,176	8,133,753	(3,153,729)	5,986,638	33,732,091
Less: Derivative assets	(5,562,084)	(2,038,415)	(3,084)	–	6,076,457	(1,450)	(2,640)	(162,748)	(1,693,964)
Add: Derivative liabilities	1,213,381	1,204,635	(4,828)	(21)	(1,013,629)	(2,392)	(7,507)	144,296	1,533,935
Add: Net forward position	4,447,897	181,790	1,797,621	125,949	(15,535,771)	289,193	2,690,517	(1,217,605)	(7,220,409)
Net open position	10,980,107	3,779,094	(135,779)	575,672	(1,543,767)	8,419,104	(473,359)	4,750,581	26,351,653
Net structural currency exposures	–	4,741,076	(34,681)	685,693	639,475	6,982,262	(29)	4,415,872	17,429,668

* Included in Malaysian Ringgit are the consolidation adjustments on inter-company balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

Bank									
	<---- Balance Before Amalgamation Adjustments ---->								Balance After Amalgamation Adjustments
As at 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	6,091,572	313,158	287,393	522,808	12,462,057	165,610	1,128,396	2,182,248	23,153,242
Deposits and placements with financial institutions	2,634,365	75,455	13	–	6,395,134	–	–	935,032	10,039,999
Financial assets purchased under resale agreements	–	650,314	–	–	–	–	–	–	650,314
Financial assets at fair value through profit or loss	10,172,945	325,460	–	–	186,641	3,509	–	31,382	10,719,937
Financial investments available-for-sale	23,615,464	11,896,473	227,419	155,011	7,103,768	1,168,106	533,372	2,666,696	47,366,309
Financial investments held-to-maturity	2,486,857	–	–	–	–	–	–	69,992	2,556,849
Loans, advances and financing	127,934,894	57,697,150	624,558	1,877,046	24,931,991	–	161,355	1,625,052	214,852,046
Derivative assets	5,882,609	831,962	759,670	(68,966)	(5,566,476)	(174,429)	325,523	822,255	2,812,148
Other assets	1,366,560	424,351	138,298	891,876	(307,946)	(223,617)	490,596	(67,055)	2,713,063
Statutory deposits with central banks	4,710,100	2,152,825	–	–	2,751	–	–	23,240	6,888,916
Investment in subsidiaries	3,870,295	2,852,896	–	173,400	221,693	6,664,094	–	3,852,091	17,634,469
Interest in associates	15,315	–	–	–	6,140	–	–	435,057	456,512
Property, plant and equipment	886,694	281,329	22,729	6,278	4,452	–	–	4,306	1,205,788
Intangible assets	650,324	45,384	–	527	130	–	–	701	697,066
Deferred tax assets	813,252	(9,618)	–	–	–	–	–	6,381	810,015
Total Assets	191,131,246	77,537,139	2,060,080	3,557,980	45,440,335	7,603,273	2,639,242	12,587,378	342,556,673

* Included in Malaysian Ringgit are the amalgamation adjustments on inter-branch balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

	Bank								
	<---------- Balance Before Amalgamation Adjustments ---------->								Balance After Amalgamation Adjustments
As at 31.12.2012 (cont'd.)	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	141,397,746	68,730,984	1,978,148	1,413,006	20,603,555	–	433,134	2,845,506	237,402,079
Deposits and placements from financial institutions	4,114,128	1,535,230	1,892,814	1,556,034	13,068,092	78	1,676,914	5,355,486	29,198,776
Bills and acceptances payable	1,375,874	170,810	147	571	2,033	1,321	244	2,312	1,553,312
Derivative liabilities	(1,037,335)	918,582	148,774	(181,138)	1,418,637	307	1,062,331	(86,541)	2,243,617
Other liabilities	5,538,826	(3,398,749)	(1,682,426)	(3,400)	9,468,397	(3,500)	(748,539)	(525,186)	8,645,423
Recourse obligation on loans and financing sold to Cagamas	687,793	–	–	–	–	–	–	–	687,793
Provision for taxation and zakat	521,584	210,313	–	20,987	1,440	–	–	4,122	758,446
Borrowings	–	–	–	744,910	6,104,667	–	–	533,142	7,382,719
Subordinated obligations	6,691,557	2,500,935	–	–	2,446,358	–	–	–	11,638,850
Capital securities	4,614,232	1,536,119	–	–	–	–	–	–	6,150,351
Total Liabilities	163,904,405	72,204,224	2,337,457	3,550,970	53,113,179	(1,794)	2,424,084	8,128,841	305,661,366
On-balance sheet open position	27,226,841	5,332,915	(277,377)	7,010	(7,672,844)	7,605,067	215,158	4,458,537	36,895,307
Less: Derivative assets	(5,882,609)	(831,962)	(759,670)	68,966	5,566,476	174,429	(325,523)	(822,255)	(2,812,148)
Add: Derivative liabilities	(1,037,335)	918,582	148,774	(181,138)	1,418,637	307	1,062,331	(86,541)	2,243,617
Add: Net forward position	24,574,644	(686,620)	(266,050)	(593,757)	(262,785)	940,475	(36,902)	(185,156)	23,483,849
Net open position	44,881,541	4,732,915	(1,154,323)	(698,919)	(950,516)	8,720,278	915,064	3,364,585	59,810,625
Net structural currency exposures	–	6,147,972	(227,968)	635,306	196,892	6,664,094	(29)	4,455,970	17,872,237

* Included in Malaysian Ringgit are the amalgamation adjustments on inter-branch balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

	Bank								
	<---------- Balance Before Amalgamation Adjustments ---------->								Balance After Amalgamation Adjustments
As at 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	18,626,400	1,242,046	404,527	66,716	13,219,918	48,243	824,080	1,534,649	35,966,579
Deposits and placements with financial institutions	1,920,896	201,370	24,517	1,886	2,767,634	–	82,225	1,247,565	6,246,093
Financial assets purchased under resale agreements	–	56	–	–	1,221,601	–	175,578	–	1,397,235
Financial assets at fair value through profit or loss	6,477,406	110,600	–	–	715,952	2,568	–	18,940	7,325,466
Financial investments available-for-sale	26,646,650	10,145,100	11,084	417,703	5,756,015	893,780	453,090	2,190,778	46,514,200
Financial investments held-to-maturity	1,694,144	–	–	–	245,860	–	–	175,929	2,115,933
Loans, advances and financing	116,117,728	49,097,516	617,929	1,674,663	25,228,724	–	46,500	1,391,025	194,174,085
Derivative assets	4,471,305	(383,735)	5,857	3,183	(2,391,289)	16	18,307	225,700	1,949,344
Other assets	1,306,868	36,441	81,023	(98,956)	351,550	–	(34,445)	597,952	2,240,433
Statutory deposits with central banks	4,190,100	1,790,084	–	–	95,276	–	–	19,669	6,095,129
Investment in subsidiaries	3,466,028	2,852,896	–	173,400	223,443	6,664,094	–	3,850,341	17,230,202
Interest in associates	15,315	–	–	–	6,140	–	–	435,057	456,512
Property, plant and equipment	766,410	279,608	23,372	1,861	9,809	–	–	2,219	1,083,279
Intangible assets	356,134	32,406	–	341	72	–	–	592	389,545
Deferred tax assets	814,452	(3,722)	–	–	1,185	–	–	3,658	815,573
Total Assets	186,869,836	65,400,666	1,168,309	2,240,797	47,451,890	7,608,701	1,565,335	11,694,074	323,999,608

* Included in Malaysian Ringgit are the amalgamation adjustments on inter-branch balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

	Bank								
	<---- Balance Before Amalgamation Adjustments							---->	Balance After Amalgamation Adjustments
As at 31.12.2011 (cont'd.)	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	136,821,989	58,019,135	2,109,741	792,238	20,750,596	–	373,665	4,027,929	222,895,293
Deposits and placements from financial institutions	14,091,501	1,041,975	1,440,677	1,000,086	12,483,908	–	3,401,715	2,095,730	35,555,592
Obligations on financial assets sold under repurchase agreements	–	189	–	–	–	–	267,463	–	267,652
Bills and acceptances payable	3,463,505	141,524	86	211	1,872	1,366	198	1,379	3,610,141
Derivative liabilities	(1,072,003)	(159,220)	4,887	(121,136)	3,044,432	85,401	23,972	266,398	2,072,731
Other liabilities	4,683,814	283,613	(54,344)	(8,429)	1,411,019	88	(16,806)	52,223	6,351,178
Recourse obligation on loans and financing sold to Cagamas	715,603	–	–	–	–	–	–	–	715,603
Borrowings	2,907	–	–	233,891	3,562,184	–	–	409,300	4,208,282
Subordinated obligations	9,182,217	2,444,500	–	–	948,202	–	–	–	12,574,919
Capital securities	4,612,825	1,500,936	–	–	–	–	–	–	6,113,761
Total Liabilities	172,502,358	63,272,652	3,501,047	1,896,861	42,202,213	86,855	4,050,207	6,852,959	294,365,152
On-balance sheet open position	14,367,478	2,128,014	(2,332,738)	343,936	5,249,677	7,521,846	(2,484,872)	4,841,115	29,634,456
Less: Derivative assets	(4,471,305)	383,735	(5,857)	(3,183)	2,391,289	(16)	(18,307)	(225,700)	(1,949,344)
Add: Derivative liabilities	(1,072,003)	(159,220)	4,887	(121,136)	3,044,432	85,401	23,972	266,398	2,072,731
Add: Net forward position	5,121,181	2,194,785	2,213,467	188,635	(12,482,175)	(77,079)	2,356,423	(548,510)	(1,033,273)
Net open position	13,945,351	4,547,314	(120,241)	408,252	(1,796,777)	7,530,152	(122,784)	4,333,303	28,724,570
Net structural currency exposures	–	5,204,491	(191,060)	492,624	106,903	6,664,094	(30)	4,450,909	16,727,931

* Included in Malaysian Ringgit are the amalgamation adjustments on inter-branch balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

	Bank								
	<---------- Balance Before Amalgamation Adjustments ---------->								Balance After Amalgamation Adjustments
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	13,866,500	760,416	203,623	51,515	9,143,271	24,052	297,895	1,456,524	25,803,796
Deposits and placements with financial institutions	509,940	1,187,932	–	–	5,681,045	–	28,838	236,716	7,644,471
Financial assets purchased under resale agreements	–	–	–	–	–	–	–	–	–
Financial assets at fair value through profit or loss	1,241,354	12,104	–	155,360	1,041,188	–	109,870	325,019	2,884,895
Financial investments available-for-sale	28,977,467	8,407,810	7,815	174,704	5,919,300	906,419	578,926	2,128,439	47,100,880
Financial investments held-to-maturity	1,588,908	–	–	–	–	–	–	49,162	1,638,070
Loans, advances and financing	112,189,452	45,932,056	532,854	1,559,067	20,202,559	–	68,314	1,088,542	181,572,844
Derivative assets	5,514,619	2,037,088	2,421	–	(6,091,473)	–	1,190	162,570	1,626,415
Other assets	908,085	429,598	265,180	(207,823)	(369,962)	(20,205)	96,779	318,713	1,420,365
Statutory deposits with central banks	2,693,100	1,523,923	–	–	76,579	–	–	19,514	4,313,116
Investment in subsidiaries	3,466,028	2,509,623	–	517,347	71,844	6,725,145	–	3,780,405	17,070,392
Interest in associates	13,215	–	–	–	6,140	–	–	435,057	454,412
Property, plant and equipment	722,611	286,773	23,383	1,047	8,929	–	–	2,191	1,044,934
Intangible assets	276,410	25,500	–	436	77	–	–	96	302,519
Deferred tax assets	871,109	19,807	(16,732)	8,436	(789)	–	–	4,653	886,484
Total Assets	172,838,798	63,132,630	1,018,544	2,260,089	35,688,708	7,635,411	1,181,812	10,007,601	293,763,593

* Included in Malaysian Ringgit are the amalgamation adjustments on inter-branch balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

	Bank								
	<---------- Balance Before Amalgamation Adjustments ----------								Balance After Amalgamation Adjustments>
As at 1.7.2011 (cont'd.)	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	133,173,509	50,786,058	2,158,896	292,031	12,224,258	–	379,654	2,451,002	201,465,408
Deposits and placements from financial institutions	11,610,175	715,867	764,837	1,304,615	12,291,371	–	3,239,352	1,515,458	31,441,675
Obligations on financial assets sold under repurchase agreements	–	98,147	–	–	–	–	275,415	–	373,562
Bills and acceptances payable	6,914,978	194,039	84	467	1,888	1,463	211	2,543	7,115,673
Derivative liabilities	1,168,739	1,204,635	(5,360)	(28)	(1,080,199)	(2,461)	(7,603)	168,588	1,446,311
Other liabilities	2,923,922	1,256,698	21,967	67,907	(121,493)	101	(11,312)	102,366	4,240,156
Recourse obligation on loans and financing sold to Cagamas	528,285	–	–	–	–	–	–	–	528,285
Borrowings	1,551	–	–	–	3,418,948	–	–	–	3,420,499
Subordinated obligations	6,184,867	2,424,039	–	–	900,880	–	–	–	9,509,786
Capital securities	4,611,853	1,508,921	–	–	–	–	–	–	6,120,774
Total Liabilities	167,117,879	58,188,404	2,940,424	1,664,992	27,635,653	(897)	3,875,717	4,239,957	265,662,129
On-balance sheet open position	5,720,919	4,944,226	(1,921,880)	595,097	8,053,055	7,636,308	(2,693,905)	5,767,644	28,101,464
Less: Derivative assets	(5,514,619)	(2,037,088)	(2,421)	–	6,091,473	–	(1,190)	(162,570)	(1,626,415)
Add: Derivative liabilities	1,168,739	1,204,635	(5,360)	(28)	(1,080,199)	(2,461)	(7,603)	168,588	1,446,311
Add: Net forward position	4,447,897	183,912	1,811,055	126,386	(15,216,381)	19,704	2,680,518	(1,205,679)	(7,152,588)
Net open position	5,822,936	4,295,685	(118,606)	721,455	(2,152,052)	7,653,551	(22,180)	4,567,983	20,768,712
Net structural currency exposures	–	4,624,181	(34,681)	797,507	98,311	6,725,145	(29)	4,378,948	16,589,382

* Included in Malaysian Ringgit are the amalgamation adjustments on inter-branch balances.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

Net structural foreign currency position represents the Group's and the Bank's net investment in overseas operations. This position comprises the net assets of the Group's and the Bank's overseas branches and investments in overseas subsidiaries.

Where possible, the Group and the Bank mitigate the effect of currency exposures by funding the overseas operations with borrowings and deposits received in the same functional currencies of the respective overseas locations. The foreign currency exposures are also hedged using foreign exchange derivatives.

The structural currency exposures of the Group and the Bank as at the reporting dates are as follows:

	Group		
Currency of structural exposures As at 31.12.2012	**Structural currency exposures in overseas operations RM'000**	**Hedges by funding in respective currencies RM'000**	**Net structural currency exposures RM'000**
Singapore Dollar	**9,033,852**	**(2,882,917)**	**6,150,935**
Great Britain Pound	**(227,968)**	**–**	**(227,968)**
Hong Kong Dollar	**699,770**	**–**	**699,770**
United States Dollar	**1,571,332**	**(758,285)**	**813,047**
Indonesia Rupiah	**7,191,590**	**–**	**7,191,590**
Others	**4,254,190**	**–**	**4,254,190**
	22,522,766	**(3,641,202)**	**18,881,564**

Currency of structural exposures As at 31.12.2011	**Structural currency exposures in overseas operations RM'000**	**Hedges by funding in respective currencies RM'000**	**Net structural currency exposures RM'000**
Singapore Dollar	8,074,584	(2,883,463)	5,191,121
Great Britain Pound	(191,060)	–	(191,060)
Hong Kong Dollar	553,540	–	553,540
United States Dollar	942,947	(543,021)	399,926
Indonesia Rupiah	6,924,421	–	6,924,421
Others	4,313,038	–	4,313,038
	20,617,470	(3,426,484)	17,190,986

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

The structural currency exposures of the Group and the Bank as at the reporting dates are as follows (cont'd.):

	Group		
Currency of structural exposures As at 1.7.2011	**Structural currency exposures in overseas operations RM'000**	**Hedges by funding in respective currencies RM'000**	**Net structural currency exposures RM'000**
Singapore Dollar	7,280,196	(2,539,120)	4,741,076
Great Britain Pound	(34,681)	–	(34,681)
Hong Kong Dollar	685,693	–	685,693
United States Dollar	1,010,032	(370,557)	639,475
Indonesia Rupiah	6,982,262	–	6,982,262
Others	4,415,843	–	4,415,843
	20,339,345	(2,909,677)	17,429,668

	Bank		
Currency of structural exposures As at 31.12.2012	**Structural currency exposures in overseas operations RM'000**	**Hedges by funding in respective currencies RM'000**	**Net structural currency exposures RM'000**
Singapore Dollar	**9,030,889**	**(2,882,917)**	**6,147,972**
Great Britain Pound	**(227,968)**	**–**	**(227,968)**
Hong Kong Dollar	**635,306**	**–**	**635,306**
United States Dollar	**765,388**	**(568,496)**	**196,892**
Indonesia Rupiah	**6,664,094**	**–**	**6,664,094**
Others	**4,455,941**	**–**	**4,455,941**
	21,323,650	**(3,451,413)**	**17,872,237**

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

The structural currency exposures of the Group and the Bank as at the reporting dates are as follows (cont'd.):

	Bank		
Currency of structural exposures As at 31.12.2011	**Structural currency exposures in overseas operations RM'000**	**Hedges by funding in respective currencies RM'000**	**Net structural currency exposures RM'000**
Singapore Dollar	8,086,721	(2,882,230)	5,204,491
Great Britain Pound	(191,060)	–	(191,060)
Hong Kong Dollar	492,624	–	492,624
United States Dollar	467,577	(360,674)	106,903
Indonesia Rupiah	6,664,094	–	6,664,094
Others	4,450,879	–	4,450,879
	19,970,835	(3,242,904)	16,727,931

Currency of structural exposures As at 1.7.2011	**Structural currency exposures in overseas operations RM'000**	**Hedges by funding in respective currencies RM'000**	**Net structural currency exposures RM'000**
Singapore Dollar	7,163,301	(2,539,120)	4,624,181
Great Britain Pound	(34,681)	–	(34,681)
Hong Kong Dollar	797,507	–	797,507
United States Dollar	468,867	(370,556)	98,311
Indonesia Rupiah	6,725,145	–	6,725,145
Others	4,378,919	–	4,378,919
	19,499,058	(2,909,676)	16,589,382

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

8. 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 Group and the foreign currency positions. Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and the Bank on their unhedged position is as follows:

	Group		Bank	
	1% Appreciation RM'000	1% Depreciation RM'000	1% Appreciation RM'000	1% Depreciation RM'000
1.1.2012 to 31.12.2012				
Impact to profit after taxation	**(5,007)**	**5,007**	**(17,576)**	**17,576**
1.7.2011 to 31.12.2011				
Impact to profit after taxation	(13,801)	13,801	(20,861)	20,861

Interpretation of impact

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against reporting currency (RM). The result implies that the Group and the Bank may be subject to additional translation (losses)/gains if RM appreciated/depreciated against other currencies and vice versa.

(e) Liquidity risk management

1. Liquidity risk management overview

Liquidity risk management

Liquidity is the ability of the Group 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 policies and frameworks are reviewed annually and endorsed by ALCO and approved by RMC prior to implementation. The Group's liquidity risk position is actively discussed and managed at the ALCO and RMC on a monthly basis in line with the approved guidelines and policies.

Liquidity risk management framework

The Group has taken BNM Liquidity Framework and leading practices as a foundation to manage and measure its liquidity risk exposure. The Group 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 Group are monitored regularly against the established policies, procedures and limits.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

1. Liquidity risk management overview (cont'd.)

Diversification of liquidity sources

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

Management of liquidity risk

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

- Maintaining a sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flow;
- Managing short and long-term cash flow via maturity mismatch report and various indicators;
- Monitoring depositor concentration at the Group and the Bank levels to avoid undue reliance on large depositors;
- Managing liquidity exposure by domestic and significant foreign currencies;
- Diversifying funding sources to ensure proper funding mix;
- Conducting liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Contingency Funding Plan ("CFP") testing to examine the effectiveness and robustness of the plans.

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 Group's funding requirements during different levels of stress environments and is closely linked to the Group's 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 Group performs CFP tests regularly to ensure the effectiveness and operational feasibility of the CFP. The key aspects of the testing are to focus on the preparedness 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.

48. FINANCIAL RISK MANAGEMENT POLICIES (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 Group and the Bank in the relevant maturity tenures based on remaining contractual maturities as at 31 December 2012, 31 December 2011 and 1 July 2011.

The disclosure is made in accordance with the requirement of "Guidelines on Financial Reporting for Banking Institutions" issued by BNM:

	Group								
As at 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	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	38,310,460	860,530	517,934	329,709	–	–	–	–	40,018,633
Deposits and placements with financial institutions	2,161,390	6,949,569	2,088,254	411,534	284,212	–	54,191	–	11,949,150
Financial assets purchased under resale agreements	798,180	–	–	–	–	–	–	–	798,180
Financial investments portfolio*	7,411,888	9,587,758	5,806,147	2,582,886	16,282,599	12,087,553	34,551,118	4,509,885	92,819,834
Loans, advances and financing	72,608,741	16,492,378	11,709,553	11,779,208	43,029,021	39,299,382	116,906,452	–	311,824,735
Derivative assets	75,085	54,834	51,568	868,680	488,881	1,082,711	258,733	–	2,880,492
Reinsurance/retakaful assets and other insurance receivables	–	–	–	572,295	–	–	–	1,983,432	2,555,727
Other assets	3,034,458	102,934	153,980	560,814	52,571	68,809	110,824	2,595,867	6,680,257
Investment properties	–	–	–	–	–	–	–	572,662	572,662
Statutory deposits with central banks	–	–	–	–	–	–	–	12,298,362	12,298,362
Interest in associates	–	–	–	–	–	–	–	2,235,233	2,235,233
Property, plant and equipment	–	–	–	–	–	–	–	2,402,821	2,402,821
Intangible assets	–	–	–	–	–	–	–	6,531,336	6,531,336
Deferred tax assets	–	–	–	–	–	–	–	1,298,871	1,298,871
Total assets	124,400,202	34,048,003	20,327,436	17,105,126	60,137,284	52,538,455	151,881,318	34,428,469	494,866,293

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

** Reinsurance/retakaful assets from insurance group is not required to comply with "Guidelines on Financial Reporting for Banking Insitutions" issued by BNM.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Group								
As at 31.12.2012 (cont'd.)	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
Liabilities									
Deposits from customers	223,519,586	50,517,498	30,563,915	32,638,704	8,217,354	1,698,378	75	–	347,155,510
Deposits and placements from financial institutions	20,842,289	8,418,046	2,721,552	694,022	901,370	310,097	–	–	33,887,376
Obligations on financial assets sold under repurchase agreements	–	–	–	–	–	–	–	–	–
Bills and acceptances payable	1,911,159	230,175	95,247	32,755	–	–	–	177	2,269,513
Derivative liabilities	89,304	75,650	40,359	569,167	376,969	898,226	327,304	–	2,376,979
Insurance/takaful contract liabilities and other insurance payables	–	–	–	535,117	–	–	–	21,393,755***	21,928,872
Other liabilities	2,158,502	757,545	28,257	151,927	105,701	246,647	398,594	5,750,569	9,597,742
Recourse obligation on loans and financing sold to Cagamas	–	114,979	–	5,269	1,472,726	–	–	–	1,592,974
Provision for taxation and zakat	5,203	50	57,215	15,796	41,745	–	–	931,789	1,051,798
Deferred tax liabilities	–	–	–	–	–	–	–	676,514	676,514
Borrowings	580,995	244,697	628,376	280,011	4,623,910	2,614,957	1,741,320	–	10,714,266
Subordinated obligations	–	–	–	90,250	–	–	13,419,791	–	13,510,041
Capital securities	–	–	–	–	–	–	6,150,351	–	6,150,351
Total liabilities	249,107,038	60,358,640	34,134,921	35,013,018	15,739,775	5,768,305	22,037,435	28,752,804	450,911,936
Net liquidity gap	(124,706,836)	(26,310,637)	(13,807,485)	(17,907,892)	44,397,509	46,770,150	129,843,883	5,675,665	43,954,357

*** Insurance/takaful contract liabilities from insurance group is not required to comply with "Guidelines on Financial Reporting for Banking Institutions" issued by BNM.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Group								
As at 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	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	47,290,230	1,135,147	241,370	721,135	–	–	–	–	49,387,882
Deposits and placements with financial institutions	1,634,984	4,403,929	815,148	301,612	5,978	–	–	–	7,161,651
Financial assets purchased under resale agreements	1,397,235	–	–	–	–	–	–	–	1,397,235
Financial investments portfolio*	6,695,241	6,955,306	5,458,096	4,984,557	12,773,636	13,948,731	30,180,512	3,672,524	84,668,603
Loans, advances and financing	42,339,441	22,236,901	12,270,791	10,849,861	34,926,768	34,084,890	119,544,201	–	276,252,853
Derivative assets	124,895	120,360	97,732	537,438	501,285	422,220	183,572	–	1,987,502
Reinsurance/retakaful assets and other insurance receivables	–	–	–	439,433	–	–	–	1,734,361**	2,173,794
Other assets	1,771,629	995,985	272,120	721,790	39,288	7,403	16,885	924,720	4,749,820
Investment properties	–	–	–	–	–	–	–	542,477	542,477
Statutory deposits with central banks	–	–	–	–	–	–	–	10,577,416	10,577,416
Interest in associates	–	–	–	–	–	–	–	2,406,462	2,406,462
Property, plant and equipment	–	–	–	–	–	–	–	2,217,483	2,217,483
Intangible assets	–	–	–	–	–	–	–	6,748,053	6,748,053
Deferred tax assets	–	–	–	–	–	–	–	1,323,606	1,323,606
Total assets	101,253,655	35,847,628	19,155,257	18,555,826	48,246,955	48,463,244	149,925,170	30,147,102	451,594,837

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

** Reinsurance/retakaful assets from insurance group is not required to comply with "Guidelines on Financial Reporting for Banking Insitutions" issued by BNM.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Group								
As at 31.12.2011 (cont'd.)	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
Liabilities									
Deposits from customers	195,417,318	44,819,625	26,823,380	30,782,612	13,122,436	3,533,000	193,874	–	314,692,245
Deposits and placements from financial institutions	22,002,141	10,094,987	1,873,570	1,294,015	1,081,594	414,671	–	–	36,760,978
Obligations on financial assets sold under repurchase agreements	267,652	–	–	–	–	–	–	–	267,652
Bills and acceptances payable	2,500,575	1,602,766	277,467	47,999	–	–	–	44,065	4,472,872
Derivative liabilities	177,695	93,269	65,958	554,553	446,224	582,091	242,919	–	2,162,709
Insurance/takaful contract liabilities and other insurance payables	–	–	–	458,400	–	–	–	19,632,508***	20,090,908
Other liabilities	5,313,305	99,263	50,803	144,593	68,141	169,551	181,079	381,171	6,407,906
Recourse obligation on loans and financing sold to Cagamas	–	–	–	298,882	491,009	1,424,982	–	–	2,214,873
Provision for taxation and zakat	5,173	3,760	15,847	4,848	–	–	–	352,934	382,562
Deferred tax liabilities	–	–	–	–	–	–	–	672,025	672,025
Borrowings	544,861	382,715	201,950	470,065	513,009	2,440,493	2,632,137	–	7,185,230
Subordinated obligations	–	–	77,319	–	–	–	14,083,234	–	14,160,553
Capital securities	–	–	47,061	–	–	–	6,066,700	–	6,113,761
Total liabilities	226,228,720	57,096,385	29,433,355	34,055,967	15,722,413	8,564,788	23,399,943	21,082,703	415,584,274
Net liquidity gap	(124,975,065)	(21,248,757)	(10,278,098)	(15,500,141)	32,524,542	39,898,456	126,525,227	9,064,399	36,010,563

*** Insurance/takaful contract liabilities from insurance group is not required to comply with "Guidelines on Financial Reporting for Banking Institutions" issued by BNM.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Group								
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	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	37,732,967	937,154	664,676	147,074	–	–	–	–	39,481,871
Deposits and placements with financial institutions	2,339,544	5,585,615	2,122,520	374,859	713	–	–	–	10,423,251
Financial assets purchased under resale agreements	–	–	–	–	–	–	–	–	–
Financial investments portfolio*	3,678,750	1,605,872	2,220,524	3,890,530	16,294,129	14,054,625	26,228,729	8,898,018	76,871,177
Loans, advances and financing	29,815,747	13,972,008	11,117,463	13,384,706	27,873,776	35,687,292	123,166,701	–	255,017,693
Derivative assets	90,627	82,537	44,030	397,658	357,299	259,718	462,095	–	1,693,964
Reinsurance/retakaful assets and other insurance receivables	–	–	–	467,824	–	–	–	1,639,516**	2,107,340
Other assets	1,352,469	49,065	71,673	2,434,301	140,908	–	–	850,238	4,898,654
Investment properties	–	–	–	–	–	–	–	525,521	525,521
Statutory deposits with central banks	–	–	–	–	–	–	–	7,698,425	7,698,425
Interest in associates	–	–	–	–	–	–	–	2,439,654	2,439,654
Property, plant and equipment	–	–	–	–	–	–	–	2,125,217	2,125,217
Intangible assets	–	–	–	–	–	–	–	6,637,954	6,637,954
Deferred tax assets	–	–	–	–	–	–	–	1,333,696	1,333,696
Total assets	75,010,104	22,232,251	16,240,886	21,096,952	44,666,825	50,001,635	149,857,525	32,148,239	411,254,417

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

** Reinsurance/retakaful assets from insurance group is not required to comply with "Guidelines on Financial Reporting for Banking Insitutions" issued by BNM.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Group								
As at 1.7.2011 (cont'd.)	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
Liabilities									
Deposits from customers	185,256,022	41,861,138	22,648,482	26,475,249	5,148,338	1,306,602	101,303	–	282,797,134
Deposits and placements from financial institutions	15,237,315	9,068,513	2,092,054	1,333,571	1,343,668	856,547	3,371,987	–	33,303,655
Obligations on financial assets sold under repurchase agreements	373,562	–	–	–	–	–	–	–	373,562
Bills and acceptances payable	4,318,064	3,462,596	635,917	96,824	–	–	–	–	8,513,401
Derivative liabilities	115,560	76,569	55,820	71,731	136,139	398,886	679,230	–	1,533,935
Insurance/takaful contract liabilities and other insurance payables	–	–	–	466,699	–	–	–	18,846,841***	19,313,540
Other liabilities	4,773,479	66,734	846,993	158,152	280,561	192,734	–	947,708	7,266,361
Recourse obligation on loans and financing sold to Cagamas	–	9,357	–	–	931,613	269,994	–	–	1,210,964
Provision for taxation and zakat	112,597	9,372	63	5,315	2	–	–	55,410	182,759
Deferred tax liabilities	–	–	–	–	–	–	–	658,582	658,582
Borrowings	133,077	181,468	539,807	209,286	34,604	303,642	4,045,236	–	5,447,120
Subordinated obligations	–	–	–	–	–	–	10,800,539	–	10,800,539
Capital securities	–	–	–	–	–	–	6,120,774	–	6,120,774
Total liabilities	210,319,676	54,735,747	26,819,136	28,816,827	7,874,925	3,328,405	25,119,069	20,508,541	377,522,326
Net liquidity gap	(135,309,572)	(32,503,496)	(10,578,250)	(7,719,875)	36,791,900	46,673,230	124,738,456	11,639,698	33,732,091

*** Insurance/takaful contract liabilities from insurance group is not required to comply with "Guidelines on Financial Reporting for Banking Institutions" issued by BNM.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank								
As at 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	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	21,445,068	860,530	517,934	329,710	–	–	–	–	23,153,242
Deposits and placements with financial institutions	2,481,173	5,676,144	1,380,360	170,040	278,323	–	53,959	–	10,039,999
Financial assets purchased under resale agreements	650,314	–	–	–	–	–	–	–	650,314
Financial investments portfolio*	7,316,310	7,314,371	5,333,861	1,619,184	12,204,285	7,830,288	18,301,416	723,380	60,643,095
Loans, advances and financing	41,790,377	12,582,616	7,529,532	5,948,860	29,400,965	27,148,232	90,451,464	–	214,852,046
Derivative assets	118,588	52,863	51,241	858,417	458,638	1,018,213	254,188	–	2,812,148
Other assets	634,285	1,158	76	975	43,574	53,503	84,786	1,894,706	2,713,063
Statutory deposits with central banks	–	–	–	–	–	–	–	6,888,916	6,888,916
Investment in subsidiaries	–	–	–	–	–	–	–	17,634,469	17,634,469
Interest in associates	–	–	–	–	–	–	–	456,512	456,512
Property, plant and equipment	–	–	–	–	–	–	–	1,205,788	1,205,788
Intangible assets	–	–	–	–	–	–	–	697,066	697,066
Deferred tax assets	–	–	–	–	–	–	–	810,015	810,015
Total assets	74,436,115	26,487,682	14,813,004	8,927,186	42,385,785	36,050,236	109,145,813	30,310,852	342,556,673

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank								
As at 31.12.2012 (cont'd.)	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
Liabilities									
Deposits from customers	153,534,096	29,968,331	20,216,589	24,820,044	7,901,624	961,320	75	–	237,402,079
Deposits and placements from financial institutions	19,420,966	6,733,178	1,469,153	493,644	819,545	262,290	–	–	29,198,776
Obligations on financial assets sold under repurchase agreements	–	–	–	–	–	–	–	–	–
Bills and acceptances payable	1,480,844	25,451	14,085	32,755	–	–	–	177	1,553,312
Derivative liabilities	59,379	62,254	36,127	570,955	358,280	891,711	264,911	–	2,243,617
Other liabilities	7,497,615	683,972	596	587	9,402	–	389,479	63,772	8,645,423
Recourse obligation on loans and financing sold to Cagamas	–	–	–	5,269	682,524	–	–	–	687,793
Provision for taxation and zakat	5,551	–	–	–	41,442	–	–	711,453	758,446
Borrowings	162,258	–	–	–	3,725,253	1,754,616	1,740,592	–	7,382,719
Subordinated obligations	–	–	–	90,250	–	–	11,548,600	–	11,638,850
Capital securities	–	–	–	–	–	–	6,150,351	–	6,150,351
Total liabilities	182,160,709	37,473,186	21,736,550	26,013,504	13,538,070	3,869,937	20,094,008	775,402	305,661,366
Net liquidity gap	(107,724,594)	(10,985,504)	(6,923,546)	(17,086,318)	28,847,715	32,180,299	89,051,805	29,535,450	36,895,307

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank								
As at 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	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	33,868,927	1,135,147	241,370	721,135	–	–	–	–	35,966,579
Deposits and placements with financial institutions	1,065,324	4,540,091	551,849	88,829	–	–	–	–	6,246,093
Financial assets purchased under resale agreements	1,397,235	–	–	–	–	–	–	–	1,397,235
Financial investments portfolio*	5,304,518	4,841,060	3,504,834	4,046,523	12,751,618	8,339,801	16,715,411	451,834	55,955,599
Loans, advances and financing	33,878,945	18,868,921	8,641,618	6,392,937	25,049,774	20,734,485	80,607,405	–	194,174,085
Derivative assets	107,535	140,935	88,734	537,450	477,010	414,394	183,286	–	1,949,344
Other assets	11,141	980,559	125,440	683,229	35,322	–	7,937	396,805	2,240,433
Statutory deposits with central banks	–	–	–	–	–	–	–	6,095,129	6,095,129
Investment in subsidiaries	–	–	–	–	–	–	–	17,230,202	17,230,202
Interest in associates	–	–	–	–	–	–	–	456,512	456,512
Property, plant and equipment	–	–	–	–	–	–	–	1,083,279	1,083,279
Intangible assets	–	–	–	–	–	–	–	389,545	389,545
Deferred tax assets	–	–	–	–	–	–	–	815,573	815,573
Total assets	75,633,625	30,506,713	13,153,845	12,470,103	38,313,724	29,488,680	97,514,039	26,918,879	323,999,608

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank								
As at 31.12.2011 (cont'd.)	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
Liabilities									
Deposits from customers	146,157,424	26,820,435	18,900,520	22,832,219	7,567,224	545,219	72,252	–	222,895,293
Deposits and placements from financial institutions	21,334,737	9,752,848	1,865,504	1,273,059	952,622	376,822	–	–	35,555,592
Obligations on financial assets sold under repurchase agreements	267,652	–	–	–	–	–	–	–	267,652
Bills and acceptances payable	2,135,524	1,412,246	17,707	44,456	–	–	–	208	3,610,141
Derivative liabilities	156,594	88,244	65,505	553,545	425,659	559,646	223,538	–	2,072,731
Other liabilities	5,952,336	–	–	–	–	–	141,625	257,217	6,351,178
Recourse obligation on loans and financing sold to Cagamas	–	–	–	–	491,009	224,594	–	–	715,603
Borrowings	108,210	63,540	–	–	–	2,223,900	1,812,632	–	4,208,282
Subordinated obligations	–	–	77,319	–	–	–	12,497,600	–	12,574,919
Capital securities	–	–	47,061	–	–	–	6,066,700	–	6,113,761
Total liabilities	176,112,477	38,137,313	20,973,616	24,703,279	9,436,514	3,930,181	20,814,347	257,425	294,365,152
Net liquidity gap	(100,478,852)	(7,630,600)	(7,819,771)	(12,233,176)	28,877,210	25,558,499	76,699,692	26,661,454	29,634,456

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank								
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	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	24,054,891	937,154	664,676	147,075	–	–	–	–	25,803,796
Deposits and placements with financial institutions	2,676,004	3,434,411	1,426,511	107,545	–	–	–	–	7,644,471
Financial assets purchased under resale agreements	–	–	–	–	–	–	–	–	–
Financial investments portfolio*	1,859,155	888,107	1,668,987	2,852,441	12,903,748	8,585,286	22,324,123	541,998	51,623,845
Loans, advances and financing	24,339,786	10,734,153	9,343,833	8,672,015	17,817,419	22,244,753	88,420,885	–	181,572,844
Derivative assets	85,880	73,792	37,196	396,326	311,408	259,718	462,095	–	1,626,415
Other assets	916,048	11,850	17,774	35,549	–	–	–	439,144	1,420,365
Statutory deposits with central banks	–	–	–	–	–	–	–	4,313,116	4,313,116
Investment in subsidiaries	–	–	–	–	–	–	–	17,070,392	17,070,392
Interest in associates	–	–	–	–	–	–	–	454,412	454,412
Property, plant and equipment	–	–	–	–	–	–	–	1,044,934	1,044,934
Intangible assets	–	–	–	–	–	–	–	302,519	302,519
Deferred tax assets	–	–	–	–	–	–	–	886,484	886,484
Total assets	53,931,764	16,079,467	13,158,977	12,210,951	31,032,575	31,089,757	111,207,103	25,052,999	293,763,593

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank								
As at 1.7.2011 (cont'd.)	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
Liabilities									
Deposits from customers	127,748,337	27,154,741	16,765,085	23,781,801	4,975,638	938,502	101,304	–	201,465,408
Deposits and placements from financial institutions	15,237,161	8,997,797	1,586,637	239,011	1,201,968	815,610	3,363,491	–	31,441,675
Obligations on financial assets sold under repurchase agreements	373,562	–	–	–	–	–	–	–	373,562
Bills and acceptances payable	3,727,614	2,810,320	544,435	33,304	–	–	–	–	7,115,673
Derivative liabilities	95,028	64,024	52,690	68,014	129,372	357,952	679,231	–	1,446,311
Other liabilities	3,382,945	12,522	550,067	5,130	–	–	–	289,492	4,240,156
Recourse obligation on loans and financing sold to Cagamas	–	9,357	–	–	248,934	269,994	–	–	528,285
Borrowings	1,551	–	120,920	–	–	–	3,298,028	–	3,420,499
Subordinated obligations	–	–	–	–	–	–	9,509,786	–	9,509,786
Capital securities	–	–	–	–	–	–	6,120,774	–	6,120,774
Total liabilities	150,566,198	39,048,761	19,619,834	24,127,260	6,555,912	2,382,058	23,072,614	289,492	265,662,129
Net liquidity gap	(96,634,434)	(22,969,294)	(6,460,857)	(11,916,309)	24,476,663	28,707,699	88,134,489	24,763,507	28,101,464

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2012, 31 December 2011 and 1 July 2011. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows.

	Group							
As at 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
Non-derivative liabilities								
Deposits from customers	224,370,364	51,070,317	30,806,942	32,797,468	8,262,998	2,117,102	75	349,425,266
Deposits and placements from financial institutions	25,964,781	8,357,859	3,027,612	593,406	914,395	314,827	–	39,172,880
Bills and acceptances payable	2,473,349	163,158	15,864	32,755	–	–	–	2,685,126
Insurance/takaful contract liabilities and other insurance payables	–	–	–	6,838,340	–	5,303,615	10,940,129	23,082,084
Other liabilities	11,591,176	768,432	25,419	139,151	23,675	441	778,728	13,327,022
Recourse obligation on loans and financing sold to Cagamas	–	115,631	–	5,502	1,592,349	–	–	1,713,482
Borrowings	390,801	324,601	505,831	512,098	5,042,682	3,031,247	2,031,376	11,838,636
Subordinated obligations	–	21,100	–	111,350	126,600	84,400	17,720,395	18,063,845
Capital securities	–	–	–	–	–	–	13,118,860	13,118,860
	264,790,471	60,821,098	34,381,668	41,030,070	15,962,699	10,851,632	44,589,563	472,427,201
Commitments and contingencies								
Direct credit substitutes	2,162,458	737,330	971,597	1,845,758	1,828,104	495,932	1,794,036	9,835,215
Certain transaction-related contingent items	1,201,855	632,838	915,708	1,950,930	4,236,926	1,338,660	2,109,747	12,386,664
Short-term self-liquidating trade-related contingencies	786,477	1,941,227	451,941	509,180	438,840	22,000	–	4,149,665
Obligations under underwriting agreements	–	20,000	10,000	–	–	–	–	30,000
Irrevocable commitments to extend credit	94,488,919	172,031	517,402	26,127,271	5,175,806	125,647	611,229	127,218,305
Miscellaneous	6,453,240	2,011,796	1,072,334	79,714	137,595	18,201	927	9,773,807
	105,092,949	5,515,222	3,938,982	30,512,853	11,817,271	2,000,440	4,515,939	163,393,656

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Group							
As at 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
Non-derivative liabilities								
Deposits from customers	195,727,453	44,287,956	27,035,959	31,399,808	13,339,813	3,680,477	150,895	315,622,361
Deposits and placements from financial institutions	26,775,751	11,242,752	1,799,923	1,236,867	831,913	461,429	–	42,348,635
Obligations on financial assets sold under repurchase agreements	267,685	–	–	–	–	–	–	267,685
Bills and acceptances payable	6,374,430	6,664,123	3,318,340	53,434	373,740	–	–	16,784,067
Insurance/takaful contract liabilities and other insurance payables	–	–	–	5,501,413	–	5,474,699	10,721,240	21,697,352
Other liabilities	9,328,382	126,792	98,408	282,769	72,756	379,485	2,285,777	12,574,369
Recourse obligation on loans and financing sold to Cagamas	2,249	–	–	308,793	1,856,779	274,510	–	2,442,331
Borrowings	934,108	422,722	379,703	487,625	1,733,467	2,956,224	2,868,332	9,782,181
Subordinated obligations	–	21,100	–	21,100	126,600	84,400	18,208,312	18,461,512
Capital securities	284,264	73,225	–	–	–	–	10,687,821	11,045,310
	239,694,322	62,838,670	32,632,333	39,291,809	18,335,068	13,311,224	44,922,377	451,025,803
Commitments and contingencies								
Direct credit substitutes	1,416,995	725,795	1,180,046	1,826,273	1,881,164	307,947	921,942	8,260,162
Certain transaction-related contingent items	2,663,891	840,490	1,163,822	1,589,644	4,425,989	1,439,982	1,209,557	13,333,375
Short-term self-liquidating trade-related contingencies	1,040,430	1,354,389	281,369	50,732	274,555	314,890	–	3,316,365
Obligations under underwriting agreements	30,000	–	–	–	–	–	–	30,000
Irrevocable commitments to extend credit	88,755,667	437,888	310,105	21,991,112	4,094,413	897,640	–	116,486,825
Miscellaneous	5,073,241	2,080,978	1,269,669	235,927	43,079	20,225	59,320	8,782,439
	98,980,224	5,439,540	4,205,011	25,693,688	10,719,200	2,980,684	2,190,819	150,209,166

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Group							
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
Non-derivative liabilities								
Deposits from customers	184,657,240	42,752,183	23,630,825	28,260,661	5,163,257	1,322,278	216,159	286,002,603
Deposits and placements from financial institutions	32,365,605	10,090,645	2,245,936	1,450,330	3,561,292	442,716	7,013,407	57,169,931
Obligations on financial assets sold under repurchase agreements	373,729	–	–	–	–	–	–	373,729
Bills and acceptances payable	5,872,170	6,404,670	2,192,330	75,080	–	–	–	14,544,250
Insurance/takaful contract liabilities and other insurance payables	–	–	–	5,177,607	–	5,226,067	10,725,897	21,129,571
Other liabilities	6,881,502	143,363	422,471	595,623	406,513	11,282	4,142,608	12,603,362
Recourse obligation on loans and financing sold to Cagamas	–	–	11,935	–	740,961	577,228	–	1,330,124
Borrowings	695,971	305,202	967,198	322,802	569,939	2,457,896	1,799,851	7,118,859
Subordinated obligations	–	21,100	116,189	199,004	796,970	798,326	11,668,680	13,600,269
Capital securities	–	34,935	118,233	154,758	618,100	618,947	12,160,826	13,705,799
	230,846,217	59,752,098	29,705,117	36,235,865	11,857,032	11,454,740	47,727,428	427,578,497
Commitments and contingencies								
Direct credit substitutes	2,205,704	1,210,726	620,113	1,363,887	1,016,806	154,790	180,952	6,752,978
Certain transaction-related contingent items	1,320,976	603,131	972,100	1,667,369	3,945,342	1,948,523	1,420,116	11,877,557
Short-term self-liquidating trade-related contingencies	586,968	405,898	537,087	197,079	129,359	712,184	–	2,568,575
Obligations under underwriting agreements	–	–	–	–	–	–	–	–
Irrevocable commitments to extend credit	13,195,000	318,204	110,770	76,961,407	17,429,276	–	–	108,014,657
Miscellaneous	8,359,527	1,213,521	–	32,938	–	–	–	9,605,986
	25,668,175	3,751,480	2,240,070	80,222,680	22,520,783	2,815,497	1,601,068	138,819,753

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank							
As at 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
Non-derivative liabilities								
Deposits from customers	153,136,676	30,181,764	20,433,210	25,229,496	7,944,304	1,302,158	75	238,227,683
Deposits and placements from financial institutions	19,292,651	6,950,882	1,471,918	497,741	860,881	267,020	–	29,341,093
Obligations on financial assets sold under repurchase agreements	–	–	–	–	–	–	–	–
Bills and acceptances payable	1,476,687	28,006	15,864	32,755	–	–	–	1,553,312
Other liabilities	7,550,609	683,993	587	2,827	9,402	–	389,480	8,636,898
Recourse obligation on loans and financing sold to Cagamas	–	–	–	5,502	755,721	–	–	761,223
Borrowings	39	73,595	–	90,257	3,797,650	1,955,909	2,031,376	7,948,826
Subordinated obligations	–	–	–	90,250	–	–	15,619,654	15,709,904
Capital securities	–	–	–	–	–	–	13,118,860	13,118,860
	181,456,662	37,918,240	21,921,579	25,948,828	13,367,958	3,525,087	31,159,445	315,297,799
Commitments and contingencies								
Direct credit substitutes	1,367,516	691,424	886,163	1,486,216	1,151,869	395,652	1,464,034	7,442,874
Certain transaction-related contingent items	607,659	560,177	826,033	1,802,610	3,960,002	1,204,397	1,791,974	10,752,852
Short-term self-liquidating trade-related contingencies	727,639	1,829,697	433,800	340,210	422,288	21,999	–	3,775,633
Irrevocable commitments to extend credit	93,044,683	172,031	499,215	9,492,818	597,050	32,945	61,816	103,900,558
Miscellaneous	6,489,551	2,003,989	1,056,612	65,469	518	–	72	9,616,211
	102,237,048	5,257,318	3,701,823	13,187,323	6,131,727	1,654,993	3,317,896	135,488,128

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank							
As at 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
Non-derivative liabilities								
Deposits from customers	145,872,335	26,956,348	19,172,377	23,331,045	7,794,611	653,667	–	223,780,383
Deposits and placements from financial institutions	21,599,338	11,059,753	1,791,796	1,215,697	702,080	423,341	–	36,792,005
Obligations on financial assets sold under repurchase agreements	267,685	–	–	–	–	–	–	267,685
Bills and acceptances payable	5,694,505	6,554,602	2,611,113	50,949	–	–	–	14,911,169
Other liabilities	5,966,606	–	–	–	–	–	546,104	6,512,710
Recourse obligation on loans and financing sold to Cagamas	–	–	–	–	553,661	274,510	–	828,171
Borrowings	589,553	131,711	142	305	9	2,362,209	2,136,948	5,220,877
Subordinated obligations	–	–	–	–	–	–	17,060,612	17,060,612
Capital securities	–	–	–	–	–	–	10,687,821	10,687,821
	179,990,022	44,702,414	23,575,428	24,597,996	9,050,361	3,713,727	30,431,485	316,061,433
Commitments and contingencies								
Direct credit substitutes	698,958	665,421	1,133,160	1,431,844	915,929	239,219	841,935	5,926,466
Certain transaction-related contingent items	2,032,117	799,281	1,072,083	1,346,864	4,176,942	1,354,609	891,256	11,673,152
Short-term self-liquidating trade-related contingencies	957,566	1,218,101	154,855	32,691	274,555	314,890	–	2,952,658
Irrevocable commitments to extend credit	87,546,593	437,888	310,105	8,712,587	920,229	897,641	–	98,825,043
Miscellaneous	4,910,460	2,076,175	1,262,439	222,561	3,616	–	–	8,475,251
	96,145,694	5,196,866	3,932,642	11,746,547	6,291,271	2,806,359	1,733,191	127,852,570

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank							
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
Non-derivative liabilities								
Deposits from customers	128,015,714	27,211,576	16,800,174	23,831,576	4,986,052	940,466	101,512	201,887,070
Deposits and placements from financial institutions	24,668,380	10,010,809	1,626,885	317,842	913,209	399,423	3,787,645	41,724,193
Obligations on financial assets sold under repurchase agreements	373,729	–	–	–	–	–	–	373,729
Bills and acceptances payable	5,144,058	5,797,202	2,150,184	75,080	–	–	–	13,166,524
Other liabilities	3,376,251	81,422	83,892	470,855	51,361	–	–	4,063,781
Recourse obligation on loans and financing sold to Cagamas	–	–	11,935	–	20,297	577,228	–	609,460
Borrowings	492,498	154,446	144,662	24,431	122,176	2,189,992	1,246,118	4,374,323
Subordinated obligations	–	–	116,189	177,904	712,570	713,926	10,457,680	12,178,269
Capital securities	–	34,935	118,233	154,758	618,100	618,947	12,160,826	13,705,799
	162,070,630	43,290,390	21,052,154	25,052,446	7,423,765	5,439,982	27,753,781	292,083,148
Commitments and contingencies								
Direct credit substitutes	180,794	1,155,985	620,113	1,363,887	993,042	154,779	180,952	4,649,552
Certain transaction-related contingent items	602,298	603,131	972,100	1,667,369	3,713,781	1,905,714	1,079,354	10,543,747
Short-term self-liquidating trade-related contingencies	372,527	460,639	537,087	197,079	129,359	712,184	–	2,408,875
Irrevocable commitments to extend credit	865,532	318,204	110,770	76,961,407	15,431,264	–	–	93,687,177
Miscellaneous	8,329,624	1,213,521	–	32,938	–	–	–	9,576,083
	10,350,775	3,751,480	2,240,070	80,222,680	20,267,446	2,772,677	1,260,306	120,865,434

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at 31 December 2012, 31 December 2011 and 1 July 2011. The amounts disclosed in the table are the contractual undiscounted cash flow.

	Group							
As at 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 related contracts	(3,722)	(294)	(1,027)	(1,983)	–	–	–	(7,026)
– Interest rate related contracts	(457)	(21,196)	(23,476)	(44,659)	(59,603)	(99,656)	(510,972)	(760,019)
– Equity related contracts	(914)	508	(827)	6,080	(14,471)	(17,086)	–	(26,710)
– Credit related contracts	–	–	–	–	–	–	386	386
Hedging derivatives								
– Interest rate related contracts	(9,177)	(23,220)	(12,565)	(35,952)	(124,560)	(21,356)	(133)	(226,963)
	(14,270)	(44,202)	(37,895)	(76,514)	(198,634)	(138,098)	(510,719)	(1,020,332)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	(21,035,538)	(38,259,388)	(16,688,771)	(22,188,909)	(5,772,705)	(2,962,685)	(1,078,410)	(107,986,406)
– Inflow	19,093,098	21,884,747	33,345,287	20,553,406	5,973,469	2,977,036	1,363,662	105,190,705
Hedging derivatives								
Derivatives:								
– Outflow	(2,133)	(902)	(4,896)	(418,466)	(224,480)	(213,316)	(286,138)	(1,150,331)
– Inflow	72,519	44,342	5,768	420,906	327,281	195,381	273,315	1,339,512
	(1,872,054)	(16,331,201)	16,657,388	(1,633,063)	303,565	(3,584)	272,429	(2,606,520)

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Group							
As at 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								
Trading derivatives								
– Foreign exchange related contracts	(900)	(1,316)	(5,174)	(4,953)	–	–	–	(12,343)
– Interest rate related contracts	(14,800)	(32,019)	(14,528)	(73,028)	(156,761)	(41,184)	(306,361)	(638,681)
– Equity related contracts	598	–	–	–	(3,352)	(7,479)	–	(10,233)
Hedging derivatives								
– Interest rate related contracts	(8,074)	(23,504)	(18,048)	(37,750)	(124,114)	(20,460)	(248)	(232,198)
	(23,176)	(56,839)	(37,750)	(115,731)	(284,227)	(69,123)	(306,609)	(893,455)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	(27,430,675)	(15,413,415)	(4,591,713)	(2,175,338)	(1,900,280)	(2,413,023)	(388,660)	(54,313,104)
– Inflow	21,809,176	12,093,033	2,684,164	1,374,774	2,125,233	1,693,875	572,457	42,352,712
Hedging derivatives								
Derivatives:								
– Outflow	(973)	(830)	65,339	(417,053)	(238,972)	(246,362)	–	(838,851)
– Inflow	1,726	56,187	5,726	449,913	232,692	316,415	31,770	1,094,429
	(5,620,746)	(3,265,025)	(1,836,484)	(767,704)	218,673	(649,095)	215,567	(11,704,814)

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Group							
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								
Trading derivatives								
– Foreign exchange related contracts	(565)	(3,463)	(2,465)	(4,946)	(20)	(103)	(209)	(11,771)
– Interest rate related contracts	(55,193)	(41,937)	(26,079)	(60,283)	(108,158)	(11,471)	(83,767)	(386,888)
– Equity related contracts	–	(10,240)	19	18	2,231	(10,588)	–	(18,560)
Hedging derivatives								
– Interest rate related contracts	(8,447)	(19,725)	(22,730)	(44,476)	(102,706)	(22,732)	1,001	(219,815)
	(64,205)	(75,365)	(51,255)	(109,687)	(208,653)	(44,894)	(82,975)	(637,034)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	(22,413,199)	(8,689,012)	(2,339,673)	(1,289,268)	(3,208,930)	(1,543,054)	(379,056)	(39,862,192)
– Inflow	20,947,754	6,608,649	2,984,267	2,115,372	2,030,605	3,032,414	587,515	38,306,576
Hedging derivatives								
Derivatives:								
– Outflow	–	–	(262)	(1,111)	(3,328)	(57,221)	–	(61,922)
– Inflow	96	–	1,118	1,158	4,865	56,896	–	64,133
	(1,465,349)	(2,080,363)	645,450	826,151	(1,176,788)	1,489,035	208,459	(1,553,405)

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank							
As at 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 related contracts	(3,722)	(294)	(1,027)	(1,983)	–	–	–	(7,026)
– Interest rate related contracts	(638)	(21,851)	(24,350)	(49,508)	(101,078)	(101,664)	(513,977)	(813,066)
– Equity related contracts	(980)	(626)	(1,322)	(2,790)	(14,478)	(17,086)	–	(37,282)
Hedging derivatives								
– Interest rate related contracts	(7,829)	(22,391)	(12,775)	(34,168)	(116,370)	(16,092)	(133)	(209,758)
	(13,169)	(45,162)	(39,474)	(88,449)	(231,926)	(134,842)	(514,110)	(1,067,132)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	(20,114,980)	(37,097,220)	(16,061,692)	(21,832,597)	(5,772,705)	(2,962,685)	(1,078,410)	(104,920,289)
– Inflow	17,387,810	21,062,959	33,215,013	20,521,237	5,973,469	2,977,036	1,363,662	102,501,186
Hedging derivatives								
Derivatives:								
– Outflow	(2,133)	(902)	(4,896)	(418,466)	(336,260)	(213,316)	(286,138)	(1,262,111)
– Inflow	3,592	1,489	5,768	420,906	327,281	195,381	273,315	1,227,732
	(2,725,711)	(16,033,674)	17,154,193	(1,308,920)	191,785	(3,584)	272,429	(2,453,482)

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank							
As at 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								
Trading derivatives								
– Foreign exchange related contracts	(1,029)	(1,316)	(5,174)	(4,972)	–	–	–	(12,491)
– Interest rate related contracts	(15,015)	(32,841)	(15,517)	(78,108)	(196,480)	(50,349)	(311,571)	(699,881)
– Equity related contracts	–	–	–	–	(3,352)	(7,479)	–	(10,831)
Hedging derivatives								
– Interest rate related contracts	(6,130)	(22,390)	(17,843)	(34,787)	(116,370)	(16,092)	(133)	(213,745)
	(22,174)	(56,547)	(38,534)	(117,867)	(316,202)	(73,920)	(311,704)	(936,948)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	(27,400,810)	(14,808,199)	(4,560,100)	(2,141,340)	(1,900,280)	(2,413,023)	(388,660)	(53,612,412)
– Inflow	21,809,176	11,162,862	2,412,429	1,340,948	2,125,233	1,693,875	572,457	41,116,980
Hedging derivatives								
Derivatives:								
– Outflow	(973)	(830)	(4,555)	(417,053)	(238,972)	(246,362)	–	(908,745)
– Inflow	1,726	937	5,726	418,143	232,692	246,521	–	905,745
	(5,590,881)	(3,645,230)	(2,146,500)	(799,302)	218,673	(718,989)	183,797	(12,498,432)

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

	Bank							
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								
Trading derivatives								
– Foreign exchange related contracts	(565)	(3,463)	(1,426)	(4,946)	(20)	(103)	(210)	(10,733)
– Interest rate related contracts	(11,523)	(41,937)	(25,997)	(60,199)	(108,158)	(11,471)	(83,767)	(343,052)
– Equity related contracts	–	–	19	18	2,231	(10,588)	–	(8,320)
Hedging derivatives								
– Interest rate related contracts	(8,447)	(18,999)	(22,355)	(43,975)	(102,859)	(23,937)	1,001	(219,571)
	(20,535)	(64,399)	(49,759)	(109,102)	(208,806)	(46,099)	(82,976)	(581,676)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
– Outflow	(20,464,241)	(7,897,455)	(1,855,706)	(1,289,005)	(3,208,930)	(1,543,054)	(379,057)	(36,637,448)
– Inflow	18,987,956	5,833,390	2,627,313	2,115,131	2,030,605	3,032,414	587,515	35,214,324
Hedging derivatives								
Derivatives:								
– Outflow	–	–	(262)	(1,111)	(3,328)	(57,221)	–	(61,922)
– Inflow	96	–	1,118	1,158	4,865	56,896	–	64,133
	(1,476,189)	(2,064,065)	772,463	826,173	(1,176,788)	1,489,035	208,458	(1,420,913)

48. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Operational risk management

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

A dedicated Group Operational Risk Management Committee ("GORMC") was established with the objective to set the 'Tone-from-Top' in driving the spirit and importance of Operational Risk Management from top-to-bottom across the Group. The key responsibilities of the GORMC includes:

- To recommend Group-wide framework and policies to identify, measure, monitor, manage and mitigate operational risk to the RMC for approval;
- To review and monitor the effectiveness of the operational risk management strategies, framework, policies, risk tolerance and risk appetite limits for the Group; and
- To facilitate uniform standards and more effective decision making in respect to operational risk issues impacting the Group.

The Group's operational risk management is premised on the three lines of defence concept. Risk taking units (Business/Support Sectors), as first line of defence are primarily responsible for the management of day-to-day operational risks within their respective business operations. They are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Group's operational risk management framework.

The Operational Risk Management ('ORM') team, as the second line of defence, is responsible for the formulation and implementation of operational risk management framework within the Group, which encompasses the operational risk management strategy and governance structure. Another key function is the development and implementation of operational risk management tools and methodologies to identify, measure, monitor and control operational risks. Group Compliance complements the role of ORM as the second line of defence by ensuring effective oversight on compliance related risks through proper classification of risks, proper usage of ORM tools by business/support sectors/units during the compliance review as well as develop, review and enhance compliance related training programme.

Internal Audit plays the third line of defence by providing independent assurance in respect of the overall effectiveness of the operational risk management process, which includes performing independent review and periodic validation of the ORM framework and process as well as conducting regular review on implementation of ORM tools by ORM and the respective business units.

49. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values of financial instruments

Financial instruments comprise financial assets, financial liabilities and derivatives. The Group has an established framework and policies which provide 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 valuation 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 exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value.

Valuation adjustment is also an integral part of the 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 a valuation adjustment, the Group follows methodologies that consider factors such as liquidity, bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Group continuously enhances its design, validation methodologies and processes to ensure the valuations are reflective. 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

The Group and the Bank classify its financial instruments measured at fair value according to the following hierarchy, reflecting the significance of the inputs in making the fair value measurements:

(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, and those prices which represent actual and regularly occurring market transactions in 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 prices included those 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.

(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 the Bank's own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

49. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

Determination of fair value (cont'd.)

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 31 December 2012, 31 December 2011 and 1 July 2011.

Group As at 31.12.2012	Quoted Market Price (Level 1) RM'000	Valuation technique using Observable Inputs (Level 2) RM'000	Valuation technique using Unobservable Inputs (Level 3) RM'000	Total RM'000
Financial assets measured at fair value:				
Financial assets held-for-trading	5,464,675	10,985,444	269,692	16,719,811
Financial assets designated at fair value through profit or loss	90,807	12,117,527	228,547	12,436,881
Financial investments available-for-sale	20,955,786	39,051,749	784,839	60,792,374
Derivative assets	–	2,861,433	19,059	2,880,492
	26,511,268	65,016,153	1,302,137	92,829,558
Financial liabilities measured at fair value:				
Derivative liabilities	–	2,175,613	201,366	2,376,979

Group As at 31.12.2011	Quoted Market Price (Level 1) RM'000	Valuation technique using Observable Inputs (Level 2) RM'000	Valuation technique using Unobservable Inputs (Level 3) RM'000	Total RM'000
Financial assets measured at fair value:				
Financial assets held-for-trading	6,678,839	4,106,533	8,506	10,793,878
Financial assets designated at fair value through profit or loss	37,902	7,307,789	254,183	7,599,874
Financial investments available-for-sale	17,985,868	42,068,759	3,530,418	63,585,045
Derivative assets	–	1,935,774	51,728	1,987,502
	24,702,609	55,418,855	3,844,835	83,966,299
Financial liabilities measured at fair value:				
Derivative liabilities	–	2,062,804	99,905	2,162,709

49. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

Determination of fair value (cont'd.)

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 31 December 2012, 31 December 2011 and 1 July 2011 (cont'd.).

Group As at 1.7.2011	Quoted Market Price (Level 1) RM'000	Valuation technique using Observable Inputs (Level 2) RM'000	Valuation technique using Unobservable Inputs (Level 3) RM'000	Total RM'000
Financial assets measured at fair value:				
Financial assets held-for-trading	1,929,562	3,324,573	14,658	5,268,793
Financial assets designated at fair value through profit or loss	9,249	7,132,538	255,244	7,397,031
Financial investments available-for-sale	15,522,331	39,972,861	6,272,720	61,767,912
Derivative assets	–	1,630,718	63,246	1,693,964
	17,461,142	52,060,690	6,605,868	76,127,700
Financial liabilities measured at fair value:				
Derivative liabilities	–	1,358,656	175,279	1,533,935

Bank As at 31.12.2012	Quoted Market Price (Level 1) RM'000	Valuation technique using Observable Inputs (Level 2) RM'000	Valuation technique using Unobservable Inputs (Level 3) RM'000	Total RM'000
Financial assets measured at fair value:				
Financial assets held-for-trading	**474,388**	**10,245,549**	**–**	**10,719,937**
Financial investments available-for-sale	**17,066,506**	**29,836,767**	**463,036**	**47,366,309**
Derivative assets	**–**	**2,798,322**	**13,826**	**2,812,148**
	17,540,894	**42,880,638**	**476,862**	**60,898,394**
Financial liabilities measured at fair value:				
Derivative liabilities	–	**2,104,645**	**138,972**	**2,243,617**

49. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

Determination of fair value (cont'd.)

The following table shows the Group's and the Bank's financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy as at 31 December 2012, 31 December 2011 and 1 July 2011 (cont'd.).

Bank As at 31.12.2011	Quoted Market Price (Level 1) RM'000	Valuation technique using Observable Inputs (Level 2) RM'000	Valuation technique using Unobservable Inputs (Level 3) RM'000	Total RM'000
Financial assets measured at fair value:				
Financial assets held-for-trading	175,214	7,150,252	–	7,325,466
Financial investments available-for-sale	14,445,490	28,862,412	3,206,298	46,514,200
Derivative assets	–	1,931,345	17,999	1,949,344
	14,620,704	37,944,009	3,224,297	55,789,010
Financial liabilities measured at fair value:				
Derivative liabilities	–	2,013,707	59,024	2,072,731

Bank As at 1.7.2011	Quoted Market Price (Level 1) RM'000	Valuation technique using Observable Inputs (Level 2) RM'000	Valuation technique using Unobservable Inputs (Level 3) RM'000	Total RM'000
Financial assets measured at fair value:				
Financial assets held-for-trading	1,020,968	1,860,407	3,520	2,884,895
Financial investments available-for-sale	12,122,357	29,035,797	5,942,726	47,100,880
Derivative assets	–	1,607,382	19,033	1,626,415
	13,143,325	32,503,586	5,965,279	51,612,190
Financial liabilities measured at fair value:				
Derivative liabilities	–	1,314,620	131,691	1,446,311

49. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (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 are derived using discounted cash flows analysis, option pricing and benchmarking models.

Financial assets designated at fair value through profit or loss, financial assets held-for-trading and financial investments available-for-sale

The fair values of financial assets and financial investments are determined by reference to prices quoted by independent data providers and independent broker quotations.

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

Group As at 31.12.2012	Financial assets held-for-trading RM'000	Financial assets designated at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Derivative assets RM'000	Derivative liabilities RM'000
At 1 January 2012	8,506	254,183	3,530,418	51,728	(99,905)
Gains or losses recognised in income statement	(3,377)	7,925	31,754	(37,952)	(1,656)
Gains recognised in other comprehensive income	–	–	14,459	–	–
Purchases	266,103	50,000	17,866	5,406	(202,043)
Sales	(1,540)	(83,561)	(589,359)	(123)	102,238
Settlements	–	–	(44,034)	–	–
Transfer out of Level 3	–	–	(2,176,265)	–	–
At 31 December 2012	269,692	228,547	784,839	19,059	(201,366)
Total gains or losses recognised in income statement for financial instruments held at the reporting date*	1,053	7,935	–	(20,815)	(6,018)
Total gains recognised in other comprehensive income for financial instruments held at the reporting date	–	–	14,459	–	–

* Included within 'Non-interest income'.

49. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy (cont'd.):

Group As at 31.12.2011	Financial assets held-for-trading RM'000	Financial assets designated at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Derivative assets RM'000	Derivative liabilities RM'000
At 1 July 2011	14,658	255,244	6,272,720	63,246	(175,279)
Gains or losses recognised in income statement	(275)	6,283	41,891	(10,344)	24,472
Losses recognised in other comprehensive income	–	–	(8,969)	–	–
Purchases	–	–	600,741	–	(32,197)
Sales	(5,877)	(7,344)	(1,094,337)	(1,174)	83,099
Settlements	–	–	(48)	–	–
Transfer out of Level 3	–	–	(2,281,580)	–	–
At 31 December 2011	8,506	254,183	3,530,418	51,728	(99,905)
Total gains or losses recognised in income statement for financial instruments held at the reporting date*	(775)	6,279	–	(9,977)	24,472
Total losses recognised in other comprehensive income for financial instruments held at the reporting date	–	–	(8,969)	–	–

* Included within 'Non-interest income'.

49. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy (cont'd.):

Bank As at 31.12.2012	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Derivative assets RM'000	Derivative liabilities RM'000
At 1 January 2012	–	3,206,298	17,999	(59,024)
Gains or losses recognised in income statement	–	(2,618)	(4,173)	1,156
Losses recognised in other comprehensive income	–	(5,113)	–	–
Purchases	–	17,867	–	(115,713)
Sales	–	(533,597)	–	36,857
Settlements	–	(43,584)	–	(2,248)
Transfer out of Level 3	–	(2,176,217)	–	–
At 31 December 2012	–	463,036	13,826	(138,972)
Total gains or losses recognised in income statement for financial instruments held at the the reporting date*	–	–	(4,173)	(8,830)
Total losses recognised in other comprehensive income for financial instruments held at the reporting date	–	(5,113)	–	–

* Included within 'Non-interest income'.

49. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy (cont'd.):

Bank As at 31.12.2011	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Derivative assets RM'000	Derivative liabilities RM'000
At 1 July 2011	3,520	5,942,726	19,033	(131,691)
Gains or losses recognised in income statement	19	41,895	(1,034)	22,559
Losses recognised in other comprehensive income	–	(3,646)	–	–
Purchases	–	600,741	–	–
Sales	(3,539)	(1,093,838)	–	50,108
Settlements	–	–	–	–
Transfer out of Level 3	–	(2,281,580)	–	–
At 31 December 2011	–	3,206,298	17,999	(59,024)
Total gains or losses recognised in income statement for financial instruments held at the reporting date*	–	–	(1,034)	22,559
Total losses recognised in other comprehensive income for financial instruments held at the reporting date	–	(3,646)	–	–

* Included within 'Non-interest income'.

There were no transfers between Level 1 and 2 for the Group and the Bank during the financial year ended 31 December 2012.

During the financial year ended 31 December 2012, the Bank transferred certain financial instruments (mainly negotiable instruments of deposits ("NIDs")) from Level 3 to Level 2 of the fair value hierarchy. The reason for the transfer was due to greater pricing certainty of valuation of NIDs. In the prior financial period/year ended 31 December 2011/1 July 2011, the NIDs were reported at cost due to unavailability of market prices for NIDs as at the respective reporting dates.

49. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

Fair values of financial instruments not carried at fair value

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with MFRS 132 comprise all its assets and liabilities with the exception of investments in subsidiaries, interest in associates, property, plant and equipment and provision for current and deferred taxation.

For loans, advances and financing 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 Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

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

	Group					
	As at 31.12.2012		As at 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						
Financial investments held-to-maturity	**2,870,768**	**2,885,891**	2,689,806	2,812,260	2,437,441	2,576,293
Loans, advances and financing	**311,824,735**	**324,702,219**	276,252,853	289,995,344	255,017,693	284,275,839
Financial liabilities						
Deposits from customers	**347,155,510**	**347,279,285**	314,692,245	317,141,056	282,797,134	283,520,332
Deposits and placements from financial institutions	**33,887,376**	**33,856,356**	36,760,978	41,022,297	33,303,655	38,100,861
Recourse obligation on loans and financing sold to Cagamas	**1,592,974**	**1,629,629**	2,214,873	2,294,312	1,210,964	1,252,602
Borrowings	**10,714,266**	**11,181,602**	7,185,230	7,403,643	5,447,120	5,447,120
Subordinated obligations	**13,510,041**	**13,824,393**	14,160,553	13,973,204	10,800,539	9,576,819
Capital securities	**6,150,351**	**7,607,442**	6,113,761	7,306,663	6,120,774	7,156,337

49. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

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

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the following financial assets and liabilities (cont'd.):

	Bank					
	As at 31.12.2012		As at 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						
Financial investments held-to-maturity	**2,556,849**	**2,568,757**	2,115,933	2,238,700	1,638,070	1,775,829
Loans, advances and financing	**214,852,046**	**227,110,200**	194,174,085	206,341,842	181,572,844	209,580,430
Financial liabilities						
Deposits from customers	**237,402,079**	**237,492,551**	222,895,293	222,926,794	201,465,408	200,875,634
Deposits and placements from financial institutions	**29,198,776**	**29,172,440**	35,555,592	35,511,229	31,441,675	30,848,183
Recourse obligation on loans and financing sold to Cagamas	**687,793**	**713,085**	715,603	765,277	528,285	570,332
Borrowings	**7,382,719**	**7,791,516**	4,208,282	4,373,774	3,420,499	3,420,499
Subordinated obligations	**11,638,850**	**11,892,418**	12,574,919	12,362,115	9,509,786	9,279,515
Capital securities	**6,150,351**	**7,607,442**	6,113,761	7,306,663	6,120,774	7,156,337

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

(a) Financial investments held-to-maturity

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

(b) Loans, advances and financing

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, 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 impaired loans, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

49. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

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

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

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

(d) Recourse obligation on loans and financing sold to Cagamas

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

(e) Subordinated obligations and borrowings

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

(f) Capital securities

The fair values of capital securities are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for securities as at reporting date.

50. CAPITAL AND OTHER COMMITMENTS

(a) Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Approved and contracted for	**131,324**	168,152	506,118
Approved but not contracted for	**746,042**	1,030,791	207,846
	877,366	1,198,943	713,964

50. CAPITAL AND OTHER COMMITMENTS (CONT'D.)

(a) **Capital expenditure approved by directors but not provided for in the financial statements amounted to (cont'd.):**

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Approved and contracted for	**102,111**	161,505	410,884
Approved but not contracted for	**736,476**	1,024,559	207,846
	838,587	1,186,064	618,730

(b) **Uncalled issued share capital of a subsidiary:**

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Uncalled capital	**150**	150	150

51. CAPITAL MANAGEMENT

The Group's approach to capital management is driven by its strategic objectives and takes into account all relevant regulatory, economic and commercial environments in which the Group operates. The Group regards having a strong capital position as essential to the Group's business strategy and competitive position. As such, implications on the Group's capital position are taken into account by the Board and senior management prior to implementing major business decisions in order to preserve the Group's overall capital strength.

The Group's capital management policies are to diversify its sources of capital; to allocate and deploy 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. These policies are adopted with the aim to ensure adequate capital resources and efficient capital structure to:

- Meet regulatory capital ratios at all times, at levels sufficiently above the minimum requirements of BNM;
- Support the Group's credit rating from local and foreign rating agencies;
- Ensure regulated subsidiaries can meet their minimum capital requirements, based on home regulator or host regulator requirement, where relevant;
- Allocate capital to businesses to support the Group's strategic objectives and optimise returns on capital;
- Remain flexible to take advantage of future opportunities;
- Build and invest in businesses, even in a reasonably stressed environment; and
- Optimise returns to shareholders.

51. CAPITAL MANAGEMENT (CONT'D.)

The quality and composition of capital are key factors in the Board and senior management's evaluation of the Group's capital adequacy position. The Group places strong emphasis on the quality of its capital and, accordingly, holds a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability on a going concern basis.

The Group's Capital Management Plan is updated on an annual basis covering at least a three year horizon and approved by the Board for implementation at the beginning of each financial year. The Group's Capital Management Plan is reviewed by the Board semi-annually in order to keep abreast with the latest developments on capital management and also to ensure effective and timely execution of the plans contained therein.

The implementation of Basel III in Malaysia will commence with effect from 1 January 2013 under the new Basel III rules released on 28 November 2012 by BNM. Under the new Basel III rules, banking institutions will be required to maintain higher minimum quantity and quality of capital but the requirements will be subject to a series of transitional arrangements and will be phased-in over a period of time, commencing 2013 and to be fully effective by 2019. BNM is also expected to introduce additional capital buffer requirements which will comprise of Capital Conservation Buffer of 2.5% of total RWA and Countercyclical Capital Buffer ranging between 0% - 2.5% of total RWA. Further guidance on the capital buffer requirements will be announced by BNM before 2016 on its computation approach and operations.

In its pursuit of an efficient and healthy capital structure, the following initiatives were undertaken by the Group:

(a) Dividend reinvestment plan ("DRP")

The Bank had on 25 March 2010 announced a recurrent and optional DRP that allows shareholders of the Bank to reinvest electable portions of their dividends into new ordinary shares of RM1.00 each in the Bank. The DRP is part of the Bank's strategy to preserve equity capital ahead of the regulations under Basel III as well as to grow its businesses whilst providing healthy dividend income to shareholders. Details of the DRP is disclosed in Note 31(b) and dividend payout is disclosed in Note 46.

(b) Private equity placement

During the financial year, the Bank has initiated the largest private equity placement in Malaysia's corporate history via the issuance of 412,000,000 new ordinary shares of RM1.00 each at an issue price of RM8.88 per placement share which was completed on 11 October 2012. The private placement is a proactive move to boost the Bank's equity capital ahead of the implementation of the Basel III capital framework. The funds raised will also support its growth objectives in relation to the rapid expansion of its businesses in Indonesia, Philippines and other regional markets.

52. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

(a) General

The Group's overall capital adequacy in relation to its risk profile is assessed through a process articulated in the ICAAP. The ICAAP framework has been formalised and approved by the Board of Directors and has been implemented within the organisation to ensure all material risks are identified, measured and reported and adequate capital levels consistent with the risk profiles held.

In line with BNM Guideline on ICAAP, the Group's ICAAP closely integrates the risk and capital assessment processes. The ICAAP framework is designed to ensure that adequate levels, including capital buffers, are held to support the Group's current and projected demand for capital under existing and stressed conditions. Regular ICAAP reports are submitted to the Executive Risk Committee and the Board Risk Management Committee for comprehensive review of all material risks faced by the Group and assessment of the adequacy of capital to support them.

52. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D.)

(b) Comprehensive risk assessment under ICAAP framework

Under the Group's ICAAP methodology, the following risk types are identified and measured:

- Risks captured under Pillar 1 (credit risk, market risk and operational risk);
- Risks not fully captured under Pillar 1 (e.g. model risk);
- Risks not taken into account by Pillar 1 (e.g. interest rate risk in banking book, liquidity risk, business/strategic risk, reputational risk and credit concentration risk); and
- External factors, including changes in economic environment, regulations, and accounting rules.

In line with industry best practices, the Group shall quantify its risks using methodologies that have been reasonably tested and deemed to be accepted in the industry.

Where risks may not be easily quantified due to the lack of commonly accepted risk measurement techniques, expert's judgment is used to determine the size of risk. The focus of the Group's ICAAP would be on the qualitative controls in managing such risks. These qualitative measures include the following:

- Adequate governance process;
- Adequate systems, procedures and internal controls;
- Effective risk mitigation strategies; and
- Regular monitoring and reporting.

(c) Regular stress testing

The Group's stress testing programme is embedded in the risk and capital management process of the Group and it is a key focus area during the capital planning and business planning processes. The programme serves as a risk and capital management tool to understand our risk profile under extreme but plausible conditions. Such conditions may arise from economic, political and environmental factors.

Under Maybank Group Stress Test Framework, which was approved by the Board of Directors, the potential unfavourable effects of stress scenarios on the Group's profitability, asset quality, risk weighted assets and capital adequacy were considered.

Specifically, the stress test programme is designed to:

- Highlight the dynamics of stress events and their potential implications on the Group's trading and banking book exposures, liquidity positions and likely reputational impacts;
- Produce stress results as inputs into the Group's ICAAP in the determination of capital adequacy and capital buffers; and
- Identify proactively key strategies to mitigate the effects of stress events.

Stress test themes reviewed by the Stress Test Working Group in the past include slowing Chinese economy, a repeat of Asian Financial Crisis, USD depreciation, pandemic flu, asset price collapse, interest rate hikes, a global double-dip recession scenario, Japan disasters, crude oil price hike, the Eurozone and US debt crises, among others.

The Stress Test Working Group, which comprises of business and risk management teams, tables the stress test reports at the senior management and Board committees and discusses the results with regulators on a regular basis.

53. CAPITAL ADEQUACY

(a) Compliance and application of capital adequacy ratios

On 29 June 2010, the Bank and its subsidiary, Maybank Islamic Berhad ("MIB") have received approval from BNM to migrate to Internal Ratings-Based ("IRB") approach for credit risk under Basel II Risk Weighted Capital Adequacy Framework ("RWCAF") from 1 July 2010 onwards.

With effect from 1 January 2010 for Maybank Investment Bank Berhad and 1 July 2010 for other regulated entities, the capital adequacy ratios are computed as follows:

(a) Group, Bank and Maybank Islamic Berhad ("MIB") ratios are computed in accordance with BNM Basel II RWCAF as follows:

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

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

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

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

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

(b) The capital adequacy ratios of the Group and the Bank

The proposed final dividend consisting of an electable portion of 29 sen (net 24.5 sen) per ordinary share where the electable portion comprises of 11 sen single-tier dividend and 18 sen franked dividend (net 13.5 sen) per ordinary share of RM1.00 each. The electable portion can be elected to be reinvested in new ordinary shares in accordance with the DRP as disclosed in Note 31(b).

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

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.

53. CAPITAL ADEQUACY (CONT'D.)

(b) The capital adequacy ratios of the Group and the Bank (cont'd.)

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

	Group		
Basel II	As at 31.12.2012	As at 31.12.2011	As at 1.7.2011
(i) Before deducting proposed dividend*:			
Core capital ratio	**13.66%**	11.74%	11.93%
Risk-weighted capital ratio	**17.47%**	16.46%	15.45%
(ii) After deducting proposed dividend:			
Core capital ratio			
— full electable portion paid in cash	**12.81%**	10.95%	11.21%
— full electable portion reinvested	**13.54%**	11.65%	11.84%
(iii) Risk-weighted capital ratio			
— full electable portion paid in cash	**16.62%**	15.66%	14.72%
— full electable portion reinvested	**17.35%**	16.37%	15.36%

	Bank		
Basel II	As at 31.12.2012	As at 31.12.2011	As at 1.7.2011
(i) Before deducting proposed dividend*:			
Core capital ratio	**17.43%**	15.80%	13.44%
Risk-weighted capital ratio	**17.43%**	15.80%	13.44%
(ii) After deducting proposed dividend:			
Core capital ratio			
- full electable portion paid in cash	**16.27%**	14.73%	12.49%
- full electable portion reinvested	**17.27%**	15.68%	13.32%
(iii) Risk-weighted capital ratio			
- full electable portion paid in cash	**16.27%**	14.73%	12.49%
- full electable portion reinvested	**17.27%**	15.68%	13.32%

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

53. CAPITAL ADEQUACY (CONT'D.)

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

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Eligible Tier 1 capital			
Paid-up share capital	**8,440,046**	7,639,437	7,478,206
Share premium	**15,639,646**	9,598,847	8,583,711
Other reserves	**15,354,878**	14,570,375	14,779,856
Capital securities	**6,093,421**	6,057,884	6,065,486
Less: Shares held-in-trust	**(102,405)**	–	–
Total Tier 1 capital	**45,425,586**	37,866,543	36,907,259
Less: Deferred tax assets [1]	**(1,281,136)**	(1,406,712)	(1,383,388)
Goodwill [1]	**(5,588,553)**	(6,031,401)	(6,049,900)
Deductions in excess of Tier 2 capital	**–**	–	–
Total Eligible Tier 1 capital	**38,555,897**	30,428,430	29,473,971
Eligible Tier 2 capital			
Subordinated obligations	**13,394,620**	13,889,529	10,732,475
Collective allowance [4]	**728,806**	892,370	995,632
Surplus of total EP over total EL [3]	**–**	359,978	–
Surplus of total EL over total EP [3]	**(664,291)**	–	(108,217)
Total Tier 2 capital (subject to limits)	**13,459,135**	15,141,877	11,619,890
Less: Investment in subsidiaries and associates [2]	**(2,709,503)**	(2,891,773)	(2,924,965)
Liquidity reserve	**–**	–	(1,492)
Securitisation exposure held in the banking book	**–**	(31,383)	(16,796)
Total deductions	**(2,709,503)**	(2,923,156)	(2,943,253)
Total deductions from Tier 2 Capital	**(2,709,503)**	(2,923,156)	(2,943,253)
Total Eligible Tier 2 capital	**10,749,632**	12,218,721	8,676,637
Capital base	**49,305,529**	42,647,151	38,150,608

53. CAPITAL ADEQUACY (CONT'D.)

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

	Bank		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Eligible Tier 1 capital			
Paid-up share capital	**8,440,046**	7,639,437	7,478,206
Share premium	**15,639,646**	9,598,847	8,583,711
Other reserves	**13,139,299**	12,473,444	11,790,065
Capital securities	**6,093,421**	6,057,884	6,065,486
Less: Shares held-in-trust	**(102,405)**	–	–
Total Tier 1 capital	**43,210,007**	35,769,612	33,917,468
Less: Deferred tax assets [1]	**(810,015)**	(867,163)	(920,837)
Goodwill [1]	**(81,015)**	(81,015)	(81,015)
Deductions in excess of Tier 2 capital	**(6,299,127)**	(4,193,087)	(7,604,007)
Total Eligible Tier 1 capital	**36,019,850**	30,628,347	25,311,609
Eligible Tier 2 capital			
Subordinated obligations	**11,546,020**	12,491,343	9,458,980
Collective allowance [4]	**294,552**	430,448	449,884
Surplus of total EP over total EL [3]	**–**	384,425	–
Surplus of total EL over total EP [3]	**(267,512)**	–	(37,149)
Total Tier 2 capital (subject to limits)	**11,573,060**	13,306,216	9,871,715
Less: Investment in subsidiaries and associates [2]	**(17,872,187)**	(17,467,920)	(17,457,434)
Liquidity reserve	**–**	–	(1,492)
Securitisation exposure held in the banking book	**–**	(31,383)	(16,796)
Total deductions	**(17,872,187)**	(17,499,303)	(17,475,722)
Total deductions from Tier 2 Capital	**(11,573,060)**	(13,306,216)	(9,871,715)
Total Eligible Tier 2 capital	**–**	–	–
Capital base	**36,019,850**	30,628,347	25,311,609

53. CAPITAL ADEQUACY (CONT'D.)

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

[1] Under BNM Guidelines, deferred tax assets and goodwill are required to be excluded from Tier 1 capital.
[2] Excludes the cost of investment in subsidiaries and associates, except for: (i) Myfin Berhad of RM18,994,000, as its business, assets and liabilities have been transferred to the Bank; (ii) Maybank International (L) Ltd. of RM176,385,000, and (iii) Mayban Agro Fund Sdn. Bhd. of RM11,041,000 as its assets are included in the Bank's risk-weighted assets. For the Group, the cost of investment in insurance companies and associates are deducted from capital base.
[3] EP is defined as eligible provision and EL is defined as expected loss.
[4] Excluding collective allowance for certain loans, advances and financing.

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

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

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

	Maybank Islamic Berhad	Maybank Investment Bank Berhad	PT Bank Internasional Indonesia Tbk
As at 31.12.2012			
Before deducting proposed dividend*:			
Core capital ratio	10.83%	40.30%	-
Risk-weighted capital ratio	12.59%	40.30%	12.83%
After deducting proposed dividend:			
Core capital ratio	10.83%	30.10%	-
Risk-weighted capital ratio	12.59%	30.10%	12.83%

53. CAPITAL ADEQUACY (CONT'D.)

(d) The capital adequacy ratios of banking subsidiaries of the Group are as follows (cont'd.):

	Maybank Islamic Berhad	Maybank Investment Bank Berhad	PT Bank Internasional Indonesia Tbk
As at 31.12.2011			
Before deducting proposed dividend*:			
Core capital ratio	9.89%	21.58%	–
Risk-weighted capital ratio	12.61%	21.58%	11.83%
After deducting proposed dividend:			
Core capital ratio	9.32%	21.58%	–
Risk-weighted capital ratio	12.04%	21.58%	11.83%
As at 1.7.2011			
Before deducting proposed dividend*:			
Core capital ratio	10.31%	24.72%	–
Risk-weighted capital ratio	13.02%	24.72%	13.06%
After deducting proposed dividend:			
Core capital ratio	9.46%	24.72%	–
Risk-weighted capital ratio	12.17%	24.72%	13.06%

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

53. CAPITAL ADEQUACY (CONT'D.)

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

Basel II	Group RM'000	Bank RM'000	Maybank Islamic Berhad RM'000	Maybank Investment Bank Berhad RM'000	PT Bank Internasional Indonesia Tbk RM'000
As at 31.12.2012					
Standardised Approach exposure	**60,849,458**	**27,460,623**	**2,411,358**	**813,260**	**24,835,685**
Internal Ratings-Based Approach exposure after scaling factor	**184,779,754**	**154,769,118**	**32,563,904**	**–**	**–**
Total risk-weighted assets for credit risk	**245,629,212**	**182,229,741**	**34,975,262**	**813,260**	**24,835,685**
Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad*	**–**	**–**	**(127,317)**	**–**	**–**
Total risk-weighted assets for market risk	**8,913,850**	**6,200,948**	**747,905**	**200,322**	**637,943**
Total risk-weighted assets for operational risk	**27,685,920**	**18,180,446**	**2,959,425**	**716,690**	**3,282,868**
Additional risk-weighted assets due to capital floor	**–**	**–**	**968,148**	**–**	**–**
Total risk-weighted assets	**282,228,982**	**206,611,135**	**39,523,423**	**1,730,272**	**28,756,496**
As at 31.12.2011					
Standardised Approach exposure	70,655,914	38,834,291	4,153,679	1,025,361	24,360,349
Internal Ratings-Based Approach exposure after scaling factor	153,100,201	128,719,436	28,214,051	–	–
Total risk-weighted assets for credit risk	223,756,115	167,553,727	32,367,730	1,025,361	24,360,349
Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad*	–	–	(205,926)	–	–
Total risk-weighted assets for market risk	10,379,265	8,376,674	307,942	713,316	275,124
Total risk-weighted assets for operational risk	24,983,371	17,970,181	2,573,751	540,741	3,197,593
Additional risk-weighted assets due to capital floor	–	–	3,891,670	–	–
Total risk-weighted assets	259,118,751	193,900,582	38,935,167	2,279,418	27,833,066
As at 1.7.2011					
Standardised Approach exposure	60,236,549	31,459,666	3,753,922	1,040,223	21,381,949
Internal Ratings-Based Approach exposure after scaling factor	147,528,075	129,381,636	23,571,746	–	–
Total risk-weighted assets for credit risk	207,764,624	160,841,302	27,325,668	1,040,223	21,381,949
Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad*	–	–	(206,402)	–	–
Total risk-weighted assets for market risk	15,991,249	9,692,832	149,810	156,475	270,737
Total risk-weighted assets for operational risk	23,223,860	17,738,110	2,334,044	476,309	3,215,865
Additional risk-weighted assets due to capital floor	–	–	7,154,554	–	–
Total risk-weighted assets	246,979,733	188,272,244	36,757,674	1,673,007	24,868,551

* In accordance with BNM 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.

54. SEGMENT INFORMATION

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

(i) By business segments

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

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

(a) Community Financial Services ("CFS")

(i) Consumer banking

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

(ii) Small and Medium Enterprise ("SME") banking

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

(iii) Business banking

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

(b) Global Banking ("GB") (formerly known as Global Wholesale Banking)

(i) Corporate Banking Malaysia

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

(ii) Global Markets Malaysia

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

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

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

(c) Insurance, Takaful and Asset Management

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

(d) International Banking

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

54. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

1.1.2012 to 31.12.2012	Group: Business Segments: Community Financial Services RM'000	GB: Corporate Banking RM'000	GB: Global Markets RM'000	GB: Investment Banking RM'000	International Banking RM'000	Insurance, Takaful and Asset Management RM'000	Head Office and Others RM'000	Total RM'000
Net interest income and income from IBS operations:								
- External	5,385,159	1,624,966	731,744	261,965	3,488,586	87,217	(902,661)	10,676,976
- Inter-segment	–	–	–	2,508	(25,897)	23,049	340	–
	5,385,159	1,624,966	731,744	264,473	3,462,689	110,266	(902,321)	10,676,976
Net interest income and income from IBS operations	5,385,159	1,624,966	731,744	264,473	3,462,689	110,266	(902,321)	10,676,976
Net income from insurance/ takaful business	–	–	–	–	–	652,445	–	652,445
Non-interest income	1,485,365	676,051	979,720	1,014,562	1,709,710	434,309	(1,025,968)	5,273,749
Net income	6,870,524	2,301,017	1,711,464	1,279,035	5,172,399	1,197,020	(1,928,289)	16,603,170
Overhead expenses	(3,546,727)	(403,703)	(232,825)	(929,614)	(2,559,158)	(486,093)	–	(8,158,120)
Operating profit before impairment losses	3,323,797	1,897,314	1,478,639	349,421	2,613,241	710,927	(1,928,289)	8,445,050
(Allowances for)/writeback of impairment losses on loans, advances and financing, net	(299,559)	92,066	–	3,860	(430,798)	(8,280)	–	(642,711)
Allowances for impairment losses on financial investments, net	–	–	(5,092)	(9,757)	(39,805)	(5,562)	–	(60,216)
Operating profit	3,024,238	1,989,380	1,473,547	343,524	2,142,638	697,085	(1,928,289)	7,742,123
Share of profits in associates	–	–	–	1,684	150,275	517	–	152,476
Profit before taxation and zakat	3,024,238	1,989,380	1,473,547	345,208	2,292,913	697,602	(1,928,289)	7,894,599
Taxation and zakat								(1,977,306)
Profit after taxation and zakat								5,917,293
Non-controlling interest								(172,597)
Profit for the year attributable to equity holders of the Bank								5,744,696
Included in overhead expenses are:								
Depreciation of property, plant and equipment	(85,071)	(6,640)	(3,181)	(39,163)	(83,787)	(5,804)	–	(223,646)
Amortisation of intangible assets	(27,369)	(5,855)	(5,415)	(44,523)	(57,833)	(5,226)	–	(146,221)

54. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

	Group							
	Business Segments							
		GB						
1.7.2011 to 31.12.2011	Community Financial Services RM'000	Corporate Banking RM'000	Global Markets RM'000	Investment Banking RM'000	International Banking RM'000	Insurance, Takaful and Asset Management RM'000	Head Office and Others RM'000	Total RM'000
Net interest income and income from IBS operations:								
- External	2,621,474	574,796	311,919	125,771	1,606,402	25,754	(231,801)	5,034,315
- Inter-segment	–	–	–	(735)	(6,775)	9,411	(1,901)	–
	2,621,474	574,796	311,919	125,036	1,599,627	35,165	(233,702)	5,034,315
Net interest income and income from IBS operations	2,621,474	574,796	311,919	125,036	1,599,627	35,165	(233,702)	5,034,315
Net income from insurance/takaful business	–	–	–	–	–	426,519	–	426,519
Non-interest income	764,847	231,574	477,926	425,356	838,765	140,674	(504,962)	2,374,180
Net income	3,386,321	806,370	789,845	550,392	2,438,392	602,358	(738,664)	7,835,014
Overhead expenses	(1,674,045)	(188,444)	(128,797)	(481,647)	(1,255,661)	(213,245)	–	(3,941,839)
Operating profit before impairment losses	1,712,276	617,926	661,048	68,745	1,182,731	389,113	(738,664)	3,893,175
(Allowances for)/writeback of impairment losses on loans, advances and financing, net	(23,442)	(22,152)	–	(13,769)	(278,781)	9,064	–	(329,080)
(Allowances for)/writeback of impairment losses on financial investments, net	–	–	(58,957)	(5,160)	1,697	(4,817)	–	(67,237)
Operating profit	1,688,834	595,774	602,091	49,816	905,647	393,360	(738,664)	3,496,858
Share of profits in associates	–	–	–	2,619	71,615	–	–	74,234
Profit before taxation and zakat	1,688,834	595,774	602,091	52,435	977,262	393,360	(738,664)	3,571,092
Taxation and zakat								(888,993)
Profit after taxation and zakat								2,682,099
Non-controlling interest								(95,047)
Profit for the period attributable to equity holders of the Bank								2,587,052
Included in overhead expenses are:								
Depreciation of property, plant and equipment	(40,723)	(3,149)	(996)	(15,699)	(36,982)	(6,814)	–	(104,363)
Amortisation of intangible assets	(12,244)	(2,732)	(2,237)	(26,855)	(31,588)	(2,454)	–	(78,110)

54. SEGMENT INFORMATION (CONT'D.)

(ii) By geographical locations

The Group has operations in Malaysia, Singapore, Indonesia, Philippines, Papua New Guinea, Brunei Darussalam, People's Republic of China, Hong Kong SAR, Vietnam, United Kingdom, United States of America, Cambodia, Laos and Bahrain.

With the exception of Malaysia, Singapore and Indonesia, no other individual country contributed more than 10% of the consolidated revenue before operating expenses and of total assets.

Operating revenue, net income, profit before taxation and zakat and assets based on geographical locations of customers and assets respectively are as follows:

Income statement items 1.1.2012 to 31.12.2012	Operating revenue RM'000	Net income RM'000	Profit before taxation and zakat RM'000
Malaysia	**20,689,384**	**12,159,312**	**6,879,731**
Singapore	**3,252,573**	**2,463,826**	**1,138,759**
Indonesia	**3,874,024**	**2,562,083**	**553,985**
Others	**1,415,328**	**914,046**	**691,601**
	29,231,309	**18,099,267**	**9,264,076**
Elimination*	**(1,698,848)**	**(1,496,097)**	**(1,369,477)**
Group	**27,532,461**	**16,603,170**	**7,894,599**

Income statement items 1.7.2011 to 31.12.2011	Operating revenue RM'000	Net income RM'000	Profit before taxation and zakat RM'000
Malaysia	9,701,016	5,783,132	3,322,967
Singapore	1,537,456	1,254,328	569,336
Indonesia	1,887,222	1,161,984	166,318
Others	579,936	370,413	202,642
	13,705,630	8,569,857	4,261,263
Elimination*	(813,428)	(734,843)	(690,171)
Group	12,892,202	7,835,014	3,571,092

* Inter-segment revenue are eliminated on consolidation.

54. SEGMENT INFORMATION (CONT'D.)

(ii) By geographical locations (cont'd.)

Statement of financial position items	Non-current assets As at 31.12.2012 RM'000	Non-current assets As at 31.12.2011 RM'000	Non-current assets As at 1.7.2011 RM'000
Malaysia	**8,174,949**	8,223,909	8,151,414
Singapore	**873,155**	854,250	736,227
Indonesia	**363,934**	353,393	329,684
Others	**94,781**	76,461	71,367
	9,506,819	9,508,013	9,288,692
Elimination*	**–**	–	–
Group	**9,506,819**	9,508,013	9,288,692

Statement of financial position items	Current assets As at 31.12.2012 RM'000	Current assets As at 31.12.2011 RM'000	Current assets As at 1.7.2011 RM'000
Malaysia	**347,099,851**	319,018,927	292,942,118
Singapore	**89,162,900**	72,827,037	64,492,336
Indonesia	**36,981,661**	39,252,513	36,478,085
Others	**34,603,404**	34,214,006	29,339,527
	507,847,816	465,312,483	423,252,066
Elimination*	**(22,488,342)**	(23,225,659)	(21,286,341)
Group	**485,359,474**	442,086,824	401,965,725

* Inter-segment balances are eliminated on consolidation.

55. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) (i) **Acquisition by Maybank Kim Eng Holdings Limited (formerly known as Kim Eng Holdings Limited) ("MKEH"), a wholly-owned subsidiary of Maybank IB Holdings Sdn. Bhd. (formerly known as Mayban IB Holdings Sdn. Bhd.) ("Maybank IB Holdings"), which in turn is a wholly-owned subsidiary of Maybank, of an aggregate of 344,427,134 common shares in Maybank ATR Kim Eng Financial Corporation (formerly known as ATR Kim Eng Financial Corporation) ("MATRKE"), representing approximately 32.24% of the total number of issued common shares of MATRKE ("Acquisition"); and**

(ii) **Mandatory Tender Offer for all the remaining MATRKE shares not already owned, controlled or agreed to be acquired by MKEH**

Maybank had on 9 December 2011 announced that following the completion of the Acquisition, MKEH had on 24 October 2011 launched a tender offer to acquire all the remaining MATRKE shares that it did not own, at an offer price of Philippines Peso ("PhP") 4.38 (equivalent to approximately RM0.3176, at the exchange rate of PhP1.00 : RM0.0725, as at 24 October 2011, Source: Bloomberg) for each share in MATRKE ("Tender Offer"). Subsequently, the Tender Offer closed on 29 November 2011.

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

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

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

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

(b) **Issuance of Senior Unsecured Notes of USD400.0 million pursuant to the USD2.0 billion Multi-currency Medium Term Note Programme**

Maybank had on 10 February 2012, issued USD400.0 million nominal value of Senior Unsecured Notes under its USD2.0 billion Multi-currency Medium Term Note Programme as disclosed in Note 28(b)(ii). The Senior Unsecured Notes will mature on 10 February 2017 and carries a coupon of 3.0% per annum payable semi-annually in arrears. The net proceeds from the issuance of the Senior Unsecured Notes will be utilised by Maybank to fund its working capital, general banking and for other corporate purposes.

(c) **Establishment of Subordinated Note Programme of up to RM7.0 billion in nominal value ("Subordinated Note Programme")**

Maybank had obtained approval from the Securities Commission vide their letter dated 15 February 2012 for the establishment of the Subordinated Note Programme and the issuance of Subordinated Notes thereunder.

55. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(c) Establishment of Subordinated Note Programme of up to RM7.0 billion in nominal value ("Subordinated Note Programme") (cont'd.)

In addition, the approval from BNM for the issuance of Subordinated Notes had also been obtained on 14 December 2011 (upon terms and conditions therein contained).

The Subordinated Notes issued under the Subordinated Note Programme will qualify as Tier 2 capital of Maybank subject to compliance with the requirements as specified in the Risk Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components) issued by BNM.

The tenure of the Subordinated Note Programme is up to 20 years from the date of first issuance of Subordinated Notes under the Subordinated Note Programme and each Subordinated Note issued shall have a tenure of either the following; 10-year non-callable basis; 15 years on a 15 non-callable 10 basis; 12 years on a 12 non-callable 7 basis or 10 years on a 10 non-callable 5 basis.

Each issuance of Subordinated Notes under the Subordinated Note Programme, save and except for Subordinated Notes issued on a 10-year non-callable basis, shall have a callable option allowing Maybank, subject to the redemption conditions being satisfied, to redeem (in whole, but not in part) that tranche of Subordinated Notes on the call date at their principal amount together with accrued but unpaid coupon (if any) ("Optional Redemption"). Further to the Optional Redemption, Maybank may also, at its option and subject to the redemption conditions being satisfied, redeem a tranche of Subordinated Notes (in whole, but not in part) if a regulatory event occurs at the principal amount together with accrued but unpaid coupon (if any).

The net proceeds from the issuance of the Subordinated Notes will be utilised to fund Maybank's working capital, general banking and other corporate purposes.

The Subordinated Note Programme was successfully established on 28 February 2012.

(d) Establishment of USD5.0 billion Multi-currency Medium Term Note Programme ("MTN Programme")

Maybank had obtained approval from the Securities Commission in their letter dated 14 May 2012 for the establishment of the MTN Programme and the issue of notes thereunder. The establishment of the MTN Programme will enable Maybank to issue senior notes and/or Subordinated Notes from time to time.

In addition, the approval from BNM for the establishment of MTN Programme had also been obtained on 2 May 2012 (subject to the terms and conditions contained therein).

The net proceeds from each issue of notes from the MTN Programme will be applied by Maybank for its working capital, general banking and other corporate purposes.

The MTN Programme was successfully established on 14 May 2012.

(e) (i) Proposed acquisition of 858,499 ordinary shares of Saudi Riyal ("SAR") 10 each in Anfaal Capital ("Anfaal") by Maybank Investment Bank Berhad ("Maybank IB"), a wholly-owned subsidiary of Maybank, representing 17.17% of the ordinary share capital of Anfaal; and

(ii) Proposed assignment of the subordinated loan of SAR2,070,000 from Al Numu Real Estate Company ("Al Numu") to Maybank IB

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

55. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(e) (i) Proposed acquisition of 858,499 ordinary shares of Saudi Riyal ("SAR") 10 each in Anfaal Capital ("Anfaal") by Maybank Investment Bank Berhad ("Maybank IB"), a wholly-owned subsidiary of Maybank, representing 17.17% of the ordinary share capital of Anfaal; and

(ii) Proposed assignment of the subordinated loan of SAR2,070,000 from Al Numu Real Estate Company ("Al Numu") to Maybank IB (cont'd.)

(i) Proposed acquisition of 858,499 ordinary shares of SAR10 each in Anfaal ("Anfaal Shares"), representing approximately 17.17% of the ordinary share capital of Anfaal for a cash consideration of SAR10,516,613, being SAR12.25 for each Anfaal Share; and

(ii) Proposed assignment of the subordinated loan of SAR2,070,000 ("Subordinated Loan") from Al Numu to Maybank IB.

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

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

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

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

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

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

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

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

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

(f) Redemption of RM1.5 billion Maybank Subordinated Bonds

Maybank had on 13 April 2012 announced the full redemption of RM1.5 billion Maybank Subordinated Bonds. The Subordinated Bonds were issued on 13 April 2007.

(g) Redemption of USD300.0 million Subordinated Sukuk

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

55. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(h) Acquisition of a call option over 15,435,000 ordinary and paid-up shares of Maybank Kim Eng Securities Joint Stock Company (formerly known as Kim Eng Vietnam Securities Joint Stock Company) ("KEVS")

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

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

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

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

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

The financial impact on the acquisition of the Call Option is disclosed in Note 17(a).

(i) Issuance of Subordinated Notes of RM2.1 billion pursuant to the RM7.0 billion Subordinated Note Programme

Maybank had on 10 May 2012 issued RM2.1 billion of Subordinated Notes with tenure of 12 years on a 12 non-callable 7 basis ("Subordinated Notes") under its Subordinated Note Programme of up to RM7.0 billion in nominal value.

The Subordinated Notes were priced at 4.25% per annum and qualified as Tier 2 capital of Maybank subject to compliance with the requirements as specified in the Risk Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components) guideline issued by BNM.

The net proceeds from the issuance of the Subordinated Notes will be utilised to fund Maybank's working capital, general banking and other corporate purposes.

(j) Disposal of 12,249,999,986 fully paid common shares in AsianLife Financial Assurance Corporation ("ALFA"), representing approximately 70% of the total outstanding common shares of ALFA ("Disposal")

Maybank had on 31 May 2012 announced that AsianLife & General Assurance Corporation ("ALGA"), an indirect subsidiary of Maybank, had on 17 May 2012, entered into a share purchase agreement with STI Investments, Inc. for the disposal of 12,249,999,986 fully paid common shares of ALFA, representing approximately 70% of the total outstanding common shares of ALFA for a total consideration of Philippines Peso ("PhP") 428.4 million (or approximately RM31.02 million based on the prevailing exchange rate of RM1:PhP13.81 as at 17 May 2012), which is approximately 1.5 times the book value of ALFA as at 31 December 2011.

55. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(j) Disposal of 12,249,999,986 fully paid common shares in AsianLife Financial Assurance Corporation ("ALFA"), representing approximately 70% of the total outstanding common shares of ALFA ("Disposal") (cont'd.)

In addition, pursuant to Chapter 9, Paragraph 9.19(24) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, that the Disposal has been completed on 31 May 2012 and accordingly, ALFA has ceased to be an indirect subsidiary of Maybank.

The financial impact on the disposal of ALFA is disclosed in Note 17(f).

(k) Issuance of USD800.0 million Subordinated Notes in nominal value pursuant to the USD5.0 billion Multi-currency Medium Term Note Programme

Maybank had on 13 September 2012 successfully priced its USD800.0 million of Regulation S Tier 2 Capital Subordinated Notes ("Subordinated Notes" or the "Transaction") under its USD5.0 billion Multi-currency Medium Term Note Programme.

The Subordinated Notes were priced at 5-year US Treasury + 260 bps or a yield of 3.254% and pay a coupon of 3.25% per annum. The Subordinated Notes have a tenure of 10 years from the issue date on a 10 non-callable 5 basis, maturing on 20 September 2022.

The net proceeds from the issuance of the Subordinated Notes will be utilised by Maybank to fund its working capital, general banking and for other corporate purposes. The Subordinated Notes qualified as Lower Tier 2 capital as per the BNM guidelines and be eligible for Basel III transitional treatment.

(l) Private Placement of 412,000,000 new ordinary shares of RM1.00 each in Maybank ("Maybank Shares") at an Issue price of RM8.88 ("Private Placement")

Maybank had on 12 October 2012 announced the completion of the Private Placement pursuant to the shareholders' mandate obtained under Section 132D of the Companies Act, 1965 at the Maybank's Annual General Meeting held on 29 March 2012, following the listing and quotation of the 412,000,000 new Maybank Shares representing approximately 4.98% of the enlarged issued and paid-up share capital of Maybank as at 30 September 2012 on the Main Market of Bursa Malaysia Securities Berhad.

The issue price was fixed at RM8.88 per new Maybank Share, representing a discount of approximately 2.1% to the weighted average market price of Maybank Shares for the 5 market days up to and including 5 October 2012 of RM9.07, and a discount of approximately 1.2% to the closing price on 5 October 2012 of RM8.99. The Private Placement attracted demand from both domestic and foreign institutional investors. The gross proceeds from the Private Placement are approximately RM3.66 billion.

(m) Others

Maybank had on 12 June 2012, acquired (by subscribing) 64,159,910 ordinary shares of RM0.10 each in the issued share capital of Luster Industries Berhad ("Luster"), representing 5.95% of its total issued and paid-up capital, pursuant to the exercise of debt to equity conversion ("Subscription"). The Subscription was in accordance with a Debt Settlement Agreement dated 25 November 2011 involving Luster.

Subsequently, Maybank had on 25 June 2012, disposed of 52,993,240 ordinary shares of RM0.11 each in the issued share capital of Luster. This has resulted in Maybank's shareholding in Luster to have fallen below 5% of its issued and paid-up capital and as such, Maybank had ceased to be a substantial shareholder of Luster.

56. STATEMENTS OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS

The statements of financial position of insurance and takaful business as at 31 December 2012, 31 December 2011 and 1 July 2011 analysed by insurance and takaful funds are as follows:

	Group					
As at 31.12.2012	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Shareholders' and General Funds RM'000	Consolidation Elimination* RM'000	Total RM'000
ASSETS						
Cash and short-term funds	70,922	40,041	20,240	93,626	–	224,829
Deposits and placements with financial institutions	594,154	639,623	211,070	952,297	–	2,397,144
Financial assets at fair value through profit or loss	8,809,459	4,456,361	–	–	–	13,265,820
Financial investments available-for-sale	1,277,288	2,225,372	1,040,792	2,748,772	–	7,292,224
Loans, advances and financing	255,702	16,922	–	33,704	–	306,328
Derivative assets	267,170	–	–	23	–	267,193
Reinsurance/retakaful assets and other insurance receivables	64,924	115,883	376,169	1,998,751	–	2,555,727
Other assets	175,142	116,326	20,426	360,015	(194,629)	477,280
Investment properties	518,240	–	–	46,379	–	564,619
Interest in associates	–	–	–	7,108	–	7,108
Property, plant and equipment	65,833	–	1	75,034	–	140,868
Intangible assets	22,964	473	18	10,507	–	33,962
Deferred tax assets	2,974	–	–	9,712	–	12,686
TOTAL ASSETS	12,124,772	7,611,001	1,668,716	6,335,928	(194,629)	27,545,788
LIABILITIES						
Insurance/takaful contract liabilities and other insurance payables	10,164,136	7,369,892	1,481,069	2,913,775	–	21,928,872
Other liabilities	1,912,294	231,345	184,954	(1,210,666)	(194,629)	923,298
Provision for taxation and zakat	(10,825)	9,697	2,693	39,588	–	41,153
Deferred tax liabilities	59,167	67	–	388,315	–	447,549
TOTAL LIABILITIES	12,124,772	7,611,001	1,668,716	2,131,012	(194,629)	23,340,872
Equity attributable to equity holders of the Subsidiaries						
Share capital	–	–	–	252,005	–	252,005
Other reserves	–	–	–	3,952,911	–	3,952,911
	–	–	–	4,204,916	–	4,204,916
Total liabilities and shareholders' equity	12,124,772	7,611,001	1,668,716	6,335,928	(194,629)	27,545,788

* The consolidation elimination relates to inter-fund balances.

56. STATEMENTS OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS (CONT'D.)

The statements of financial position of insurance and takaful business as at 31 December 2012, 31 December 2011 and 1 July 2011 analysed by insurance and takaful funds are as follows (cont'd.):

	Group					
As at 31.12.2011	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Shareholders' and General Funds RM'000	Consolidation Elimination* RM'000	Total RM'000
ASSETS						
Cash and short-term funds	41,822	44,188	26,130	116,595	–	228,735
Deposits and placements with financial institutions	872,488	1,002,172	262,760	1,104,979	–	3,242,399
Financial assets at fair value through profit or loss	8,743,547	3,779,734	–	–	–	12,523,281
Financial investments available-for-sale	990,333	1,975,704	824,536	1,713,668	–	5,504,241
Loans, advances and financing	263,169	40,878	–	38,632	–	342,679
Derivative assets	33,026	–	–	(19)	–	33,007
Reinsurance/retakaful assets and other insurance receivables	68,184	87,281	370,760	1,647,569	–	2,173,794
Other assets	141,856	92,119	11,818	664,448	(488,143)	422,098
Investment properties	480,470	–	–	35,450	–	515,920
Interest in associates	–	–	–	7,299	–	7,299
Property, plant and equipment	62,926	5	6	76,674	–	139,611
Intangible assets	21,364	911	33	14,115	–	36,423
Deferred tax assets	2,579	–	–	11,953	–	14,532
TOTAL ASSETS	11,721,764	7,022,992	1,496,043	5,431,363	(488,143)	25,184,019
LIABILITIES						
Insurance/takaful contract liabilities and other insurance payables	9,834,128	6,460,556	1,282,759	2,513,465	–	20,090,908
Other liabilities	1,808,779	510,405	207,228	(1,266,881)	(488,143)	771,388
Provision for taxation and zakat	14,739	51,968	6,056	42,486	–	115,249
Deferred tax liabilities	64,118	63	–	371,591	–	435,772
TOTAL LIABILITIES	11,721,764	7,022,992	1,496,043	1,660,661	(488,143)	21,413,317
Equity attributable to equity holders of the Subsidiaries						
Share capital	–	–	–	252,005	–	252,005
Other reserves	–	–	–	3,518,697	–	3,518,697
	–	–	–	3,770,702	–	3,770,702
Total liabilities and shareholders' equity	11,721,764	7,022,992	1,496,043	5,431,363	(488,143)	25,184,019

* The consolidation elimination relates to inter-fund balances.

56. STATEMENTS OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS (CONT'D.)

The statements of financial position of insurance and takaful business as at 31 December 2012, 31 December 2011 and 1 July 2011 analysed by insurance and takaful funds are as follows (cont'd.):

	Group					
As at 1.7.2011	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Shareholders' and General Funds RM'000	Consolidation Elimination* RM'000	Total RM'000
ASSETS						
Cash and short-term funds	79,306	20,056	29,061	184,137	–	312,560
Deposits and placements with financial institutions	704,715	1,054,316	181,873	964,441	–	2,905,345
Financial assets at fair value through profit or loss	8,611,711	3,502,089	–	–	–	12,113,800
Financial investments available-for-sale	1,042,247	1,845,538	793,090	1,616,112	–	5,296,987
Loans, advances and financing	282,674	53,485	1,621	56,735	–	394,515
Derivative assets	41,782	–	–	–	–	41,782
Reinsurance/retakaful assets and other insurance receivables	86,282	101,353	397,682	1,522,023	–	2,107,340
Other assets	134,071	85,234	10,634	618,722	(462,063)	386,598
Investment properties	480,470	–	–	36,740	–	517,210
Interest in associates	–	–	–	6,984	–	6,984
Property, plant and equipment	82,391	9	8	79,670	–	162,078
Intangible assets	15	1,234	568	13,389	–	15,206
Deferred tax assets	3,121	–	–	14,103	–	17,224
TOTAL ASSETS	11,548,785	6,663,314	1,414,537	5,113,056	(462,063)	24,277,629
LIABILITIES						
Insurance/takaful contract liabilities and other insurance payables	9,600,351	6,143,451	1,200,235	2,369,503	–	19,313,540
Other liabilities	1,873,101	476,707	209,932	(1,277,778)	(462,063)	819,899
Provision for taxation and zakat	9,275	42,485	4,370	39,218	–	95,348
Deferred tax liabilities	66,058	671	–	380,208	–	446,937
TOTAL LIABILITIES	11,548,785	6,663,314	1,414,537	1,511,151	(462,063)	20,675,724
Equity attributable to equity holders of the Subsidiaries						
Share capital	–	–	–	252,005	–	252,005
Other reserves	–	–	–	3,349,900	–	3,349,900
	–	–	–	3,601,905	–	3,601,905
Total liabilities and shareholders' equity	11,548,785	6,663,314	1,414,537	5,113,056	(462,063)	24,277,629

* The consolidation elimination relates to inter-fund balances.

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS")

(a) Statement of financial position as at 31 December 2012

		Group		
	Note	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Assets				
Cash and short-term funds	(f)	**13,026,886**	8,971,617	9,684,169
Deposits and placements with financial institutions	(g)	**293,552**	429,910	394,136
Financial investments portfolio	(h)	**9,810,498**	8,644,047	6,825,037
Financing and advances	(i)	**62,230,793**	52,425,274	46,926,710
Derivative assets	(j)	**48,227**	28,198	14,646
Other assets	(k)	**4,891,200**	4,492,748	4,737,314
Statutory deposits with central banks	(l)	**2,399,000**	1,834,800	913,900
Property, plant and equipment	(m)	**1,808**	2,551	347
Intangible asset	(n)	**3,117**	3,701	918
Deferred tax assets	(o)	**199,408**	177,369	161,139
		92,904,489	77,010,215	69,658,316
Liabilities				
Deposits from customers	(p)	**71,319,635**	59,090,400	50,890,270
Deposits and placements from financial institutions	(q)	**13,206,242**	9,449,458	11,292,077
Bills and acceptances payable		**419,749**	504,237	1,115,350
Derivative liabilities	(j)	**113,980**	96,179	53,504
Other liabilities	(r)	**281,481**	193,515	175,494
Recourse obligation on financing sold to Cagamas	(t)	**905,181**	1,499,270	682,679
Provision for taxation and zakat	(u)	**162,043**	109,256	52,931
Subordinated sukuk	(v)	**1,010,782**	1,010,723	1,010,637
		87,419,093	71,953,038	65,272,942
Islamic Banking Capital Funds				
Islamic Banking Funds	(d)	**863,719**	943,296	459,287
Share premium	(d)	**2,687,480**	2,488,400	2,488,400
Retained profits	(d)	**1,714,988**	1,383,544	1,271,180
Other reserves	(d)	**219,209**	241,937	166,507
		5,485,396	5,057,177	4,385,374
		92,904,489	77,010,215	69,658,316
Commitments and contingencies	(cc)	**29,167,879**	21,354,255	17,960,933

The accompanying notes provide further details on the balances as at reporting date.

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(b) Income statement for the financial year ended 31 December 2012

		Group	
	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	(w)	3,557,278	1,551,742
Expenses directly attributable to depositors and Islamic Banking Funds		(69,876)	(1,705)
Gross attributable income		3,487,402	1,550,037
Writeback of/(allowance for) impairment losses on financing and advances	(x)	33,701	(61,343)
Total attributable income		3,521,103	1,488,694
Income attributable to the depositors	(y)	(1,757,225)	(729,158)
Income attributable to the Group		1,763,878	759,536
Income derived from investment of Islamic Banking Funds	(z)	310,838	153,652
		2,074,716	913,188
Finance cost		(41,913)	(21,186)
Overhead expenses	(aa)	(710,799)	(324,877)
Profit before taxation and zakat		1,322,004	567,125
Taxation	(bb)	(315,846)	(136,866)
Zakat		(16,613)	(5,673)
Profit for the year/period		989,545	424,586

The accompanying notes provide further details on the amounts recorded for the financial year ended 31 December 2012 and for the six-month period ended 31 December 2011.

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(b) Income statement for the financial year ended 31 December 2012 (cont'd.)

For consolidation with the conventional banking operations, income from Islamic Banking Scheme as shown on the face of the consolidated income statements, comprises the following items:

	Group	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Gross attributable income	**3,487,402**	1,550,037
Income derived from investment of Islamic Banking Funds	**310,838**	153,652
Total income before allowance for impairment on financing and advances, and overhead expenses	**3,798,240**	1,703,689
Income attributable to the depositors	**(1,757,225)**	(729,158)
	2,041,015	974,531
Finance cost	**(41,913)**	(21,186)
Net of intercompany income and expenses	**197,157**	54,692
Income from Islamic Banking Scheme operations reported in the income statement of the Group	**2,196,259**	1,008,037

(c) Statement of comprehensive income for the financial year ended 31 December 2012

	Group	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Profit for the year/period	**989,545**	424,586
Other comprehensive (loss)/income:		
Foreign currency translation	**(33,499)**	3,438
Net (loss)/gain on revaluation of financial investments available-for-sale	**(27,049)**	50,124
Income tax relating to components of other comprehensive income	**6,148**	(12,588)
Other comprehensive (loss)/income for the year/period, net of tax	**(54,400)**	40,974
Total comprehensive income for the year/period	**935,145**	465,560

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) Statement of changes in Islamic Banking Fund

Group As at 31.12.2012	← Non-distributable						→		
	Islamic Banking Fund RM'000	Share Premium RM'000	Unrealised Holding Reserve RM'000	Exchange Fluctuation Reserve RM'000	Statutory Reserve RM'000	*Equity contribution from the holding company RM'000	Profit Equalisation Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 January 2012									
– as reported under FRS	943,296	2,488,400	55,314	794	147,338	1,697	34,456	1,383,544	5,054,839
– effects of adoption of MFRS, as described in (Note 2.4(i)(a))	–	–	2,338	–	–	–	–	–	2,338
At 1 January 2012, under MFRS	943,296	2,488,400	57,652	794	147,338	1,697	34,456	1,383,544	5,057,177
Profit for the year	–	–	–	–	–	–	–	989,545	989,545
Other comprehensive loss	–	–	(20,901)	(33,499)	–	–	–	–	(54,400)
Total comprehensive (loss)/ income for the year	–	–	(20,901)	(33,499)	–	–	–	989,545	935,145
Transfer (to)/from conventional banking operations	(101,697)	–	–	31,672	–	–	–	(2,907)	(72,932)
Issue of ordinary shares	22,120	199,080	–	–	–	–	–	–	221,200
Dividend on ordinary shares	–	–	–	–	–	–	–	(655,194)	(655,194)
At 31 December 2012	863,719	2,687,480	36,751	(1,033)	147,338	1,697	34,456	1,714,988	5,485,396

* Arose from waiver of intercompany balance between respective subsidiaries on the instruction of the holding company.

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) Statement of changes in Islamic Banking Fund (cont'd.)

	← Non-distributable						→		
Group As at 31.12.2011	Islamic Banking Fund RM'000	Share Premium RM'000	Unrealised Holding Reserve RM'000	Exchange Fluctuation Reserve RM'000	Statutory Reserve RM'000	*Equity contribution from the holding company RM'000	Profit Equalisation Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 July 2011									
– as reported under FRS	459,287	2,488,400	18,882	(2,644)	147,338	1,697	–	1,271,180	4,384,140
– effects of adoption of MFRS, as described in (Note 2.4(i)(a))	–	–	1,234	–	–	–	–	–	1,234
At 1 July 2011, under MFRS	459,287	2,488,400	20,116	(2,644)	147,338	1,697	–	1,271,180	4,385,374
Profit for the period	–	–	–	–	–	–	–	424,586	424,586
Other comprehensive income	–	–	37,536	3,438	–	–	–	–	40,974
Total comprehensive income for the period	**–**	**–**	**37,536**	**3,438**	**–**	**–**	**–**	**424,586**	**465,560**
Transfer (to)/from conventional banking operations	484,009	–	–	–	–	–	–	(330)	483,679
Dividend on ordinary shares	–	–	–	–	–	–	–	(311,892)	(311,892)
Reversal of PER under the previous guideline (Note 57(s))	–	–	–	–	–	–	–	34,456	34,456
Net transfer for the period (Note 57(s))	–	–	–	–	–	–	34,456	(34,456)	–
At 31 December 2011	943,296	2,488,400	57,652	794	147,338	1,697	34,456	1,383,544	5,057,177

* Arose from waiver of intercompany balance between respective subsidiaries on the instruction of the holding company.

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

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) **Statement of cash flows for the financial year ended 31 December 2012**

	Group	
	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	**1,322,004**	567,125
Adjustments for:		
Allowance for impairment on financing and advances	**73,872**	109,955
Amortisation of premiums less accretion of discounts	**(69,871)**	(440)
Unrealised (gain)/loss on revaluation of derivatives	**(24,369)**	30,294
Unrealised gain on revaluation of financial assets at fair value through profit or loss	**(9,479)**	(577)
Gain on disposal of financial investments available-for-sale	**(126,349)**	(17,638)
Gain on disposal of financial assets at fair value through profit or loss	**(12,599)**	(1,493)
Gain on foreign exchange transactions	**(14,430)**	(15,969)
Depreciation of property, plant and equipment (Note 57(aa))	**705**	624
Amortisation of computer software (Note 57(aa))	**1,148**	1,100
ESS expenses	**1,409**	968
Operating profit before working capital changes	**1,142,041**	673,949
Change in deposits and placements with financial institutions	**136,358**	(35,774)
Change in financing and advances	**(9,879,391)**	(5,608,518)
Change in derivative assets and liabilities	**22,141**	(1,171)
Change in other assets	**(832,446)**	256,789
Change in statutory deposit with central banks	**(564,200)**	(920,900)
Change in deposits from customers	**12,244,158**	8,216,256
Change in deposits and placements from financial institutions	**3,756,784**	(1,842,619)
Change in bills and acceptances payable	**(84,488)**	(611,113)
Net purchase of financial investments portfolio	**(1,008,406)**	(1,757,520)
Change in other liabilities	**128,470**	72,695
Cash generated from/(used in) operations	**5,061,021**	(1,557,926)
Taxes and zakat paid	**(295,858)**	(115,036)
Net cash generated from/(used in) operating activities	**4,765,163**	(1,672,962)

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) Statement of cash flows for the financial year ended 31 December 2012 (cont'd.)

	Group	
	1.1.2012 to 31.12.2012 RM'000	**1.7.2011 to 31.12.2011 RM'000**
Cash flows from financing activities		
Dividend paid	**(221,200)**	(311,892)
Dividend paid for Subordinated Sukuk	**(41,854)**	(21,100)
Proceeds from issuance of shares	**221,200**	–
Funds transferred (to)/from holding company	**(72,932)**	483,679
Financing sold to Cagamas, net	**(594,089)**	816,591
Net cash (used in)/generated from financing activities	**(708,875)**	967,278
Cash flows from investing activities		
Proceeds from disposal of properly, plant and equipment	**(55)**	(177)
Purchase of property, plant and equipment	**(227)**	(3,167)
Purchase of intangible asset	**(847)**	(3,878)
Net cash used in investing activities	**(1,019)**	(6,868)
Net increase/(decrease) in cash and cash equivalents	**4,055,269**	(712,552)
Cash and cash equivalents at beginning of year/period	**8,971,617**	9,684,169
Cash and cash equivalents at end of year/period	**13,026,886**	8,971,617

(f) Cash and short-term funds

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Cash, bank balances and deposits with financial institutions	**2,273,776**	1,768,413	1,517,079
Money at call	**10,753,110**	7,203,204	8,167,090
	13,026,886	8,971,617	9,684,169

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(g) Deposits and placements with financial institutions

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Licensed banks	**293,511**	429,699	393,799
Bank Negara Malaysia	**41**	211	337
	293,552	429,910	394,136

(h) Financial investments portfolio

		Group		
	Note	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Financial assets at fair value through profit or loss	(i)	**4,098,406**	2,360,877	513,225
Financial investments available-for-sale	(ii)	**5,579,110**	6,232,746	6,261,270
Financial investments held-to-maturity	(iii)	**132,982**	50,424	50,542
		9,810,498	8,644,047	6,825,037

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(h) Financial investments portfolio (cont'd.)

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

	Group		
	As at 31.12.2012 RM'000	As at 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	–
Foreign Certificates of Deposits	–	145,985	240,592
Bank Negara Malaysia Monetary Notes	4,048,385	1,882,849	242,352
	4,048,385	2,360,877	513,225
Unquoted securities:			
Islamic private debt securities in Malaysia	50,021	–	–
Total financial assets at fair value through profit or loss	4,098,406	2,360,877	513,225

(ii) Financial investments available-for-sale

	Group		
	As at 31.12.2012 RM'000	As at 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
Malaysian Government Investment Issues	1,814,145	3,156,264	3,789,348
Foreign Government Treasury Bills	44,028	50,097	49,414
Negotiable instruments of deposits	582,396	952,927	249,219
Bankers' acceptances and Islamic accepted bills	520,789	4,117	220,933
Khazanah bonds	102,185	246,209	236,252
Bank Negara Malaysia Monetary Notes	267,011	–	–
	3,361,138	4,570,637	4,740,267

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(h) Financial investments portfolio (cont'd.)

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

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Unquoted securities:			
Islamic private debt securities in Malaysia	**2,026,162**	1,442,258	1,352,717
Foreign Islamic debt securities	**6,176**	33,146	50,986
Malaysian Government Bond	**185,634**	186,705	117,300
	2,217,972	1,662,109	1,521,003
Total financial investments available-for-sale	**5,579,110**	6,232,746	6,261,270

(iii) Financial investments held-to-maturity

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
At amortised cost			
Money market instruments:			
Foreign Certificates of Deposits	**132,982**	–	–
Malaysian Government Investment Issues	**–**	50,424	50,542
Total financial investments held-to-maturity	**132,982**	50,424	50,542

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(h) Financial investments portfolio (cont'd.)

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

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Maturing within one year	**1,545,455**	1,261,117	941,973
One year to three years	**124,425**	774,224	454,051
Three years to five years	**709,912**	868,555	1,138,278
After five years	**1,114,328**	1,717,165	2,256,507
	3,494,120	4,621,061	4,790,809

(i) Financing and advances

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Cashline	**2,327,525**	2,103,900	2,027,371
Term financing			
– House financing	**10,046,199**	7,275,137	6,237,944
– Syndicated financing	**292,290**	632,750	235,582
– Hire purchase receivables	**20,080,150**	19,666,858	18,880,751
– Other term financing	**62,592,868**	43,787,468	37,591,734
Bills receivables	**123**	4,610	2,201
Trust receipts	**184,782**	204,263	170,724
Claims on customers under acceptance credit	**3,706,533**	3,507,816	3,648,182
Staff financing	**1,048,592**	427,004	782,675
Credit card receivables	**365,908**	340,254	307,454
Revolving credits	**4,554,279**	4,315,880	3,319,247
	105,199,249	82,265,940	73,203,865
Unearned income	**(42,264,783)**	(28,894,399)	(25,341,649)
Gross financing and advances*	**62,934,466**	53,371,541	47,862,216
Allowances for impaired on financing and advances			
– Individual allowance	**(95,836)**	(298,840)	(354,688)
– Collective allowance	**(607,837)**	(647,427)	(580,818)
Net financing and advances	**62,230,793**	52,425,274	46,926,710

* Included in gross financing and advances are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA") amounting to RM650.0 million (31 December 2011: RM650.0 million and 1 July 2011: RM650.0 million), an arrangement between Maybank Islamic Berhad ("MIB") and the Bank, where the risks and rewards of the RPSIA will be accounted by the Bank including the individual and collective allowances, as disclosed in Note 57(i)(viii).

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

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

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Bai' Bithaman Ajil	**20,707,059**	18,365,967	17,932,184
Al-Ijarah Thumma Al-Bai ("AITAB")	**17,181,377**	16,645,357	15,862,573
Murabahah	**20,197,590**	14,473,620	11,859,082
Al-Ijarah Muntahiyah Bi-Tamleek	**292,290**	632,750	235,581
Musharakah Mutanaqisah	**4,328,562**	2,852,124	1,625,386
Others	**227,588**	401,723	347,410
Gross financing and advances	**62,934,466**	53,371,541	47,862,216

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

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Domestic non-banking institutions	**5,396,824**	5,294,637	4,428,924
Domestic business enterprises			
– Small and medium enterprises	**8,439,161**	6,611,292	4,364,401
– Others	**7,872,719**	6,534,016	7,209,199
Government and statutory bodies	**766,771**	318,878	295,958
Individuals	**39,490,687**	33,007,601	30,674,052
Other domestic entities	**314,476**	137,876	9,454
Foreign entities	**653,828**	1,467,241	880,228
Gross financing and advances	**62,934,466**	53,371,541	47,862,216

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

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

	Group		
	As at 31.12.2012 RM'000	As at 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	**12,744,777**	6,185,649	5,737,136
Floating rate			
– House financing	**7,862,897**	4,748,777	2,682,324
– Other financing	**22,456,164**	22,898,765	20,901,555
Gross financing and advances	**62,934,466**	53,371,541	47,862,216

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

	Group		
	As at 31.12.2012 RM'000	As at 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	**17,296,633**	16,767,735	15,903,267
Purchase of landed properties			
– Residential	**10,271,665**	7,440,476	6,386,760
– Non-residential	**2,667,031**	1,269,053	901,487
Personal use	**1,167,088**	1,000,365	864,989
Consumer durables	**1**	3	13
Construction	**2,216,780**	2,625,570	1,714,608
Working capital	**17,474,336**	15,277,873	13,215,089
Credit/charge cards	**665,221**	555,124	307,454
Other purposes	**588,475**	372,679	598,241
Gross financing and advances	**62,934,466**	53,371,541	47,862,216

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

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

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Maturing within one year	**6,974,574**	7,701,566	7,297,630
One year to three years	**2,754,882**	2,704,577	2,025,015
Three years to five years	**9,200,849**	8,981,633	7,936,811
After five years	**44,004,161**	33,983,765	30,602,760
Gross financing and advances	**62,934,466**	53,371,541	47,862,216

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

	Group	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Gross impaired financing at 1 January 2012/1 July 2011	**811,973**	928,549
Newly impaired	**554,416**	316,586
Reclassified as non-impaired	**(241,010)**	(220,452)
Amount recovered	**(319,372)**	(120,539)
Expenses debited to customers' accounts	**24,966**	9,448
Amount written off	**(299,925)**	(101,619)
Gross impaired financing at 31 December	**531,048**	811,973
Less: Individual allowance	**(95,836)**	(298,840)
Net impaired financing at 31 December	**435,212**	513,133
Calculation of ratio of net impaired financing:		
Gross financing and advances (excluding RPSIA financing)	**62,284,466**	52,721,541
Less: Individual allowance	**(95,836)**	(298,840)
Net financing and advances	**62,188,630**	52,422,701
Net impaired financing as a percentage of net financing and advances	**0.70%**	0.98%

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

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

	Group		
	As at 31.12.2012 RM'000	**As at 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**	13,198	12,101
Consumer durables	**3**	3	3
Construction	**51,948**	56,599	73,657
Working capital	**265,550**	504,002	557,794
Credit/charge cards	**4,554**	6,580	4,884
	531,048	811,973	928,549

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

	Group	
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**
Individual allowance		
At 1 January 2012/1 July 2011	**298,840**	354,688
Allowance made (Note 57(x))	**63,616**	28,449
Amount written back in respect of recoveries (Note 57(x))	**(61,863)**	(38,004)
Amount written off	**(204,688)**	(45,554)
Transferred to collective allowance	**–**	(739)
Exchange differences	**(69)**	–
At 31 December	**95,836**	298,840

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

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

	Group	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Collective allowance		
At 1 January 2012/1 July 2011	**647,427**	580,818
Amount transferred from Maybank International (L) Ltd. conventional banking operation	**–**	4,153
Allowance made* (Note 57(x))	**56,496**	117,604
Amount written off	**(95,237)**	(56,065)
Transferred from individual allowance	**–**	739
Exchange differences	**(849)**	178
At 31 December	**607,837**	647,427
As a percentage of gross financing and advances (excluding RPSIA financing) less individual allowance	**0.98%**	1.24%

* As at 31 December 2012, the gross exposures to RPSIA financing is RM650.0 million (31 December 2011: RM650.0 million and 1 July 2011: RM650.0 million) is excluded from gross financing and advances for the individual and collective allowance computation. The collective allowance relating to this RPSIA amounting RM1.5 million (31 December 2011: RM1.5 million and 1 July 2011: RM1.8 million) is recognised in the Group's conventional banking operations. There was no individual allowance provided on this RPSIA financing.

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(j) Derivative financial instruments

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

	Group								
	As at 31.12.2012			As at 31.12.2011			As at 1.7.2011		
		Fair values			Fair values			Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
TRADING DERIVATIVES									
Foreign exchange related 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 swaps									
–Less than one year	474,400	9,305	–	–	–	–	–	–	–
Currency spots									
– 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	–	–	–	35,500	–	–	573,300	2,462	(44,206)
– More than three years	400,000	–	(62,394)	200,000	722	(40,881)	–	–	–
Cross currency profit rate swaps									
– More than three years	300,500	6,476	(6,476)	300,500	7,104	(7,104)	–	–	–
	1,737,618	15,859	(81,217)	2,034,332	28,023	(67,705)	1,602,664	11,394	(53,068)

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(j) Derivative financial instruments (cont'd.)

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

	Group								
	As at 31.12.2012			As at 31.12.2011			As at 1.7.2011		
		Fair values			Fair values			Fair values	
	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000	Principal amount RM'000	Assets RM'000	Liabilities RM'000
HEDGING DERIVATIVES									
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	258,631	9,842	(8,920)	317,500	–	(4,110)	–	–	–
	4,267,719	32,368	(32,763)	2,117,500	175	(28,474)	1,600,000	3,252	(436)
Total	6,005,337	48,227	(113,980)	4,151,832	28,198	(96,179)	3,202,664	14,646	(53,504)

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(k) Other assets

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Amount due from holding company	**4,169,838**	3,726,917	3,770,088
Prepayment and deposits	**102,752**	74,910	51,286
Other debtors	**618,610**	690,921	915,940
	4,891,200	4,492,748	4,737,314

(l) **Statutory deposits with central banks**

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

(m) **Property, plant and equipment**

	Group			
As at 31.12.2012	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Motor Vehicles RM'000	Total RM'000
COST				
At 1 January 2012	**3,150**	**1,746**	**908**	**5,804**
Additions	**21**	**206**	**–**	**227**
Disposals	**–**	**–**	**(336)**	**(336)**
Exchange differences	**(326)**	**(158)**	**(64)**	**(548)**
At 31 December 2012	**2,845**	**1,794**	**508**	**5,147**
ACCUMULATED DEPRECIATION				
At 1 January 2012	**1,196**	**1,442**	**615**	**3,253**
Charge for the year (Note 57(aa))	**597**	**91**	**17**	**705**
Disposals	**–**	**–**	**(281)**	**(281)**
Exchange differences	**(116)**	**(142)**	**(80)**	**(338)**
At 31 December 2012	**1,677**	**1,391**	**271**	**3,339**
NET CARRYING AMOUNT				
At 31 December 2012	**1,168**	**403**	**237**	**1,808**

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(m) Property, plant and equipment (cont'd.)

	Group			
As at 31.12.2011	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Motor Vehicles RM'000	Total RM'000
COST				
At 1 July 2011	1,379	1,481	992	3,852
Additions	2,540	273	354	3,167
Disposals	(757)	–	–	(757)
Write offs	(3)	–	(433)	(436)
Exchange differences	(9)	(8)	(5)	(22)
At 31 December 2011	3,150	1,746	908	5,804
ACCUMULATED DEPRECIATION				
At 1 July 2011	1,263	1,370	872	3,505
Charge for the period (Note 57(aa))	521	80	23	624
Disposals	(580)	–	–	(580)
Write offs	(1)	–	(275)	(276)
Exchange differences	(7)	(8)	(5)	(20)
At 31 December 2011	1,196	1,442	615	3,253
NET CARRYING AMOUNT				
At 31 December 2011	1,954	304	293	2,551

(n) Intangible asset

	Group	
Computer software	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
COST		
At 1 January 2012/1 July 2011	**6,535**	2,672
Additions	**847**	3,878
Exchange differences	**(616)**	(15)
At 31 December	**6,766**	6,535

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(n) Intangible asset (cont'd.)

	Group	
Computer software (cont'd.)	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
ACCUMULATED AMORTISATION		
At 1 January 2012/1 July 2011	**2,834**	1,754
Amortisation charged (Note 57(aa))	**1,148**	1,100
Exchange differences	**(333)**	(20)
At 31 December	**3,649**	2,834
NET CARRYING AMOUNT		
At 31 December	**3,117**	3,701

(o) Deferred tax assets

	Group	
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
At 1 January 2012/1 July 2011, as reported under FRS	**(178,148)**	(161,550)
– effects of adoption of MFRS (Note 2.4(vii)(a))	**779**	411
At 1 January 2012/1 July 2011, under MFRS	**(177,369)**	(161,139)
Recognised in income statements (Note 57(bb))	**(16,186)**	(28,822)
Recognised in other comprehensive income, net	**(6,148)**	12,588
Exchange differences	**295**	4
At 31 December	**(199,408)**	(177,369)

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(o) Deferred tax assets (cont'd.)

	Group			
	Allowances for losses on financing and advances RM'000	Unrealised holding reserve, impairment loss on financial investments and amortisation of premium RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2012				
– as reported under FRS	**(171,672)**	**(4,373)**	**(2,103)**	**(178,148)**
– effects of adoption of MFRS (Note 2.4(vii)(a))	**–**	**779**	**–**	**779**
At 1 January 2012, under MFRS	**(171,672)**	**(3,594)**	**(2,103)**	**(177,369)**
Recognised in income statements	**(15,522)**	**–**	**(664)**	**(16,186)**
Recognised in other comprehensive income	**–**	**(6,148)**	**–**	**(6,148)**
Exchange differences	**295**	**–**	**–**	**295**
At 31 December 2012	**(186,899)**	**(9,742)**	**(2,767)**	**(199,408)**
At 1 July 2011				
– as reported under FRS	(142,558)	(16,890)	(2,102)	(161,550)
– effects of adoption of MFRS (Note 2.4(vii)(a))	–	411	–	411
At 1 July 2011, under MFRS	(142,558)	(16,479)	(2,102)	(161,139)
Recognised in income statements	(29,114)	297	(5)	(28,822)
Recognised in other comprehensive income	–	12,588	–	12,588
Exchange differences	–	–	4	4
At 31 December 2011	(171,672)	(3,594)	(2,103)	(177,369)

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(p) Deposits from customers

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Mudharabah Fund			
Demand deposits	**7,044,116**	3,603,096	3,777,414
Savings deposits	**579,823**	508,499	423,091
General investment deposits	**15,909,017**	20,917,948	17,146,396
Negotiable instruments of deposits	**242,623**	257,716	242,829
	23,775,579	25,287,259	21,589,730
Non-Mudharabah Fund			
Demand deposits	**7,961,812**	5,866,894	5,734,190
Savings deposits	**8,011,365**	6,689,436	6,178,284
Fixed return investment deposits	**31,223,265**	21,046,377	16,845,483
Structured deposits*	**347,614**	200,434	542,583
	47,544,056	33,803,141	29,300,540
	71,319,635	59,090,400	50,890,270

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

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

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Due within six months	**40,864,763**	36,797,365	31,271,526
Six months to one year	**6,290,011**	5,138,961	2,662,796
One year to three years	**71,217**	126,498	139,286
Three years to five years	**148,914**	159,217	161,100
	47,374,905	42,222,041	34,234,708

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(p) Deposits from customers (cont'd.)

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

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Business enterprises	**31,018,924**	28,267,971	20,062,432
Individuals	**20,598,238**	15,054,874	13,884,343
Government and statutory bodies	**9,617,278**	7,354,080	6,775,033
Others	**10,085,195**	8,413,475	10,168,462
	71,319,635	59,090,400	50,890,270

(q) Deposits and placements from financial institutions

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Mudharabah Fund			
Licensed banks*	**8,025,911**	5,342,341	6,119,038
Licensed investment banks	**18,000**	–	–
Other financial institutions	**422,458**	543,834	2,781,429
	8,466,369	5,886,175	8,900,467
Non-Mudharabah Fund			
Licensed banks	**4,574,958**	3,376,362	2,202,728
Other financial institutions	**164,915**	186,921	188,882
	4,739,873	3,563,283	2,391,610
	13,206,242	9,449,458	11,292,077

* Included in the deposits and placements from licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by the Group's conventional operations amounting to RM685.0 million (31 December 2011: RM650.0 million and 1 July 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 investor solely provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne by the depositors.

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(r) Other liabilities

	Group		
	As at 31.12.2012 RM’000	As at 31.12.2011 RM’000	As at 1.7.2011 RM’000
Profit equalisation reserves (Note 57(s))	**59,852**	59,852	95,247
Due to holding company	**103,933**	68,613	28,326
Other creditors, provisions and accruals	**117,696**	65,050	51,921
	281,481	193,515	175,494

(s) Profit Equalisation Reserves (“PER”)

	Group	
	As at 31.12.2012 RM’000	As at 31.12.2011 RM’000
At 1 January 2012/1 July 2011	**59,852**	95,247
Transfer to non-distributable profit equalisation reserves	–	(34,456)
Distribution to Investment Account Holder	–	(1,189)
Exchange differences	–	250
At 31 December*	**59,852**	59,852

* PER at the end of the financial year of which the IBI’s portion is RM Nil (31 December 2011: RM Nil and 1 July 2011: RM34.5 million). Under the new BNM PER Guideline, the PER of IBI is to be classified as a separate reserve in equity.

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(t) Recourse obligation on financing sold to Cagamas

	Group	
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**
At 1 January 2012/1 July 2011, as reported under FRS	**—**	—
— effects of adoption of MFRS (Note 2.4(vii)(a))	**1,499,270**	682,679
At 1 January 2012/1 July 2011, under MFRS	**1,499,270**	682,679
Amount sold during the year/period	**—**	1,000,000
Repayment forwarded	**(594,089)**	(183,409)
At 31 December	**905,181**	1,499,270

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.

(u) Provision for taxation and zakat

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Taxation	**145,597**	80,621	33,024
Zakat	**16,446**	28,635	19,907
	162,043	109,256	52,931

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(v) Subordinated sukuk

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
RM1,000 million subordinated sukuk due in 2021	**1,010,782**	1,010,723	1,010,637

On 31 March 2011, Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank, issued RM1.0 billion nominal value Tier 2 Islamic subordinated sukuk ("the Sukuk") under the Shariah principle of Musyarakah. The Sukuk carries a tenure of 10 years from 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 is due in March 2021. The subsidiary 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 subsidiary 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 Maybank Islamic Berhad except for liabilities of Maybank Islamic Berhad which by their terms rank pari passu in right and priority of payment with the Sukuk.

(w) Income derived from investment of depositors' funds

	Group	
	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	**2,352,213**	1,100,851
(ii) Other deposits	**1,205,065**	450,891
	3,557,278	1,551,742

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

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

(i) Income derived from investment of general investment deposits:

	Group	
	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	**1,800,526**	934,167
Financial investments AFS	**106,213**	66,604
Financial investments HTM	**2,592**	3,122
Financial assets at FVTPL	**2,256**	1,992
Money at call and deposits and placements with financial institutions	**156,203**	38,376
	2,067,790	1,044,261
Amortisation of premiums less accretion of discounts, net	**44,361**	(303)
Total finance income and hibah	**2,112,151**	1,043,958
Other operating income:		
(a) Fee income	**163,641**	53,098
(b) Gain on disposal of financial assets at FVTPL	**8,001**	1,016
(c) Gain on disposal of financial investments AFS	**36,199**	8,938
(d) Unrealised gain/(loss) on revaluation of:		
– Financial assets at FVTPL	**6,020**	393
– Derivatives	**15,476**	(20,603)
(e) Foreign exchange gain, net	**8,208**	9,782
(f) Net profit on derivatives	**2,517**	4,269
	2,352,213	1,100,851

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

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

(ii) Income derived from investment of other deposits:

	Group	
	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	**922,480**	382,253
Financial investments AFS	**54,647**	27,178
Financial investments HTM	**1,048**	1,046
Financial assets at FVTPL	**1,161**	813
Money at call and deposits and placements with financial institutions	**79,599**	16,427
	1,058,935	427,717
Amortisation of premiums less accretion of discounts, net	**22,823**	(124)
Total finance income and hibah	**1,081,758**	427,593
Other operating income:		
(a) Fee income	**84,166**	21,690
(b) Gain on disposal of financial assets at FVTPL	**4,117**	414
(c) Gain on disposal of financial investments AFS	**18,625**	3,647
(d) Unrealised gain/(loss) on revaluation of:		
– Financial assets at FVTPL	**3,097**	160
– Derivatives	**7,962**	(8,407)
(e) Foreign exchange gain, net	**4,045**	4,052
(f) Net profit on derivatives	**1,295**	1,742
	1,205,065	450,891

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(x) (Writeback of)/allowance for impairment losses on financing and advances

	Group	
	1.1.2012 to 31.12.2012 RM'000	**1.7.2011 to 31.12.2011 RM'000**
Individual allowance		
– Allowance made (Note 57 (i)(viii))	**63,616**	28,449
– Amount written back (Note 57 (i)(viii))	**(61,863)**	(38,004)
Collective allowance (Note 57 (i)(viii))	**56,496**	117,604
Bad financing:		
– Written off	**15,623**	1,906
– Recovered	**(107,573)**	(48,612)
	(33,701)	61,343

(y) Income attributable to depositors

	Group	
	1.1.2012 to 31.12.2012 RM'000	**1.7.2011 to 31.12.2011 RM'000**
Deposits from customers		
– Mudharabah Fund	**571,742**	233,100
– Non-Mudharabah Fund	**836,335**	322,695
Deposits and placements from financial institutions		
– Mudharabah Fund	**346,424**	171,937
– Non-Mudharabah Fund	**2,724**	1,426
	1,757,225	729,158

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(z) Income derived from investment of Islamic Banking Funds

	Group	
	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	144,415	70,349
Financial assets at FVTPL	136	125
Financial investments AFS	6,391	4,149
Financial investments HTM	28,547	2,623
Money at call and deposits and placements with financial institutions	15,134	7,819
	194,623	85,065
Amortisation of premiums less accretion of discounts, net	2,687	(13)
Total finance income and hibah	197,310	85,052
Other operating income:		
(a) Fee income		
– Commissions	4,379	1,688
– Service charges and fees	29,186	58,858
– Other fee income	4,336	1,797
(b) Gain on disposal of financial assets at FVTPL	481	63
(c) Gain on disposal of financial investments AFS	71,525	5,053
(d) Unrealised gain/(loss) on revaluation of:		
– Financial assets at FVTPL	362	24
– Derivatives	931	(1,284)
(e) Foreign exchange gain	2,177	2,135
(f) Net profit on derivatives	151	266
	310,838	153,652

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(aa) Overhead expenses

	Group	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Personnel expenses		
– Salaries and wages	24,397	9,928
– Social security cost	76	26
– Pension cost – defined contribution plan	3,168	1,718
– ESS expenses	1,409	968
– Other staff related expenses	5,728	1,748
Sub-total	34,778	14,388
Establishment costs		
– Depreciation of property, plant and equipment (Note 57(m))	705	624
– Amortisation of computer software (Note 57(n))	1,148	1,100
– Information technology expenses	138	485
– Others	3,060	2,459
Sub-total	5,051	4,668
Marketing costs		
– Advertisement and publicity	6,058	4,252
– Others	69	113
Sub-total	6,127	4,365

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(aa) Overhead expenses (cont'd.)

	Group	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Administration and general expenses		
– Fees and brokerage	**48,644**	7,516
– Administrative expenses	**7,213**	2,819
– General expenses	**3,767**	7,572
Sub-total	**59,624**	17,907
Shared service cost paid/payable to Maybank	**605,219**	283,549
Total	**710,799**	324,877
Included in overhead expenses are:		
Shariah Committee Members' fee and remuneration	**370**	174

(bb) Taxation

	Group	
	1.1.2012 to 31.12.2012 RM'000	1.7.2011 to 31.12.2011 RM'000
Tax expense for the year/period	**332,032**	165,688
Deferred tax in relation to origination and reversal of temporary differences (Note 57(o))	**(16,186)**	(28,822)
	315,846	136,866

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(cc) Commitments and contingencies

In the normal course of business, the Group 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 Group as at each reporting date are as follows:

Group	As at 31.12.2012			As at 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
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	1,094,396	529,861	506,467	989,824	489,139	420,439	955,563	475,622	425,774
Short-term self-liquidating trade-related contingencies	173,295	25,222	16,097	278,197	55,333	33,029	104,555	20,869	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	11,852,846	173,764	58,462
– maturity exceeding one year	4,507,940	2,509,371	708,572	2,289,825	1,117,988	333,118	1,573,404	345,905	208,332
Foreign exchange related contract:									
– 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
– five years and above	–	–	–	150,000	9,000	1,800	–	–	–
Commodity related contracts:									
– less than one year	–	–	–	35,500	89	18	36,000	91	19
Miscellaneous	4,752	–	–	12,663	–	–	13,076	–	–
	29,167,879	5,911,122	2,929,104	21,354,255	2,538,768	1,273,405	17,960,933	1,344,218	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.

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(dd) Capital adequacy

The capital adequacy ratios of the Group as at the following dates are as follows:

	Group - Basel II		
	As at 31.12.2012	As at 31.12.2011	As at 1.7.2011
Core capital ratio	**11.63%**	10.57%	11.04%
Risk-weighted capital ratio	**13.36%**	13.23%	13.71%

Components of Tier 1 and Tier 2 capital:

	Group		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Eligible Tier 1 capital			
Islamic banking fund	**437,307**	446,374	448,264
Share premium	**2,687,480**	2,488,400	2,488,400
Other reserves	**1,792,684**	1,478,455	1,366,209
Less: Deferred tax assets[1]	**(199,408)**	(178,148)	(161,550)
Total Eligible Tier 1 capital	**4,718,063**	4,235,081	4,141,323
Eligible Tier 2 capital			
Subordinated sukuk	**1,000,000**	1,000,000	1,000,000
Collective allowance on financing and advances[2]	**90,304**	102,041	101,480
Less: Surplus of total EL over total EP[3]	**(390,447)**	(36,645)	(101,883)
Total Eligible Tier 2 capital	**699,857**	1,065,396	999,597
Capital base	**5,417,920**	5,300,477	5,140,920

1 Under BNM Guidelines, deferred tax assets is required to be excluded from Tier 1 Capital.
2 Excluding collective allowance for certain financing and advances.
3 EL is defined as expected loss and EP is defined as eligible provision.

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(dd) Capital adequacy (cont'd.)

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

	Group - Basel II		
	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.7.2011 RM'000
Standardised Approach exposure	**2,938,325**	4,832,915	4,269,621
Internal Ratings-Based Approach exposure after scaling factor	**32,563,904**	28,214,052	23,571,746
Total risk-weighted assets for credit risk	**35,502,229**	33,046,967	27,841,367
Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad*	**(127,317)**	(205,926)	(206,402)
Total risk-weighted assets for market risk	**1,052,409**	625,220	294,658
Total risk-weighted assets for operational risk	**3,155,379**	2,691,853	2,426,561
Additional risk-weighted asset due to capital floor	**968,146**	3,891,670	7,145,554
Total risk-weighted assets	**40,550,846**	40,049,784	37,501,738

* In accordance with BNM 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 of the IBS operations.

(ee) Fair values of financial assets and liabilities

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

Group	As at 31.12.2012		As at 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						
Financial investments held-to-maturity	**132,982**	**132,982**	50,424	50,445	50,542	50,568
Financing and advances	**62,230,793**	**62,729,807**	52,425,274	53,787,555	46,926,710	47,841,322
Financial liabilities						
Deposits from customers	**71,319,635**	**71,367,996**	59,090,400	59,579,365	50,890,270	50,911,773
Deposits and placements from financial institutions	**13,206,242**	**13,209,930**	9,449,458	9,536,089	11,292,077	11,348,363
Recourse obligation on financing sold to Cagamas	**905,181**	**916,544**	1,499,270	1,529,035	682,679	682,270
Subordinated sukuk	**1,010,782**	**1,034,112**	1,010,723	1,036,178	1,010,637	1,011,446

57. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ff) Shariah Committee

The operation of IBS is governed by Section 124(3) of the Banking and Financial Institutions Act, 1989 ("the Act"), which stipulates that "any licensed institution carrying on Islamic financial business, in addition to its existing licensed business may, from time to time seek the advice of the Shariah Advisory Council ("SAC") established under subsection seven (7) of the Act, on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam" and Section IV of BNM 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 Group's Shariah Committee are to advise on the overall Islamic Banking operations of the Group's business in order to ensure compliance with the Shariah requirements.

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

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

(b) To endorse Shariah Compliance Manuals;

(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 SCC on reference for advice.

The Shariah Committee at the Group level has four members. All of them are also members of Shariah Committee of Etiqa Takaful Berhad.

(gg) Allocation of income

The policy of allocation of income to the various types of deposits and investments is subject to "The Framework on Rate of Return" issued by BNM in October 2001. The objective is to set the minimum standard and terms of reference for the Islamic banking institutions in calculating and deriving the rate of return for the depositors.

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES

(a) Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital			Effective Interest		
			As at 31.12.2012 RM	As at 31.12.2011 RM	As at 1.7.2011 RM	As at 31.12.2012 %	As at 31.12.2011 %	As at 1.7.2011 %
BANKING								
Maybank Islamic Berhad	Islamic banking	Malaysia	**132,720,000**	110,600,000	110,600,000	**100.00**	100.00	100.00
PT Bank Maybank Syariah Indonesia [12]	Banking	Indonesia	**819,307,000,000** [1]	819,307,000,000 [1]	819,307,000,000 [1]	**100.00**	100.00	96.83
Maybank International (L) Ltd.	Offshore banking	Malaysia	**60,000,000** [2]	60,000,000 [2]	10,000,000 [2]	**100.00**	100.00	100.00
Maybank (PNG) Limited [13]	Banking	Papua New Guinea	**5,000,000** [3]	5,000,000 [3]	5,000,000 [3]	**100.00**	100.00	100.00
Maybank Philippines, Incorporated [12]	Banking	Philippines	**4,046,065,749** [4]	4,046,065,749 [4]	4,046,065,749 [4]	**99.97**	99.97	99.97
PT Bank Internasional Indonesia Tbk [12]	Banking	Indonesia	**3,407,411,000,000** [1]	3,407,411,000,000 [1]	3,407,411,000,000 [1]	**97.40**	97.40	97.40
Maybank (Cambodia) Plc. [12]	Banking	Cambodia	**50,000,000** [2]	–	–	**100.00**	–	–
FINANCE								
Myfin Berhad	Ceased operations	Malaysia	**551,250,000**	551,250,000	551,250,000	**100.00**	100.00	100.00
Aseamlease Berhad	Leasing	Malaysia	**20,012,001**	20,000,000	20,000,000	**100.00**	100.00	100.00
Maybank Allied Credit & Leasing Sdn. Bhd. (formerly known as Mayban Allied Credit & Leasing Sdn. Bhd.)	Financing	Malaysia	**10,000,000**	10,000,000	10,000,000	**100.00**	100.00	100.00
PT BII Finance Center [12]	Multi-financing	Indonesia	**32,720,000,000** [1]	32,720,000,000 [1]	15,000,000,000 [1]	**97.40**	97.40	97.40
PT Wahana Ottomitra Multiartha Tbk [12]	Multi-financing	Indonesia	**200,000,000,000** [1]	200,000,000,000 [1]	200,000,000,000 [1]	**60.39**	60.39	48.80
Kim Eng Finance (Singapore) Pte. Ltd. [12]	Money lending	Singapore	**2** [5]	2 [5]	2 [5]	**100.00**	100.00	96.87
INSURANCE								
Maybank Ageas Holdings Berhad (formerly known as Mayban Ageas Holdings Berhad)	Investment holding	Malaysia	**252,005,522**	252,005,522	252,005,522	**69.05**	69.05	69.05
Sri MLAB Berhad [15]	Under member's voluntary liquidation	Malaysia	**2**	2	100,000,000	**69.05**	69.05	69.05

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(a) **Details of the subsidiaries are as follows (cont'd.):**

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid–up Share Capital			Effective Interest		
			As at 31.12.2012 RM	As at 31.12.2011 RM	As at 1.7.2011 RM	As at 31.12.2012 %	As at 31.12.2011 %	As at 1.7.2011 %
INSURANCE (CONT'D.)								
Etiqa Life International (L) Ltd.	Offshore investment-linked insurance	Malaysia	**3,500,000 [2]**	3,500,000 [2]	3,500,000 [2]	**69.05**	69.05	69.05
Sri MGAB Berhad [15]	Under member's voluntary liquidation	Malaysia	**2**	2	2	**69.05**	69.05	69.05
Etiqa Insurance Berhad	General insurance, life insurance and investment-linked business	Malaysia	**152,151,399**	152,151,399	152,151,399	**69.05**	69.05	69.05
Etiqa Takaful Berhad	General takaful, family takaful and investment-linked business	Malaysia	**100,000,000**	100,000,000	100,000,000	**69.05**	69.05	69.05
Etiqa Offshore Insurance (L) Ltd.	Provision of bureau services in Federal Territory of Labuan	Malaysia	**2,500,000 [7]**	2,500,000 [7]	2,500,000 [7]	**69.05**	69.05	69.05
Etiqa International Holdings Sdn. Bhd.	Investment holding	Malaysia	**359,340,914**	359,340,914	359,340,914	**100.00**	100.00	100.00
AsianLife & General Assurance Corporation [12]	Insurance provider	Philippines	**362,500,090 [4]**	350,000,090 [4]	–	**35.90**	39.64	–

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid–up Share Capital As at 31.12.2012 RM	Issued and Paid–up Share Capital As at 31.12.2011 RM	Issued and Paid–up Share Capital As at 1.7.2011 RM	Effective Interest As at 31.12.2012 %	Effective Interest As at 31.12.2011 %	Effective Interest As at 1.7.2011 %
INSURANCE (CONT'D.)								
AsianLife Financial Assurance Corporation [13]	Insurance provider	Philippines	–	175,000,000 [4]	–	–	27.75	–
INVESTMENT BANKING								
Maybank Investment Bank Berhad	Investment banking	Malaysia	50,116,000	50,116,000	50,116,000	100.00	100.00	100.00
Maysec Sdn. Bhd.	Investment holding	Malaysia	162,000,000	162,000,000	162,000,000	100.00	100.00	100.00
Maysec (KL) Sdn. Bhd.	Dormant	Malaysia	124,000,000	124,000,000	124,000,000	100.00	100.00	100.00
Maydis Berhad	Liquidated	Malaysia	–	45,000,000	45,000,000	–	100.00	100.00
Mayban Futures Sdn. Bhd.	Dormant	Malaysia	10,000,000	10,000,000	10,000,000	100.00	100.00	100.00
Mayban Securities (HK) Limited [12]	Dormant	Hong Kong	30,000,000 [6]	30,000,000 [6]	30,000,000 [6]	100.00	100.00	100.00
Mayban Securities (Jersey) Limited [15]	Under member's voluntary liquidation	United Kingdom	2 [7]	2 [7]	2 [7]	100.00	100.00	100.00
PhileoAllied Securities (Philippines) Inc. [13]	Dormant	Philippines	21,875,000 [4]	21,875,000 [4]	21,875,000 [4]	100.00	100.00	100.00
Budaya Tegas Sdn. Bhd. [15]	Under member's voluntary liquidation	Malaysia	2	2	2	100.00	100.00	100.00
BinaFikir Sdn. Bhd.	Business/ Economic consultancy and advisory	Malaysia	650,000	650,000	650,000	100.00	100.00	100.00
Maybank IB Holdings Sdn. Bhd.	Investment holding	Malaysia	25,000,000	25,000,000	25,000,000	100.00	100.00	100.00
Maybank Kim Eng Holdings Limited [12]	Investment holding	Singapore	244,451,176 [5]	244,451,176 [5]	244,451,176 [5]	100.00	100.00	96.87

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital			Effective Interest		
			As at 31.12.2012 RM	As at 31.12.2011 RM	As at 1.7.2011 RM	As at 31.12.2012 %	As at 31.12.2011 %	As at 1.7.2011 %
INVESTMENT BANKING (CONT'D.)								
Maybank Kim Eng Securities Pte. Ltd. [12]	Dealing in securities	Singapore	**75,000,000 [5]**	75,000,000 [5]	75,000,000 [5]	**100.00**	100.00	96.87
Maybank Kim Eng Corporate Finance Pte. Ltd. [12]	Provision of corporate finance & advisory services	Singapore	**4,000,000 [5]**	1,000,000 [5]	1,000,000 [5]	**100.00**	100.00	96.87
PT Kim Eng Securities [12]	Dealing in securities	Indonesia	**50,000,000,000 [1]**	50,000,000,000 [1]	50,000,000,000 [1]	**80.00**	80.00	77.50
Kim Eng Research Sdn. Bhd. [15]	Under member's voluntary liquidation	Malaysia	**500,000**	500,000	500,000	**70.00**	70.00	67.81
Maybank Kim Eng Securities (Thailand) Public Company Limited [12]	Dealing in securities	Thailand	**2,854,072,500 [8]**	2,854,072,500 [8]	2,854,072,500 [8]	**83.50**	83.74	54.25
Maybank Kim Eng Securities (London) Limited [13]	Dealing in securities	United Kingdom	**600,000 [7]**	600,000 [7]	600,000 [7]	**100.00**	100.00	96.87
Maybank Kim Eng Securities USA Inc. [13]	Dealing in securities	United States of America	**12,500,000 [2]**	9,500,000 [2]	9,500,000 [2]	**100.00**	100.00	96.87
Kim Eng Securities India Private Limited [13]	Dealing in securities	India	**290,000,000 [9]**	290,000,000 [9]	290,000,000 [9]	**75.00**	75.00	72.65
Kim Eng Equities Malaysia Sdn. Bhd. [13]	Striked off	Malaysia	**–**	100	100	**–**	70.00	67.81
Ong Asia Limited [12]	Investment holding	Singapore	**63,578,072 [5]**	63,578,072 [5]	63,578,072 [5]	**100.00**	100.00	96.87
Maybank ATR Kim Eng Fixed Income, Inc. [12]	Fund raising advisers	Philippines	**190,064,400 [4]**	190,064,400 [4]	190,064,400 [4]	**90.77**	91.89	77.50
Ong Asia Securities (HK) Limited [12]	Securities Trading	Hong Kong	**30,000,000 [6]**	30,000,000 [6]	30,000,000 [6]	**100.00**	100.00	96.87

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid–up Share Capital			Effective Interest		
			As at 31.12.2012 RM	As at 31.12.2011 RM	As at 1.7.2011 RM	As at 31.12.2012 %	As at 31.12.2011 %	As at 1.7.2011 %
INVESTMENT BANKING (CONT'D.)								
Maybank Kim Eng Research Pte. Ltd. [12]	Provision of research services	Singapore	300,000 [5]	300,000 [5]	300,000 [5]	100.00	100.00	96.87
Kim Eng Securities (Hong Kong) Limited [12]	Dealing in securities	Hong Kong	55,000,000 [6]	55,000,000 [6]	55,000,000 [6]	100.00	100.00	96.87
Kim Eng Futures (Hong Kong) Limited [12]	Futures contracts broker	Hong Kong	6,000,000 [6]	6,000,000 [6]	6,000,000 [6]	100.00	100.00	96.87
KE India Securities Private Limited [13]	Dormant	India	78,800,000 [9]	78,800,000 [9]	78,800,000 [9]	75.00	75.00	72.65
Maybank ATR Kim Eng Capital Partners, Inc. [12]	Corporate finance & financial and investment advisory	Philippines	864,998,000 [4]	864,998,000 [4]	–	53.85	59.47	–
ATR KimEng Land, Inc. [12]	Real estate investment	Philippines	310,000,000 [4]	310,000,000 [4]	–	25.68	28.36	–
Maybank ATR Kim Eng Securities, Inc. [12]	Dealing in securities	Philippines	400,000,000 [4]	400,000,000 [4]	–	53.85	59.47	–
ATR KimEng AMG Holdings Inc. [12]	Stock trading	Philippines	52,000,000 [4]	52,000,000 [4]	–	44.53	49.17	–
Maybank Kim Eng Securities Joint Stock Company [12] (formerly known as Kim Eng Vietnam Securities Joint Stock Company)	Dealing in securities	Vietnam	300,000,000,000 [11]	–	–	100.00	–	–
ASSET MANAGEMENT/TRUSTEES/ CUSTODY								
Maybank (Indonesia) Berhad (formerly known as Mayban (Indonesia) Berhad)	Dormant	Malaysia	5,000,000	5,000,000	5,000,000	100.00	100.00	100.00

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital As at 31.12.2012 RM	As at 31.12.2011 RM	As at 1.7.2011 RM	Effective Interest As at 31.12.2012 %	As at 31.12.2011 %	As at 1.7.2011 %
ASSET MANAGEMENT/TRUSTEES/ CUSTODY (CONT'D.)								
Cekap Mentari Berhad	Securities issuer	Malaysia	**2**	2	2	**100.00**	100.00	100.00
Maybank International Trust (Labuan) Berhad (formerly known as Mayban International Trust (Labuan) Berhad)	Investment holding	Malaysia	**156,030**	156,030	156,030	**100.00**	100.00	100.00
Maybank Offshore Corporate Services (Labuan) Sdn. Bhd. (formerly known as Mayban Offshore Corporate Services (Labuan) Sdn. Bhd.)	Investment holding	Malaysia	**30,006**	30,006	30,006	**100.00**	100.00	100.00
Maybank Trustees Berhad (formerly known as Mayban Trustees Berhad)	Trustee services	Malaysia	**500,000**	500,000	500,000	**100.00**	100.00	100.00
Maybank Ventures Sdn. Bhd. (formerly known as Mayban Ventures Sdn. Bhd.)	Private equity investments	Malaysia	**14,000,000**	14,000,000	14,000,000	**100.00**	100.00	100.00
Mayban-JAIC Capital Management Sdn. Bhd.	Investment advisory and administration services	Malaysia	**2,000,000**	2,000,000	2,000,000	**51.00**	51.00	51.00
Maybank Asset Management Sdn. Bhd. (formerly known as Mayban Investment Management Sdn. Bhd.)	Fund management	Malaysia	**10,000,000**	5,000,000	5,000,000	**100.00**	69.05	69.05
Philmay Property, Inc. [12]	Property leasing and trading	Philippines	**100,000,000 [4]**	100,000,000 [4]	100,000,000 [4]	**60.00**	60.00	60.00
Maybank (Nominees) Sendirian Bhd. (formerly known as Mayban (Nominees) Sendirian Bhd.)	Nominee services	Malaysia	**31,000**	31,000	31,000	**100.00**	100.00	100.00

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid–up Share Capital			Effective Interest		
			As at 31.12.2012 RM	As at 31.12.2011 RM	As at 1.7.2011 RM	As at 31.12.2012 %	As at 31.12.2011 %	As at 1.7.2011 %
ASSET MANAGEMENT/TRUSTEES/ CUSTODY (CONT'D.)								
Maybank Nominees (Tempatan) Sdn. Bhd. (formerly known as Mayban Nominees (Tempatan) Sdn. Bhd.)	Nominee services	Malaysia	10,000	10,000	10,000	100.00	100.00	100.00
Maybank Nominees (Asing) Sdn. Bhd. (formerly known as Mayban Nominees (Asing) Sdn. Bhd.)	Nominee services	Malaysia	10,000	10,000	10,000	100.00	100.00	100.00
Mayban Nominees (Singapore) Private Limited [12]	Nominee services	Singapore	60,000 [5]	60,000 [5]	60,000 [5]	100.00	100.00	100.00
Mayban Nominees (Hong Kong) Limited [12]	Nominee services	Hong Kong	3 [6]	3 [6]	3 [6]	100.00	100.00	100.00
Aseam Malaysia Nominees (Tempatan) Sdn. Bhd. [15]	Under member's voluntary liquidation	Malaysia	10,000	10,000	10,000	100.00	100.00	100.00
Aseam Malaysia Nominees (Asing) Sdn. Bhd.	Liquidated	Malaysia	–	10,000	10,000	–	100.00	100.00
Maybank Securities Nominees (Tempatan) Sdn. Bhd. (formerly known as Mayban Securities Nominees (Tempatan) Sdn. Bhd.)	Nominee services	Malaysia	10,000	10,000	10,000	100.00	100.00	100.00
Maybank Securities Nominees (Asing) Sdn. Bhd. (formerly known as Mayban Securities Nominees (Asing) Sdn. Bhd.)	Nominee services	Malaysia	10,000	10,000	10,000	100.00	100.00	100.00
AFMB Nominees (Tempatan) Sdn. Bhd. [15]	Under member's voluntary liquidation	Malaysia	10,000	10,000	10,000	100.00	100.00	100.00

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital As at 31.12.2012 RM	As at 31.12.2011 RM	As at 1.7.2011 RM	Effective Interest As at 31.12.2012 %	As at 31.12.2011 %	As at 1.7.2011 %
ASSET MANAGEMENT/TRUSTEES/ CUSTODY (CONT'D.)								
Maybank Allied Berhad (formerly known as Mayban Allied Berhad)	Investment holding	Malaysia	**753,908,638**	753,908,638	753,908,638	**100.00**	100.00	100.00
Anfin Berhad [15]	Under member's voluntary liquidation	Malaysia	**106,000,000**	106,000,000	106,000,000	**100.00**	100.00	100.00
Dourado Tora Holdings Sdn. Bhd.	Dormant	Malaysia	**2,500,000**	2,500,000	2,500,000	**100.00**	100.00	100.00
Maysec (Ipoh) Sdn. Bhd. [15]	Under member's voluntary liquidation	Malaysia	**100,000,000**	100,000,000	100,000,000	**100.00**	100.00	100.00
Aurea Lakra Holdings Sdn. Bhd.	Property investment	Malaysia	**1,000,000**	1,000,000	1,000,000	**100.00**	100.00	100.00
Mayban Property (PNG) Limited [13]	Property investment	Papua New Guinea	**2,125,000 [3]**	2,125,000 [3]	2,125,000 [3]	**100.00**	100.00	100.00
Mayban International Trust (Labuan) Ltd.	Trustee services	Malaysia	**40,000 [2]**	40,000 [2]	40,000 [2]	**100.00**	100.00	100.00
MNI Holdings Berhad [15]	Under member's voluntary liquidation	Malaysia	**2**	2	2	**69.05**	69.05	69.05
KBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	10,000	**100.00**	100.00	100.00
KBB Properties Sdn. Bhd. [15]	Ceased operations	Malaysia	**410,000**	410,000	410,000	**100.00**	100.00	100.00
Sri MTB Berhad [15]	Under member's voluntary liquidation	Malaysia	**12,000,000**	12,000,000	12,000,000	**69.05**	69.05	69.05

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(a) **Details of the subsidiaries are as follows (cont'd.):**

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital			Effective Interest		
			As at 31.12.2012 RM	As at 31.12.2011 RM	As at 1.7.2011 RM	As at 31.12.2012 %	As at 31.12.2011 %	As at 1.7.2011 %
ASSET MANAGEMENT/TRUSTEES/ CUSTODY (CONT'D.)								
Etiqa Overseas Investment Pte. Ltd.	Investment holding	Malaysia	**1 [2]**	1 [2]	1 [2]	**69.05**	69.05	69.05
Peram Ranum Berhad [15]	Under member's voluntary liquidation	Malaysia	**60,000,000**	60,000,000	60,000,000	**69.05**	69.05	69.05
Double Care Sdn. Bhd. [15]	Under member's voluntary liquidation	Malaysia	**35,000,000**	35,000,000	35,000,000	**69.05**	69.05	69.05
Sorak Financial Holdings Pte. Ltd. [12]	Investment holding	Singapore	**5,928,556 [5]**	5,928,556 [5]	5,928,556 [5]	**100.00**	100.00	100.00
Rezan Pte. Ltd. [12]	Investment holding	Singapore	**2 [5]**	2 [5]	2 [5]	**100.00**	100.00	96.87
Maybank KE Strategic Pte. Ltd. [12]	Investment holding	Singapore	**2 [5]**	2 [5]	2 [5]	**100.00**	100.00	96.87
Pinnakell Asset Management Pte. Ltd. [13]	Liquidated	Singapore	**–**	–	688,180 [5]	**–**	–	96.87
Maybank Kim Eng Properties Pte. Ltd. [12]	Property investment	Singapore	**8,000,000 [5]**	8,000,000 [5]	8,000,000 [5]	**100.00**	100.00	96.87
Heritage Fiduciary Services Pte. Ltd. [13]	Provision of secretarial and consultancy services	Singapore	**–**	–	500,000 [2]	**–**	–	58.12
Strategic Acquisitions Pte. Ltd. [12]	Investment holding	Singapore	**1 [5]**	1 [5]	1 [5]	**100.00**	100.00	96.87
Kim Eng Investment Limited [12]	Investment holding	Hong Kong	**160,000,000 [6]**	160,000,000 [6]	160,000,000 [6]	**100.00**	100.00	96.87
KE Sovereign Limited [14]	Investment holding	British Virgin Islands	**5,000,000 [2]**	5,000,000 [2]	5,000,000 [2]	**100.00**	100.00	96.87

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital			Effective Interest		
			As at 31.12.2012 RM	As at 31.12.2011 RM	As at 1.7.2011 RM	As at 31.12.2012 %	As at 31.12.2011 %	As at 1.7.2011 %
ASSET MANAGEMENT/TRUSTEES/ CUSTODY (CONT'D.)								
FXDS Learning Group Pte. Ltd. [12]	Financial education	Singapore	**200,000 [5]**	200,000 [5]	200,000 [5]	**100.00**	100.00	96.87
Ong & Company Private Limited [12]	Dormant	Singapore	**53,441,173 [5]**	53,441,173 [5]	53,441,173 [5]	**100.00**	100.00	96.87
Ong Nominees Private Limited [15]	Under member's voluntary liquidation	Singapore	**3,003 [5]**	3,003 [5]	3,003 [5]	**100.00**	100.00	96.87
Maybank Kim Eng Securities Nominees Pte. Ltd. [12]	Acting as nominee for beneficiary shareholders	Singapore	**10,000 [5]**	10,000 [5]	10,000 [5]	**100.00**	100.00	96.87
St. Michael's Development Pte. Ltd. [12]	Real estate development	Singapore	**5,000,000 [5]**	5,000,000 [5]	5,000,000 [5]	**100.00**	100.00	96.87
Maybank Asset Management Singapore Pte. Ltd. [12] (formerly known as KE Capital Partners Pte. Ltd.)	Fund Management	Singapore	**5,000,000 [5]**	5,000,000 [5]	5,000,000 [5]	**80.10**	80.10	77.50
PT Kim Eng Asset Management [12]	Dormant	Indonesia	**25,800,000,000 [1]**	25,800,000,000 [1]	25,800,000,000 [1]	**85.00**	85.00	82.34
Kim Eng Consultant Limited (China) [15]	Under member's voluntary liquidation	China	**828,748 [10]**	828,748 [10]	828,748 [10]	**100.00**	100.00	96.87
Kim Eng Nominees (Hong Kong) Limited [12]	Nominee services	Hong Kong	**2 [6]**	2 [6]	2 [6]	**100.00**	100.00	96.87
Maybank Kim Eng Properties USA Inc. [14] (formerly known as Kim Eng Properties USA Inc.)	Property investment	United States of America	**3,000,000 [2]**	3,000,000 [2]	3,000,000 [2]	**100.00**	100.00	96.87

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation	Issued and Paid-up Share Capital As at 31.12.2012 RM	Issued and Paid-up Share Capital As at 31.12.2011 RM	Issued and Paid-up Share Capital As at 1.7.2011 RM	Effective Interest As at 31.12.2012 %	Effective Interest As at 31.12.2011 %	Effective Interest As at 1.7.2011 %
ASSET MANAGEMENT/TRUSTEES/ CUSTODY (CONT'D.)								
Kim Eng Asset Management (Thailand) Company Limited [12]	Asset management	Thailand	**100,000,000 [8]**	100,000,000 [8]	100,000,000 [8]	**83.50**	83.74	54.25
Heritage Trust Company Limited [13]	Provision of fiduciary services	Brunei	**–**	–	48,860 [2]	**–**	–	58.12
Heritage Corporate Services (HK) Limited [13]	Provision of fiduciary services	Hong Kong	**–**	–	1,315 [2]	**–**	–	58.12
Heritage Trust Services Pte. Ltd. [13]	Provision of trust services	Singapore	**–**	–	188,516 [2]	**–**	–	58.12
Heritage Singapore (Switzerland) S.A. [13]	Dormant	Switzerland	**–**	–	1 [2]	**–**	–	58.12
Heritage Trust Services (NZ) Limited [13]	Dormant	New Zealand	**–**	–	1 [2]	**–**	–	58.12
PT Prosperindo [13]	Investment holding	Indonesia	**20,160,000,000 [1]**	20,160,000,000 [1]	20,160,000,000 [1]	**100.00**	100.00	100.00
Maybank ATR Kim Eng Financial Corporation [12]	Investment holding	Philippines	**1,068,393,223 [4]**	1,068,393,223 [4]	–	**89.75**	99.11	–
ATR KimEng Asset Management, Inc. [12]	Investment management	Philippines	**65,000,000 [4]**	65,000,000 [4]	–	**42.79**	47.25	–
All Asia Asset Management, Inc. [13]	Dormant	Philippines	**–**	10,000,000 [4]	–	**–**	27.75	–

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(b) Details of the associates are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Interest As at 31.12.2012 %	Effective Interest As at 31.12.2011 %	Effective Interest As at 1.7.2011 %
HELD BY THE BANK					
UzbekLeasing International A.O. [13]	Leasing	Uzbekistan	**35**	35	35
Philmay Holding, Inc. [12]	Investment holding	Philippines	**33**	33	33
Pelaburan Hartanah Nasional Berhad [13]	Property trust	Malaysia	**30**	30	30
Mayban Agro Fund Sdn. Bhd.	Fund specific purpose vehicle	Malaysia	**33**	33	33
Mayban Venture Capital Company Sdn. Bhd.	Venture Capital	Malaysia	**33**	33	33
An Binh Commercial Joint Stock Bank [12]	Banking	Vietnam	**20**	20	20
HELD THROUGH SUBSIDIARIES					
Baiduri Securities Sdn. Bhd. [15]	Dormant	Brunei	**39**	39	39
Pak-Kuwait Takaful Company Limited [13]	Investment holding	Pakistan	**22**	22	22
MCB Bank Limited [13]	Banking	Pakistan	**20**	20	20
Maybank JAIC Management Ltd.	Fund management	Malaysia	**50**	50	50
Asian Forum, Inc. [13]	Offshore captive insurance	Malaysia	**23**	23	23
Maybank MEACP Pte. Ltd. [12]	Fund management	Singapore	**–**	50	50
Maybank Kim Eng Securities Joint Stock Company [12] (formerly known as Kim Eng Vietnam Securities Joint Stock Company)	Dealing in securities	Vietnam	**–**	49	46

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(b) Details of the associates are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation	Effective Interest As at 31.12.2012 %	Effective Interest As at 31.12.2011 %	Effective Interest As at 1.7.2011 %
HELD THROUGH SUBSIDIARIES (CONT'D.)					
Tullet Prebon (Philippines), Inc. [13]	Broker between participants in forex, fixed income, etc	Philippines	**26**	29	20
Adrian V. Ocampo Insurance Brokers, Inc. [12]	Insurance agent between an insurer and the insured	Philippines	**22**	2	–
Maybank ATR Kim Eng Securities, Inc. [12]	Dealing in securities	Philippines	**–**	–	41
ATR KimEng AMG Holdings, Inc. [12]	Stock trading	Philippines	**–**	–	34
Maybank ATR Kim Eng Fixed Income, Inc. [12]	Fund raising advisers	Philippines	**–**	–	8
AsianLife Financial Assurance Corporation [12]	Insurance provider	Philippines	**–**	–	29
ATR KimEng Asset Management, Inc. [12]	Investment management	Philippines	**–**	–	39
ATR Kim Eng Insurance Brokers, Inc. [12]	Insurance brokers	Philippines	**–**	–	41
Maybank ATR Kim Eng Financial Corporation [12]	Investment holding	Philippines	**–**	–	41
Maybank ATR Kim Eng Capital Partners, Inc. [12]	Corporate finance & financial and investment advisory	Philippines	**–**	–	41

58. DETAILS OF SUBSIDIARIES AND ASSOCIATES (CONT'D.)

(b) Details of the associates are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation	Effective Interest As at 31.12.2012 %	As at 31.12.2011 %	As at 1.7.2011 %
HELD THROUGH SUBSIDIARIES (CONT'D.)					
ATR KimEng Land, Inc. [12]	Real estate investment	Philippines	–	–	15
AsianLife & General Assurance Corporation [12]	Insurance provider	Philippines	–	–	41

Note:

(1) Indonesia Rupiah (IDR)
(2) United States Dollars (USD)
(3) Papua New Guinea Kina (Kina)
(4) Philippines Peso (Peso)
(5) Singapore Dollars (SGD)
(6) Hong Kong Dollars (HKD)
(7) Great Britain Pound (GBP)
(8) Thailand Baht (THB)
(9) Indian Rupee (INR)
(10) Chinese Renminbi (CNY)
(11) Vietnamese Dong (VND)
(12) Audited by other member firms of Ernst & Young Global
(13) Audited by firms of auditors other than Ernst & Young
(14) No audit required as allowed by the laws of the respective country of incorporation
(15) No audit required as the entity is under members' voluntary liquidation

59. CURRENCY

All amounts are in Ringgit Malaysia unless otherwise stated.

60. COMPARATIVES

The financial year end of the Bank and all its subsidiaries was changed from 30 June to 31 December. Accordingly, the financial statements of the Group and 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 comparable for the income statements, statements of comprehensive income, changes in equity, cash flows and the related notes.

In addition, certain numbers in prior years have been reclassified in order to conform with the current year's presentation. The effects of these reclassification are disclosed in Note 2.4(vii).

61. SUPPLEMENTARY INFORMATION — BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

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

	Group		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Retained profits:			
— Realised	**7,576,687**	6,712,554	7,516,130
— Unrealised	**2,195,259**	1,908,003	925,779
	9,771,946	8,620,557	8,441,909
Share of retained profits from associates:			
— Realised	**218,054**	180,940	109,621
— Unrealised	**76,793**	37,115	69,448
	294,847	218,055	179,069
Consolidation adjustments	**1,048,213**	1,555,155	1,546,750
Total retained profits	**11,115,006**	10,393,767	10,167,728

	Bank		
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.7.2011 RM'000**
Retained profits:			
— Realised	**2,303,378**	3,595,568	4,447,882
— Unrealised	**1,876,104**	1,299,444	693,023
Total retained profits	**4,179,482**	4,895,012	5,140,905

BASEL II
PILLAR 3 DISCLOSURE

OVERVIEW

The Pillar 3 Disclosure for financial year ended 31 December 2012 for Malayan Banking Berhad ("Maybank" or the "Bank") and its subsidiaries ("Maybank Group" or the "Group") complies with the Bank Negara Malaysia's ("BNM") "Risk Weighted Capital Adequacy Framework ("RWCAF") – Disclosure Requirements ("Pillar 3")", which is the equivalent of that issued by the Basel Committee on Banking Supervision ("BCBS") entitled "International Convergence of Capital Measurement and Capital Standards" (commonly referred to as Basel II).

The Group has adopted the Foundation Internal Rating Based ("FIRB") Approach and supervisory slotting criteria to calculate credit risk weighted assets for major non-retail portfolios, and the AIRB Approach for major retail portfolios. Other credit portfolios, especially those in the Bank's subsidiaries and some overseas units, are on the Standardised Approach and will be progressively migrated to the Internal Ratings-Based ("IRB") approaches.

For market risk, the Group has adopted the Standardised Approach ("SA") whereas for operational risk, the Basic Indicator Approach ("BIA") is currently being adopted pending migration to The Standardised Approach ("TSA") once approval has been obtained from BNM.

MEDIUM AND LOCATION OF DISCLOSURE

The Group's Pillar 3 disclosure will be made available under the Investor Relations section of the Group's website at www.maybank.com.my and as a separate report in the annual and half-yearly financial reports, after the notes to the financial statements.

BASIS OF DISCLOSURE

This Pillar 3 disclosure document has been designed to be in compliance with the BNM's Pillar 3 Guidelines, and is to be read in conjunction with the Group's and the Bank's financial statements for financial year ended 31 December 2012. Whilst this document discloses the Group's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the financial statements for the year ended 31 December 2012 published by the Group.

COMPARATIVE INFORMATION

This is the third full Pillar 3 Disclosure since the Group adopted the Basel II IRB approach in July 2010. The corresponding disclosure in the preceding reporting period would be as at 31 December 2011.

SCOPE OF APPLICATION

In this Pillar 3 document, Maybank's information is presented on a consolidated basis, namely Maybank Group covering Maybank, its subsidiaries and overseas branches. For regulatory reporting purposes, Maybank establishes two main levels of reporting namely at Maybank Group level, covering Maybank and its subsidiaries excluding the investments in insurance entities and associates, and at Maybank level covering Maybank and its wholly-owned offshore banking subsidiary, Maybank International (L) Ltd. ("MILL").

In this Pillar 3 document, Malayan Banking Berhad and its subsidiaries are referred to as "Maybank Group" or the "Group". The Group offers Islamic banking financial services in Malaysia via its wholly-owned subsidiary, Maybank Islamic Berhad ("MIB").

Information on subsidiaries and associates of the Group is available in the notes to the financial statements. The basis of consolidation for accounting purposes is described in the notes to the financial statements, and differs from that used for regulatory capital reporting purposes.

CAPITAL MANAGEMENT

INTRODUCTION

The Group's approach to capital management is driven by its strategic objectives and takes into account all relevant regulatory, economic and commercial environments in which the Group operates. The Group regards having a strong capital position as essential to the Group's business strategy and competitive position. As such, implications on the Group's capital position are taken into account by the Board and senior management prior to implementing major business decisions in order to preserve the Group's overall capital strength.

The Group's capital management policies are to diversify its sources of capital; to allocate and deploy 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. These policies are adopted with the aim to ensure adequate capital resources and efficient capital structure to:

- meet regulatory capital ratios at all times, at levels sufficiently above the minimum requirements of BNM;
- support the Group's credit rating from local and foreign rating agencies;
- ensure regulated subsidiaries can meet their minimum capital requirements, based on home regulator or host regulator requirement where relevant;
- allocate capital to businesses to support the Group's strategic objectives and optimise returns on capital;
- remain flexible to take advantage of future opportunities;
- build and invest in businesses, even in a reasonably stressed environment; and
- optimise returns to shareholders.

CAPITAL MANAGEMENT FRAMEWORK

The Group's capital management is guided by the Group Capital Management Framework to ensure management of capital in a consistent and aligned manner across the Group. The capital framework applies to the Maybank Group of companies, including key entities that are wholly or majority owned that provide banking and financial services activities in their respective jurisdictions.

The Group Capital Management Framework, which is approved by the Board, provides a comprehensive approach to the management of capital for the Group. Specifically, the capital framework aims to:-

- establish a blueprint for which capital management policies and procedures will be developed;
- establish principles and strategies in which capital will be managed and optimised;
- establish the roles and responsibilities of the Board of Directors, Group Executive Committee and the business and support units pertaining to capital management matters;
- establish guidelines to manage capital on an integrated approach and in compliance with all internal and regulatory requirements across the Group; and
- establish a high level of corporate governance pertaining to management of capital of the Group.

The framework also contains principles for the development and usage of Risk Adjusted Performance Measurement ("RAPM") to measure and manage the capital performance for all Group entities. The RAPM tool is implemented by the Group to promote optimal capital levels for business sectors, subsidiaries and branches, to reduce wastage, to minimise cost of capital and to optimise returns on capital.

A strong governance and process framework is embedded in the Group Capital Management Framework. Appropriate policies are in place governing the transfer of capital within the Group. The purpose is to ensure that capital is remitted as appropriate, subject to local regulatory requirements and overall capital resource is optimised at Group and entity levels. Overall responsibility for the effective management of capital rests with the Board whilst the Group EXCO is responsible for ensuring the effectiveness of the capital management policies on an ongoing basis and for updating the Group Capital Management Framework to reflect revisions and new developments.

CAPITAL MANAGEMENT PLAN

The Group Capital Management Framework is also supplemented by the Group Capital Management Plan to ensure robust monitoring of the Group's capital position and to ensure that the Group (inclusive of subsidiaries, associates and overseas branches) has adequate levels of capital and optimal capital mix to support the Group's business plans and strategic objectives during the financial year.

The Group Capital Management Plan is updated on an annual basis and approved by the Board for implementation at the beginning of each financial year. The capital plan is drawn up to cover at least a three year horizon and takes into account, amongst others, the Group's strategic objectives and business plans, regulatory capital requirements, views of key stakeholders such as regulators, investors, rating agencies and analysts, capital benchmarking against peers, available supply of capital and capital raising options, performance of business sectors, subsidiaries and overseas branches based on RAPM approach as well as ICAAP and stress testing results.

The Group Capital Management Plan is reviewed by the Board semi-annually in order to keep abreast with the latest developments on capital management and also to ensure effective and timely execution of the plans contained therein.

CAPITAL STRUCTURE

The quality and composition of capital are key factors in the Board and senior management's evaluation of the Group's capital adequacy position. The Group places strong emphasis on the quality of its capital and, accordingly, holds a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability on a going concern basis.

The common equity capital of the Group comprises of issued and paid up share capital, share premium, reserves and retained profits. During the financial year, the issued and paid-up share capital of the Group has increased by another RM800,609,252 arising, among others, from the private equity placement of 412,000,000 new ordinary shares of RM1.00 each on 11 October 2012 as well as from the completion of the 4th and 5th Dividend Reinvestment Plan ("DRP") via the issuance and allotment totaling 375,998,352 new ordinary shares of RM1.00 each on 5 June 2012 and 29 October 2012 respectively.

The DRP scheme was announced by the Bank on 25 March 2010 to allow shareholders of the Bank to reinvest their dividends into new ordinary share(s) of RM1.00 each in the Bank. The DRP is part of the Group's strategy to preserve common equity capital ahead of the Basel III rules which will commence on 1 January 2013 as well as to ensure sufficient capacity to grow its business whilst providing healthy dividend income to its shareholders.

The Bank has implemented five DRPs since its implementation in 2010, all with successful reinvestment rates exceeding 85%. The latest two DRPs (4th and 5th) implemented during the financial year ended 31 December 2012 were successful with high reinvestment rates at 88.52% and 88.19% respectively. The reinvestment rates achieved by the Group for all the past five DRPs are highlighted below:

Dividend Reinvestment Plan	1st	2nd	3rd	4th	5th
Dividend proposal	Final Cash Dividend	Interim Cash Dividend	Final Cash Dividend	Final Cash Dividend	Interim Cash Dividend
Financial year/period ended	30 Jun 2010	30 Jun 2011	30 Jun 2011	31 Dec 2011	31 Dec 2012
Completion date	21 Dec 2010	13 May 2011	29 Dec 2011	5 Jun 2012	29 Oct 2012
Gross dividend per share	44 sen	28 sen	32 sen	36 sen	32 sen
Reinvestment rate achieved	88.59%	91.13%	86.10%	88.52%	88.19%

In respect of the financial year ended 31 December 2012, the Board has proposed the payment of final dividend of net 28.5 sen per ordinary share, comprising of single-tier dividend of 15 sen per ordinary share and franked dividend of 18 sen per ordinary share less 25% tax (net 13.5 sen). Out of the final dividend amount of 28.5 sen per ordinary share, 4.0 sen per ordinary share will be paid in cash while the balance 24.5 sen net per ordinary share will be the portion which can be elected to be reinvested in new Maybank shares in accordance with the DRP, subject to the relevant regulatory approvals, as well as, shareholders' approval at the forthcoming Annual General Meeting.

In addition to common equity, the Group also maintains other types of capital instruments such as Innovative Tier 1 Capital Securities, Non-Innovative Tier 1 Capital Securities and Subordinated Bonds/Certificates/Notes in order to optimise its capital mix and cost of capital.

The Group has about RM6.1 billion of additional Tier 1 capital instruments outstanding as at 31 December 2012, comprising of innovative and non-innovative types, as follows:

Tier 1 Capital Instruments

Description	Issue Date	Key Terms	As at 31.12.12 RM'million
RM3.5 billion 6.85% Stapled Capital Securities ("NCPCS") (non-innovative) due on 27 June 2038	27 Jun 2008	Callable on 27 June 2018 & maturing 27 June 2038. Callable at the option of the bank 10 years from issue date or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied.	3,502
SGD600 million 6.00% Innovative Tier 1 capital securities due on 10 August 2068	11 Aug 2008	Callable on 11 August 2018 & maturing 10 August 2068. Callable at the option of the bank 10 years from issuance date. There will be step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus 100 basis points above the 3 month SGD Swap Offer Rate.	1,531
RM1.1 billion 6.30% Innovative Tier 1 capital securities due on 25 September 2068	25 Sep 2008	Callable on 25 September 2018 & maturing 25 September 2068. Callable on 25 September 2018 at the option of the bank 10 years from issuance date. There will be step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus 100 basis points above the Kuala Lumpur Inter-Bank Offer Rate for 3 months RM deposits.	1,118

The Group also has about RM11.6 billion of subordinated bonds/certificates/notes outstanding as at 31 December 2012, the details of which are as follows:

Subordinated Obligations

Description	Issue Date	Key Terms	As at 31.12.12 RM'million
RM1.5 billion 5.00% subordinated Islamic bonds due in 2018	15 May 2006	Callable 15 May 2013 & maturing 15 May 2018 (12 non-call 7)	1,510
SGD1.0 billion 3.80% subordinated notes due in 2021	28 Apr 2011	Callable 28 April 2016 & maturing 28 April 2021 (10 non-call 5)	2,518
RM2.0 billion 4.10% subordinated notes due in 2021	15 Aug 2011	Callable 15 August 2016 & maturing 16 August 2021 (10 non-call 5)	2,030
RM750 million 3.97% subordinated notes due in 2021	28 Dec 2011	Callable 28 December 2016 & maturing 28 December 2021 (10 non-call 5)	750
RM250 million 4.12% subordinated notes due in 2023	28 Dec 2011	Callable 28 December 2018 & maturing 28 December 2023 (12 non-call 7)	250
RM2.1 billion 4.25% subordinated notes due in 2024	10 May 2012	Callable 10 May 2019 & maturing 10 May 2024 (12 non-call 7)	2,112
USD800 million 3.25% subordinated notes due in 2022	20 Sep 2012	Callable 20 September 2017 & maturing 20 September 2022 (10 non-call 5)	2,469
RM1.0 billion 4.22% subordinated sukuk due in 2021	31 Mar 2011	Callable 31 March 2016 & maturing 31 March 2021 (10 non-call 5)	1,011
IDR 1.5 trillion 10.75% subordinated bond due in 2018	31 May 2011	Maturing 19 May 2018	381
IDR 500 billion 10.00% subordinated bond due in 2018	6 Dec 2011	Maturing 6 December 2018	159
IDR 1.0 trillion 9.25% subordinated bond due in 2019	31 Oct 2012	Maturing 31 October 2019	321

On 31 October 2012, a subsidiary, Billion, issued IDR 1.0 trillion subordinated notes. The subordinated notes bear fixed interest rate at 9.25% per annum and due date of the subordinated notes will be made 31 October 2019. The interest of the subordinated notes will be paid quarterly based on interest payment date of the notes. The first interest payment will be made on 31 January 2013, while the last interest payment and due date of the notes will be made on 6 December 2018.

During the financial year, the Group has redeemed two subordinated bonds totalling RM2.5 billion, which were both issued in April 2007 on a 10 non-callable 5 basis features and redeemed the RM3.1 billion subordinated term loan in July 2012 which was drawdown in 28 November 2008. The Group has issued two new subordinated notes amounting to RM4.6 billion which are recognised by BNM for computation of regulatory Tier II capital. Brief terms and conditions of the new Tier II capital instruments issued during the financial year are summarised below:

(i) RM2.1 billion 4.25% subordinated notes due in 2024

On 10 May 2012, Maybank issued RM2.1 billion nominal value Tier II subordinated notes under the RM7.0 billion subordinated note programme. The subordinated notes are under a 12 non-callable 7 basis feature, payable semi-annually in arrears in November and May each year, and are due in May 2024. Maybank has the option to redeem the subordinated notes in whole, but not in part on 10 May 2019 and on each semi-annual interest payment date thereafter, subject to prior consent of Bank Negara Malaysia.

(ii) USD800 million 3.25% subordinated notes due 2022

On 20 September 2012, Maybank issued USD800 million nominal value Tier 2 subordinated notes under the USD5 billion multicurrency medium term note programme. The subordinated notes are under a 10 non-callable 5 basis feature, payable semi-annually in arrears in March and September each year, and are due in September 2022. Maybank has the option to redeem the subordinated notes in whole, but not in part on 20 September 2017 and each semi-annual interest payment date thereafter, subject to prior written consent of Bank Negara Malaysia.

IMPLEMENTATION OF BASEL III

The implementation of Basel III in Malaysia will commence with effect from 1 January 2013 under the new Basel III rules released on 28 November 2012 by BNM. The BNM Basel III rules are broadly in line with the proposals promulgated by the Basel Committee of Banking Supervision ("BCBS") in December 2010 (updated June 2011) with the exception of a few main items relevant to the Group which are more stringent compared to BCBS such as:-

Item	BNM Basel III Rule
Deferred tax assets; and investment in the capital of affiliated (or with >10% interest) unconsolidated financial and insurance/takaful entities	BNM requires full deduction from Common Equity Tier 1 capital ("CET1") compared to recognition up to 10% of common equity under BCBS.
Unrealised gain for financial investment available-for-sale	BNM requires 55% haircut for gains but full deduction in case of losses compared to full recognition of gains and phase-in arrangement for losses under BCBS
Non-qualifying non-controlling interest and capital instruments issued out of subsidiaries and held by third parties	BNM does not allow phase-in arrangement compared to BCBS.
Property revaluation gain	BNM requires full deduction from CET1 but 45% can be recognised in Tier 2 capital compared to full recognition of gains and phase-in arrangement for losses under BCBS

Under the new Basel III rules, banking institutions will be required to maintain higher minimum quantity and quality of capital but the requirements will be subject to a series of transitional arrangements and will be phase-in over a period of time, commencing 2013 and to be fully effective by 2019. BNM is also expected to introduce additional capital buffer requirements which will comprise of Capital Conservation Buffer of 2.5% of total RWA and Countercyclical Capital Buffer ranging between 0% - 2.5% of total RWA. Further guidance on the capital buffer requirements will be announced by BNM before 2016 on its computation approach and operations.

Despite the more stringent Basel III requirements under BNM, Group expects its capital position to continue to remain healthy at levels above the minimum regulatory requirements.

Detailed discussion on capital adequacy and constituents of capital are discussed in detail under note 53 in the financial statements.

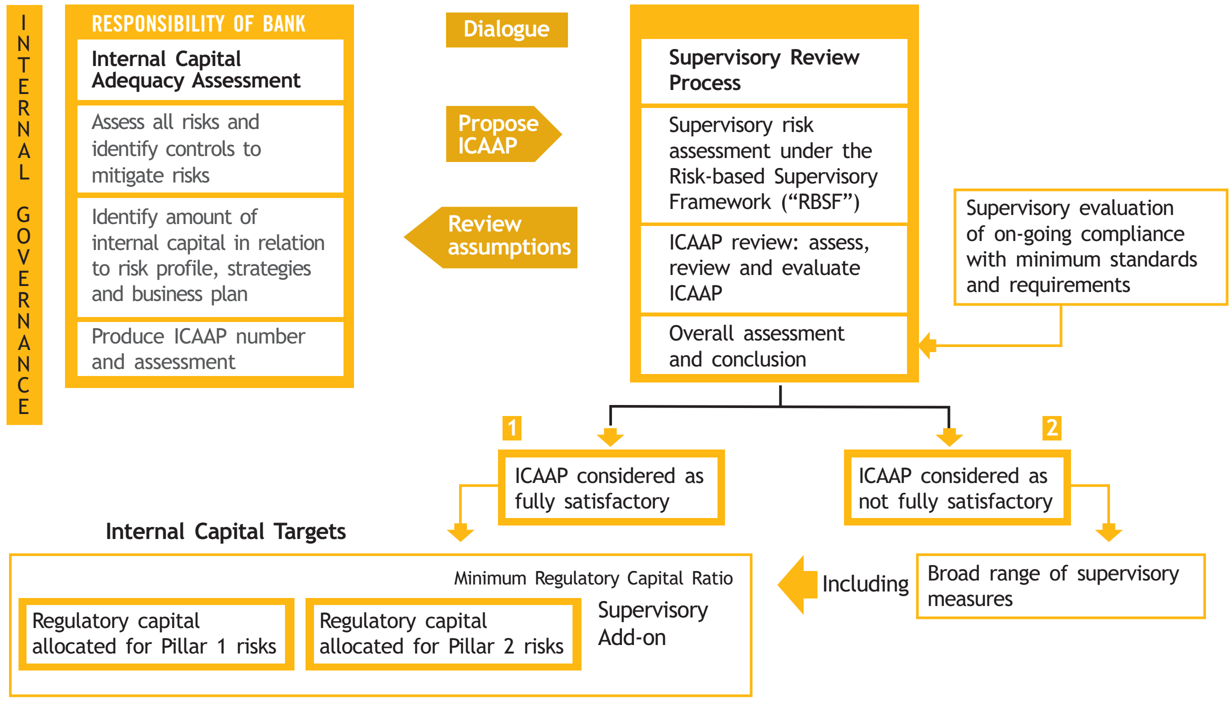
INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

At the Group, the overall capital adequacy in relation to its risk profile is assessed through a process articulated in the ICAAP. The ICAAP Framework has been formalised and approved by the Board in April 2008, with the latest fifth version revised in June 2012. The ICAAP has been implemented within the organisation to ensure all material risks are identified, measured and reported, and adequate capital levels consistent with the risk profiles are held.

The Group's ICAAP closely integrates the risk and capital assessment processes. The ICAAP framework is designed to ensure that adequate levels, including capital buffers, are held to support the Group's current and projected demand for capital under existing and stressed conditions. Regular ICAAP reports are submitted on half yearly basis to the Executive Risk Committee ("ERC"), the Risk Management Committee ("RMC") and the Board for comprehensive review of all material risks faced by the Group and assessment of the adequacy of capital to support them.

In line with BNM's Guideline on ICAAP which was last updated on 2 December 2011, banks are required to submit a Board-approved ICAAP document to BNM by 31 March 2013. The requirements include an overview of ICAAP, current and projected financial and capital position, ICAAP governance, risk assessment models and processes, risk appetite and capital management, stress testing and capital planning and use of ICAAP. The Group will submit the required ICAAP documents to BNM before 31 March 2013.

ICAAP Framework



Supplementing the ICAAP reports is the Group Capital Management Plan, which is updated on an annual basis where the internal capital targets are set and reviewed, among others as part of sound capital management.

Comprehensive Risk Assessment under ICAAP Framework

Under the Group's ICAAP methodology, the following risk types are identified and measured:

- Risks captured under Pillar 1 (credit risk, market risk and operational risk);
- Risks not fully captured under Pillar 1 (e.g. model risk);
- Risks not taken into account by Pillar 1 (e.g. interest rate risk in banking book, liquidity risk, business/strategic risk, reputational risk and credit concentration risk); and
- External factors, including changes in economic environment, regulations, and accounting rules.

A key process emplaced within the Group provides for the identification of material risks that may arise through the introduction of new products and services. Material risks are defined as "risks which would materially impact the financial performance of the bank should the risk occur". In the Group's ICAAP Framework, the Material Risk Assessment Process ("MRAP") is designed to create an ability to estimate the impact of risk drivers on earnings and capital. New material risks, if any, are reviewed on a quarterly basis and incorporated in the regular ICAAP reports tabled to the ERC and the RMC.

Assessment of Pillar 1 and Pillar 2 Risks

In line with industry best practices, the Group quantifies its risks using methodologies that have been reasonably tested and deemed to be accepted in the industry.

Where risks may not be easily quantified due to the lack of commonly accepted risk measurement techniques, expert judgment is used to determine the size and materiality of risk. The Group's ICAAP would then focus on the qualitative controls in managing such material non-quantifiable risks. These qualitative measures include the following:

- Adequate governance process;
- Adequate systems, procedures and internal controls;
- Effective risk mitigation strategies; and
- Regular monitoring and reporting.

Regular Stress Testing

The Group's stress testing programme is embedded within the risk and capital management process of the Group, and is a key function of capital planning and business planning processes. The programme serves as a forward-looking risk and capital management tool to understand our risk profile under extreme but plausible conditions. Such conditions may arise from economic, political and environmental factors.

Under Maybank Group Stress Test ("GST") Framework as approved by the Board, it considers the potential unfavourable effects of stress scenarios on the Group's profitability, asset quality, risk weighted assets and capital adequacy.

Specifically, the stress test programme is designed to:

- Highlight the dynamics of stress events and their potential implications on the Group's trading and banking book exposures, liquidity positions and likely reputational impacts;
- Identify proactively key strategies to mitigate the effects of stress events; and
- Produce stress results as inputs into the Group's ICAAP in the determination of capital adequacy and capital buffers.

Stress test themes reviewed by the Stress Test Working Group in the past include slowing Chinese economy, a repeat of Asian Financial Crisis, US dollar depreciation, pandemic flu, asset price collapse, interest rate hikes, a global double-dip recession scenario, Japan disasters, crude oil price hike, the Eurozone and US debt crises, amongst others.

The Stress Test Working Group, which comprises of business and risk management teams, tables the stress test reports at the Senior Management and Board committees and discusses the results with regulators on a regular basis.

CAPITAL ADEQUACY RATIOS

On 29 June 2010, the Bank and its subsidiary, MIB has received approval from BNM to migrate to IRB Approach for credit risk under Basel II RWCAF from 1 July 2010 onwards:

Table 1: Capital Adequacy Ratios for Maybank Group, Maybank and Maybank Islamic Berhad as at 31 December 2012

Capital Adequacy Ratios	Group	Maybank	Maybank Islamic
Before deducting proposed dividend			
Core capital ratio	13.66%	17.43%	10.83%
Risk-weighted capital ratio (“RWCR”)*	17.47%	17.43%	12.59%

Expressed in RM’000

Capital Adequacy Ratios	Group	Maybank	Maybank Islamic
Capital base	49,305,529	36,019,850	4,975,590
Credit RWA	245,629,212	182,229,741	34,975,262
Credit RWA absorbed by PSIA	–	–	(127,317)
Market RWA	8,913,850	6,200,948	747,905
Operational RWA	27,685,920	18,180,446	2,959,425
Additional risk-weighted assets due to capital floor	–	–	968,148
Total RWA	282,228,982	206,611,135	39,523,423

Note*: *RWCR is computed by dividing capital base over total RWA.*

The risk-weighted capital ratio of the Group as at 31 December 2012 stood at 17.47%, which is an increase from the previous financial period’s ratio of 16.46%.

The risk-weighted capital ratio at 17.47% against the Group’s total RWA is testament of the Group’s resilience and strength in meeting its obligations. Similarly, at entity level, the Bank’s RWCR remain strong at 17.43% and MIB registered a healthy ratio of 12.59%.

Please refer to note 53 in the financial statements for detailed discussion on the capital adequacy ratios.

Table 2. Disclosure on Capital Adequacy under IRB Approach for Maybank Group, Maybank and Maybank Islamic

As at 31.12.2012	Group RM'000		Maybank RM'000		Maybank Islamic RM'000	
Eligible Tier 1 Capital						
Paid-up ordinary share capital/Islamic banking fund		8,440,046		8,440,046		132,720
Share premium		15,639,646		15,639,646		2,687,480
Retained profit		5,650,192		4,211,532		1,311,406
Statutory reserve fund		8,023,712		7,805,342		147,338
General reserve fund		–		312,410		1,697
Total non-innovative Tier 1 (non-IT1) and innovative Tier 1 (IT1) capital		6,093,421		6,093,421		–
Non-innovative Tier 1 capital	3,498,312		3,498,312		–	
Total innovative Tier 1 capital	2,595,109		2,595,109		–	
RM Approved innovative debt capital instruments issued	1,099,315		1,099,315		–	
FX Approved innovative debt capital instruments issued	1,495,794		1,495,794		–	
Minority interest in shares of non-wholly owned subsidiaries		399,838		–		–
Share in unit trust		(102,405)		(102,405)		–
Total Tier 1 capital		44,144,445		42,399,992		4,280,641
Less:						
Goodwill		(5,588,553)		(81,015)		–
Deductions in excess of Tier 2 capital		–		(6,299,127)		–
ELIGIBLE TIER 1 CAPITAL		38,555,897		36,019,850		4,280,641
Eligible Tier 2 Capital						
Maximum allowable subordinated debt capital		13,394,620		11,546,020		1,000,000
RM subordinated debt capital	8,447,327		6,598,726		1,000,000	
FX subordinated debt capital	4,947,293		4,947,293		–	
Collective allowance for SA approach		728,806		294,552		85,396
Surplus of total EP over total EL under the IRB approach, subject to limit		–		–		–
Total Tier 2 capital		14,123,426		11,840,572		1,085,396
Total Tier 2 capital (subject to limits)		14,123,426		11,840,572		1,085,396
Less:						
Investment in subsidiaries		(2,709,503)		(17,872,187)		–
Securitisation exposures held in the banking book		–		–		–
Excess of total EL over total EP under the IRB approach		(664,291)		(267,512)		(390,447)
Liquidity reserve		–		–		–
Total deductions from Tier 2 Capital		(3,373,794)		(18,139,699)		(390,447)
ELIGIBLE TIER 2 CAPITAL		10,749,632		–		694,949
CAPITAL BASE		49,305,529		36,019,850		4,975,590

Table 2. Disclosure on Capital Adequacy under IRB Approach for Maybank Group, Maybank and Maybank Islamic (Cont'd.)

As at 31.12.2011	Group RM'000		Maybank RM'000		Maybank Islamic RM'000	
Eligible Tier 1 Capital						
Paid-up ordinary share capital/ Islamic banking fund		7,639,437		7,639,437		110,600
Share premium		9,598,847		9,598,847		2,488,400
Retained profit		5,855,354		4,648,594		1,102,606
Statutory reserve fund		6,926,383		6,728,866		147,338
General reserve fund		–		228,821		1,697
Capital redemption reserve		–		–		–
Total non-innovative Tier 1 (non-IT1) and innovative Tier 1 (IT1) capital		6,057,884		6,057,884		–
Non-innovative Tier 1 capital	3,498,065		3,498,065		–	
Total innovative Tier 1 capital	2,559,819		2,559,819		–	
RM Approved innovative debt capital instruments issued	1,099,218		1,099,218		–	
FX Approved innovative debt capital instruments issued	1,460,601		1,460,601		–	
Minority interest		381,926		–		–
Total Tier 1 capital		36,459,831		34,902,448		3,850,641
Less:						
Goodwill		(6,031,401)		(81,015)		–
Deductions in excess of Tier 2 capital		–		(4,193,087)		–
ELIGIBLE TIER 1 CAPITAL		30,428,430		30,628,347		3,850,641
Eligible Tier 2 Capital						
Maximum allowable subordinated debt capital		13,889,529		12,491,343		1,000,000
RM subordinated debt capital	10,100,000		9,100,000		1,000,000	
FX subordinated debt capital	3,789,529		3,391,343		–	
Collective allowance for SA approach		892,370		430,448		97,411
Surplus of total EP over total EL under the IRB approach, subject to limit		359,978		384,425		–
Total Tier 2 capital		15,141,877		13,306,216		1,097,411
Total Tier 2 capital (subject to limits)		15,141,877		13,306,216		1,097,411
Less:						
Investment in subsidiaries		(2,891,773)		(17,467,920)		–
Securitisation exposures held in the banking book		(31,383)		(31,383)		–
Excess of total EL over total EP under the IRB approach		–		–		(36,645)
Liquidity reserve		–		–		–
Total deductions from Tier 2 Capital		(2,923,156)		(13,306,216)		(36,645)
ELIGIBLE TIER 2 CAPITAL		12,218,721		–		1,060,766
CAPITAL BASE		42,647,151		30,628,347		4,911,407

RISK MANAGEMENT

INTRODUCTION

The management of risk lies at the heart of the Group's business. All of the Group's activities involve the acceptance, evaluation, measurement and management of risks or combination of risks. During the financial year ended 31 December 2012, the Group has made great strides in the management of risk in a more robust and holistic manner across the region. Amidst the challenging business landscape and tighter regulatory regime, the Group's risk management has managed to enhance and integrate risks into the business to drive value creation for the Group.

OVERVIEW

The objective of the Group's risk management, practiced consistently across the Group, is to support the Group's strategies in building sustainably profitable business regionally in the best interests of the shareholders and various stakeholders. Risk management is firmly embedded in how we run our business through:

- a strong governance structure, with clear framework of risk ownership, accountability, standards and policy;
- alignment of risk and business objectives, and integration of risk appetite and stress testing into business planning and capital management;
- embedding risk culture as the foundation upon which a strong enterprise-wide risk management framework is built on; and
- an independent, integrated and specialist Group risk function.

RISK GOVERNANCE STRUCTURE

The risk governance structures were further strengthened to embed and enhance our risk management and risk culture across the Group, given our regional growth plans. The chart illustrating the risk governance structures of Maybank Group can be found on page 225 of the Risk Management's write-up under Governance in the Annual Report. To further enhance governance over the embedded risk units, overseas units and the Group's subsidiaries, an enhanced risk governance on a Group-wide basis was implemented with the following objectives:

- To align risk management practices across the Group;
- To align the implementation of the Group's risk frameworks and policies;
- To enhance risk oversight by the Group;
- To provide clarity in the roles and responsibilities of risk management functions within business sectors, subsidiaries, overseas branches and units;
- To allocate more dedicated resources in supporting risk management functions;
- To align the Group's risk management practices to leading risk management practices; and
- To improve scalability and repeatability of risk management functions in supporting the Group's regional growth.

In line with the above-mentioned regionalisation move, an Early Alert Unit/Department will also be set-up at the respective overseas units to better manage the Group's asset quality.

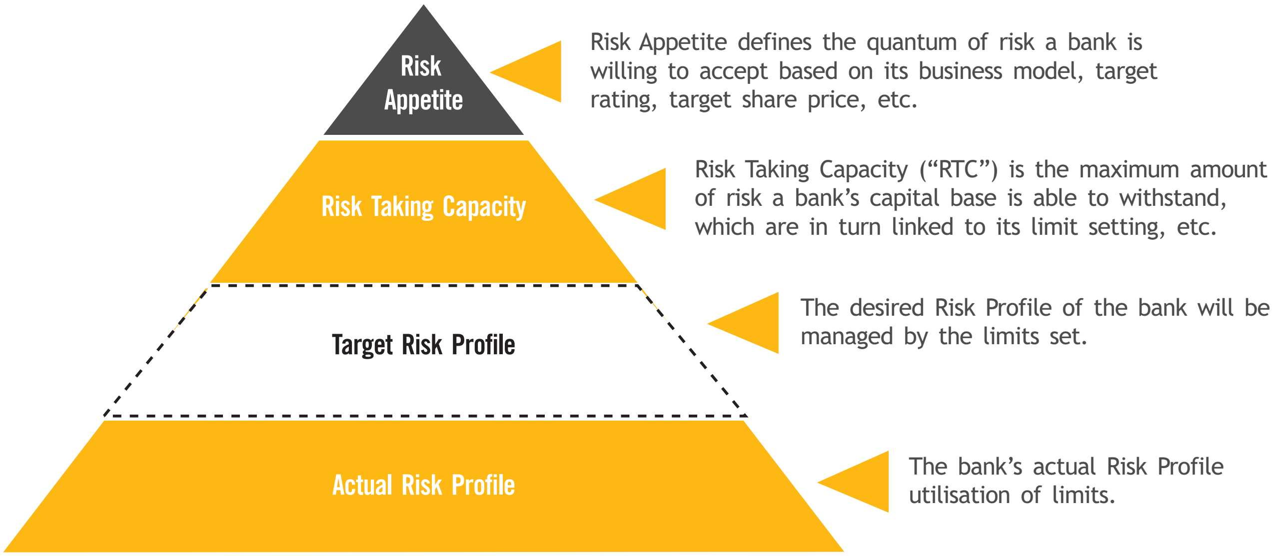
RISK APPETITE

The Group's risk appetite statements were reviewed and approved by the Board to better link our business strategies with our risk taking capacities and to optimise our risk-return trade-offs. From Maybank's perspective, risk appetite links the risk strategy of the Group to the business strategy through desired target ratings (solvency), earnings volatility and risk limits, among others.

We have successfully implemented the Group Risk Appetite Framework across the Bank and our major overseas subsidiaries and key branches. We continue to align and embed our Risk Appetite into our key risk management and business planning processes to ensure that our risk, return and capital are managed on an integrated basis.

For this purpose, we have established a team, focused on managing the Risk Appetite process, and to act as an interface between the Board, Senior Management and all the business stakeholders of the Group. We view the Risk Appetite Framework as an effective communication tool, which fosters risk-return trade off discussions between the Board, business and risk management.

The Risk Appetite Framework was used to clearly and effectively communicate the boundaries of risk as defined by the Board and Senior Management to various businesses across the Group, and to ensure that all the principal risks of the Group are considered in the risk management, business planning, and capital planning processes.



EMBED RISK CULTURE

Risk Culture is defined by the Institute of International Finance ("IIF") as "the norms and traditions of behaviour of individuals and of groups within an organisation which determine the way in which they identify, understand, discuss and act on the risks the organisation confronts and assumes." In line with the Board's desire to "Create and Embed the Right Risk Culture", we have designed a "Risk Culture Index" aimed at measuring the current state risk culture across the Group.

We view Risk Culture as the foundation upon which a strong enterprise wide risk management framework is built upon, and that creating and embedding a strong risk culture is the cornerstone of effective management of risk for the Group and our clients. Therefore, through the Index, we aim to measure and specifically target areas where we can focus our risk management capability building, and ensure our risk culture is institutionalised.

The Index was successfully launched in 2012, and the results of which will be incorporated into the performance management process across the Group. Specific action plans would also be developed to ensure that we are able to sustain our growth in a responsible and risk-aware manner.

INDEPENDENT GROUP RISK FUNCTION

Risk is ever evolving and not static, influenced by various factors ranging from economic, geopolitical, regulatory, environmental, to the day-to-day operations. This calls for continual assessment, monitoring and management of the complex interactions of risks across the Group.

The Group Credit & Risk Management function, headed by the Group Chief Risk Officer ("GCRO"), provides an independent, expert and integrated assessment of risks across the Group:

- supporting the Group's regional expansion and businesses in the development and achievement of strategic objectives;
- acting as a strategic partner with business in budget planning and risk appetite setting and operation;
- providing authority limits for both central and regional approvals, controls, risk systems and architecture leadership, and group risk reporting to management;
- continuing development of risk functions across the regions that the Group have operations in and embedding the Group's risk culture; and
- addressing external stakeholders including regulators and analysts pertaining to risk issues.

In addition to the day-to-day operations, the Group Risk function also engages fully with business development activities such as new product sign-offs and approvals, post-implementation reviews and due diligence exercises.

CREDIT RISK

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 Group's direct lending operations, trade finance and its funding, investment and trading activities undertaken by the Group.

REGULATORY CAPITAL REQUIREMENTS

Of the various types of risks which the Group engages in, credit risk generates the largest regulatory capital requirement.

Tables 3 through 5 present the minimum regulatory capital requirements for credit risk under the IRB approach for the Group, the Bank and MIB, respectively. These tables tabulate the total RWA under the various exposure classes under the IRB approach and apply the minimum capital requirements at 8% as set by BNM to ascertain the minimum capital required for each of the portfolios assessed.

Table 3: Disclosure on Capital Adequacy under IRB Approach for Maybank Group

Item	As at 31.12.2012 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.0	Credit Risk				
1.1	Exempted Exposures (Standardised Approach)				
	On-Balance-Sheet Exposures				
	Sovereigns/Central Banks	56,634,064	56,634,064	1,810,034	144,803
	Public Sector Entities	1,797,557	1,794,015	949,400	75,952
	Banks, Development Financial Institutions & MDBs	3,420,615	3,417,704	1,609,508	128,761
	Insurance Cos, Securities Firms & Fund Managers	792,996	792,251	792,251	63,380
	Corporates	34,251,637	33,304,211	32,821,068	2,625,685
	Regulatory Retail	16,968,402	16,884,155	11,906,530	952,522
	Residential Mortgage	2,301,724	2,301,724	896,046	71,684
	Higher Risk Assets	458,029	458,029	687,044	54,963
	Other Assets	8,460,764	8,460,764	2,289,429	183,154
	Securitisation Exposures	296,629	296,629	59,326	4,746
	Equity Exposure	108,742	108,742	117,242	9,379
	Defaulted Exposures	2,150,397	2,150,001	3,191,548	255,324
	Total On-Balance Sheet Exposures	127,641,556	126,602,289	57,129,425	4,570,354
	Off-Balance-Sheet Exposures				
	OTC Derivatives	625,448	625,448	426,249	34,100
	Off balance sheet exposures other than OTC derivatives or credit derivatives	4,680,619	4,402,765	3,293,766	263,501
	Defaulted Exposures	29	29	18	1
	Total Off-Balance Sheet Exposures	5,306,096	5,028,242	3,720,033	297,603
	Total On and Off-Balance Sheet Exposures	132,947,652	131,630,533	60,849,458	4,867,957

Table 3: Disclosure on Capital Adequacy under IRB Approach for Maybank Group (Cont'd.)

Item	As at 31.12.2012 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.2	Exposures under the IRB Approach				
	On-Balance-Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	57,631,179	57,631,179	17,325,205	1,386,016
	Corporate Exposures	137,070,729	137,070,729	86,398,539	6,911,883
	a) Corporates (excluding Specialised Lending and firm-size adjustments)	81,460,170	81,460,170	51,100,502	4,088,040
	b) Corporates (with firm-size adjustment)	52,094,035	52,094,035	32,916,498	2,633,320
	c) Specialised Lending (Slotting Approach) - Project Finance	3,516,524	3,516,524	2,381,539	190,523
	Retail Exposures	122,462,572	122,462,572	40,666,941	3,253,355
	a) Residential Mortgages	39,872,773	39,872,773	14,862,718	1,189,017
	b) Qualifying Revolving Retail Exposures	4,544,108	4,544,108	2,414,682	193,175
	c) Hire Purchase Exposures	34,089,521	34,089,521	11,662,898	933,032
	d) Other Retail Exposures	43,956,170	43,956,170	11,726,643	938,131
	Defaulted Exposures	2,816,748	2,816,748	571,910	45,753
	Total On-Balance Sheet Exposures	319,981,228	319,981,228	144,962,595	11,597,007
	Off-Balance-Sheet Exposures				
	OTC Derivatives	9,117,245	9,117,245	3,230,775	258,462
	Off balance sheet exposures other than OTC derivatives or credit derivatives	48,883,834	48,883,834	26,112,280	2,088,982
	Defaulted Exposures	22,636	22,636	14,869	1,190
	Total Off-Balance Sheet Exposures	58,023,715	58,023,715	29,357,924	2,348,634
	Total On and Off-Balance Sheet Exposures	378,004,943	378,004,943	174,320,520	13,945,642
	Total IRB Approach after Scaling Factor of 1.06			184,779,754	14,782,380
	Total Credit RIsk (Exposures under Standardised Approach & IRB Approach)	510,952,595	509,635,475	245,629,212	19,650,337
2.0	Market Risk				
	Interest Rate Risk			4,106,931	328,554
	Foreign Currency Risk			4,199,619	335,969
	Equity Risk			173,850	13,908
	Commodity Risk			2,525	202
	Option Risk			430,925	34,474
	Total Market Risk			8,913,850	713,108
3.0	Operational Risk			27,685,920	2,214,874
4.0	Total RWA and Capital Requirements			282,228,982	22,578,319

Table 3: Disclosure on Capital Adequacy under IRB Approach for Maybank Group (Cont'd.)

Item	As at 31.12.2011 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.0	Credit Risk				
1.1	Exempted Exposures (Standardised Approach)				
	On-Balance-Sheet Exposures				
	Sovereigns/Central Banks	61,566,161	61,566,161	3,013,399	241,072
	Public Sector Entities	1,002,719	994,184	816,459	65,317
	Banks, Development Financial Institutions & MDBs	3,771,959	3,771,574	1,301,047	104,084
	Insurance Cos, Securities Firms & Fund Managers	334,063	334,063	334,063	26,725
	Corporates	42,112,182	41,210,415	40,705,480	3,256,438
	Regulatory Retail	14,075,274	13,621,464	10,162,664	813,013
	Residential Mortgage	2,063,422	2,063,422	926,505	74,120
	Higher Risk Assets	574,927	574,927	862,391	68,991
	Other Assets	19,094,871	19,094,871	4,552,604	364,208
	Securitisation Exposures	1,012,355	1,012,355	554,994	44,400
	Equity Exposure	580,746	580,746	848,279	67,862
	Defaulted Exposures	1,526,949	1,526,682	2,233,761	178,701
	Total On-Balance Sheet Exposures	147,715,628	146,350,864	66,311,646	5,304,931
	Off-Balance-Sheet Exposures				
	OTC Derivatives	387,044	387,044	183,998	14,720
	Off balance sheet exposures other than OTC derivatives or credit derivatives	5,199,198	4,805,851	4,160,252	332,820
	Defaulted Exposures	22	22	18	1
	Total Off-Balance Sheet Exposures	5,586,264	5,192,917	4,344,268	347,541
	Total On and Off-Balance Sheet Exposures	153,301,891	151,543,780	70,655,914	5,652,473
1.2	Exposures under the IRB Approach				
	On-Balance-Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	50,251,862	50,251,862	16,889,675	1,351,174
	Corporate Exposures	111,203,419	111,203,419	74,398,747	5,951,900
	a) Corporates (excluding Specialised Lending and firm-size adjustments)	62,937,722	62,937,722	40,282,351	3,222,588
	b) Corporates (with firm-size adjustment)	46,897,742	46,897,742	33,147,324	2,651,786
	c) Specialised Lending (Slotting Approach) - Project Finance	1,367,955	1,367,955	969,072	77,526
	Retail Exposures	104,937,142	104,937,142	35,550,703	2,844,057
	a) Residential Mortgages	37,497,934	37,497,934	14,314,657	1,145,173
	b) Qualifying Revolving Retail Exposures	4,627,319	4,627,319	2,556,446	204,516
	c) Hire Purchase Exposures	30,735,761	30,735,761	11,415,515	913,241
	d) Other Retail Exposures	32,076,128	32,076,128	7,264,085	581,127
	Defaulted Exposures	4,412,542	4,412,542	861,167	68,893
	Total On-Balance Sheet Exposures	270,804,965	270,804,965	127,700,293	10,216,023

Table 3: Disclosure on Capital Adequacy under IRB Approach for Maybank Group (Cont'd.)

Item	As at 31.12.2011 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
	Off-Balance-Sheet Exposures				
	OTC Derivatives	7,437,556	7,437,556	2,578,493	206,279
	Off balance sheet exposures other than OTC derivatives or credit derivatives	25,095,621	25,095,621	14,140,116	1,131,209
	Defaulted Exposures	194,197	194,197	15,250	1,220
	Total Off-Balance Sheet Exposures	32,727,374	32,727,374	16,733,859	1,338,708
	Total On and Off-Balance Sheet Exposures	303,532,340	303,532,339	144,434,152	11,554,732
	Total IRB Approach after Scaling Factor of 1.06			153,100,201	12,248,016
	Total Credit Risk (Exposures under Standardised Approach & IRB Approach)	456,834,231	455,076,118	223,756,115	17,900,489
2.0	**Market Risk**				
	Interest Rate Risk			5,747,763	459,821
	Foreign Currency Risk			4,163,411	333,072
	Equity Risk			196,089	15,687
	Commodity Risk			1,014	81
	Option Risk			270,988	21,679
	Total Market Risk			**10,379,265**	**830,341**
3.0	**Operational Risk**			24,983,371	1,998,670
4.0	**Total RWA and Capital Requirements**			259,118,751	20,729,500

Table 4: Disclosure on Capital Adequacy under IRB Approach for Maybank

Item	As at 31.12.2012 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.0	Credit Risk				
1.1	Exempted Exposures (Standardised Approach)				
	On-Balance-Sheet Exposures				
	Sovereigns/Central Banks	31,341,304	31,341,304	370,667	29,653
	Public Sector Entities	1,128,923	1,128,923	819,354	65,548
	Banks, Development Financial Institutions & MDBs	–	–	–	–
	Insurance Cos, Securities Firms & Fund Managers	494	494	494	40
	Corporates	14,051,035	14,033,801	13,682,325	1,094,586
	Regulatory Retail	6,646,438	6,639,400	4,331,852	346,548
	Residential Mortgage	889,835	889,835	391,658	31,333
	Higher Risk Assets	319,443	319,443	479,165	38,333
	Other Assets	9,155,591	9,155,591	4,269,165	341,533
	Securitisation Exposures	296,629	296,629	59,326	4,746
	Equity Exposure	107,709	107,709	116,207	9,297
	Defaulted Exposures	190,556	190,456	268,292	21,463
	Total On-Balance Sheet Exposures	64,127,957	64,103,585	24,788,505	1,983,080
	Off-Balance-Sheet Exposures				
	OTC Derivatives	254,653	254,653	233,348	18,668
	Off balance sheet exposures other than OTC derivatives or credit derivatives	2,744,301	2,744,301	2,438,754	195,100
	Defaulted Exposures	29	29	18	1
	Total Off-Balance Sheet Exposures	2,998,983	2,998,983	2,672,120	213,769
	Total On and Off-Balance Sheet Exposures	67,126,940	67,102,568	27,460,623	2,196,850
1.2	Exposures under the IRB Approach				
	On-Balance-Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	56,829,211	56,829,211	17,673,871	1,413,910
	Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
	Corporate Exposures	119,200,475	119,200,475	74,747,103	5,979,768
	a) Corporates (excluding Specialised Lending and firm-size adjustments)	72,305,941	72,305,941	45,191,352	3,615,308
	b) Corporates (with firm-size adjustment)	44,446,396	44,446,396	28,050,651	2,244,052
	c) Specialised Lending (Slotting Approach) - Project Finance	2,448,138	2,448,138	1,505,100	120,408
	Retail Exposures	83,953,051	83,953,051	27,075,604	2,166,048
	a) Residential Mortgages	32,074,705	32,074,705	10,198,843	815,907
	b) Qualifying Revolving Retail Exposures	4,205,587	4,205,587	2,234,913	178,793
	c) Hire Purchase Exposures	18,798,030	18,798,030	6,872,074	549,766
	d) Other Retail Exposures	28,874,729	28,874,729	7,769,774	621,582
	Defaulted Exposures	2,435,800	2,435,800	461,103	36,888
	Total On-Balance Sheet Exposures	262,418,537	262,418,537	119,957,681	9,596,614

Table 4: Disclosure on Capital Adequacy under IRB Approach for Maybank (Cont'd.)

Item	As at 31.12.2012 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
	Off-Balance-Sheet Exposures				
	OTC Derivatives	8,926,671	8,926,671	3,106,257	248,501
	Off balance sheet exposures other than OTC derivatives or credit derivatives	43,006,447	43,006,447	22,933,647	1,834,692
	Defaulted Exposures	16,984	16,984	11,013	881
	Total Off-Balance Sheet Exposures	51,950,102	51,950,102	26,050,917	2,084,074
	Total On and Off-Balance Sheet Exposures	314,368,639	314,368,639	146,008,602	11,680,688
	Total IRB Approach after Scaling Factor of 1.06			154,769,118	12,381,529
	Total Credit Risk (Exposures under Standardised Approach & IRB Approach)	381,495,578	381,471,206	182,229,741	14,578,379
2.0	Market Risk				
	Interest Rate Risk			3,345,023	267,602
	Foreign Currency Risk			2,443,975	195,518
	Equity Risk			–	–
	Commodity Risk			–	–
	Option Risk			411,950	32,956
	Total Market Risk			6,200,948	496,076
3.0	Operational Risk			18,180,446	1,454,436
4.0	Total RWA and Capital Requirements			206,611,135	16,528,891

Table 4: Disclosure on Capital Adequacy under IRB Approach for Maybank (Cont'd.)

Item	As at 31.12.2011 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.0	Credit Risk				
1.1	Exempted Exposures (Standardised Approach)				
	On-Balance-Sheet Exposures				
	Sovereigns/Central Banks	43,329,944	43,329,944	1,422,455	113,796
	Public Sector Entities	863,528	861,443	698,335	55,867
	Banks, Development Financial Institutions & MDBs	–	–	–	–
	Insurance Cos, Securities Firms & Fund Managers	4,006	4,006	4,006	320
	Corporates	22,456,258	22,421,600	21,790,820	1,743,266
	Regulatory Retail	5,377,033	5,110,622	3,672,810	293,825
	Residential Mortgage	736,715	736,715	408,861	32,709
	Higher Risk Assets	437,645	437,645	656,467	52,517
	Other Assets	17,324,102	17,324,102	5,355,679	428,454
	Securitisation Exposures	1,012,355	1,012,355	554,994	44,400
	Equity Exposure	567,104	567,104	828,265	66,261
	Defaulted Exposures	221,137	221,137	290,326	23,226
	Total On-Balance Sheet Exposures	92,329,827	92,026,673	35,683,018	2,854,641
	Off-Balance-Sheet Exposures				
	OTC Derivatives	171,032	171,032	132,908	10,633
	Off balance sheet exposures other than OTC derivatives or credit derivatives	3,481,319	3,250,692	3,018,348	241,468
	Defaulted Exposures	22	22	18	1
	Total Off-Balance Sheet Exposures	3,652,373	3,421,746	3,151,274	252,102
	Total On and Off-Balance Sheet Exposures	95,982,200	95,448,419	38,834,291	3,106,743
1.2	Exposures under the IRB Approach				
	On-Balance-Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	50,469,618	50,469,618	16,787,783	1,343,023
	Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
	Corporate Exposures	96,521,273	96,521,273	64,320,827	5,145,666
	a) Corporates (excluding Specialised Lending and firm-size adjustments)	55,591,935	55,591,935	35,946,724	2,875,738
	b) Corporates (with firm-size adjustment)	40,237,285	40,237,285	27,993,952	2,239,516
	c) Specialised Lending (Slotting Approach) - Project Finance	692,053	692,053	380,151	30,412
	Retail Exposures	74,494,070	74,494,070	24,656,183	1,972,495
	a) Residential Mortgages	31,960,977	31,960,977	11,214,807	897,185
	b) Qualifying Revolving Retail Exposures	4,314,675	4,314,675	2,375,020	190,002
	c) Hire Purchase Exposures	16,618,373	16,618,373	6,279,439	502,355
	d) Other Retail Exposures	21,600,045	21,600,045	4,786,917	382,953
	Defaulted Exposures	3,891,501	3,891,501	693,937	55,515
	Total On-Balance Sheet Exposures	225,376,461	225,376,461	106,458,728	8,516,698

Table 4: Disclosure on Capital Adequacy under IRB Approach for Maybank (Cont'd.)

Item	As at 31.12.2011 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
	Off-Balance-Sheet Exposures				
	OTC Derivatives	7,294,530	7,294,530	2,525,339	202,027
	Off balance sheet exposures other than OTC derivatives or credit derivatives	21,775,436	21,775,436	12,437,733	995,019
	Defaulted Exposures	188,701	188,701	11,630	930
	Total Off-Balance Sheet Exposures	29,258,667	29,258,667	14,974,702	1,197,976
	Total On and Off-Balance Sheet Exposures	254,635,128	254,635,128	121,433,430	9,714,674
	Total IRB Approach after Scaling Factor of 1.06			128,719,436	10,297,555
	Total Credit Risk (Exposures under Standardised Approach & IRB Approach)	350,617,328	350,083,547	167,553,727	13,404,298
2.0	Market Risk				
	Interest Rate Risk			4,764,168	381,133
	Foreign Currency Risk			3,345,510	267,641
	Equity Risk			8,599	688
	Commodity Risk			1,012	81
	Option Risk			257,386	20,591
	Total Market Risk			8,376,694	670,134
3.0	Operational Risk			17,970,181	1,437,614
4.0	Total RWA and Capital Requirements			193,900,582	15,512,047

Table 5: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic

Item	As at 31.12.2012 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum Capital Requirement at 8% RM'000
1.0	Credit Risk						
1.1	Exempted Exposures (Standardised Approach)						
	On-Balance-Sheet Exposures						
	Sovereigns/Central Banks	16,867,117	16,867,117	12,461	–	12,461	997
	Public Sector Entities	647,515	647,515	115,256	–	115,256	9,220
	Insurance Cos, Securities Firms & Fund Managers	229	229	229	–	229	18
	Corporates	961,929	961,929	954,354	–	954,354	76,348
	Regulatory Retail	880,629	880,629	514,558	–	514,558	41,165
	Residential Mortgage	510,664	510,664	188,850	–	188,850	15,108
	Higher Risk Assets	36	36	54	–	54	4
	Other Assets	892,925	892,925	486,882	–	486,882	38,951
	Defaulted Exposures	6,294	6,294	5,421	–	5,421	434
	Total On-Balance Sheet Exposures	20,767,338	20,767,338	2,278,065	–	2,278,065	182,245
	Off-Balance-Sheet Exposures						
	OTC Derivatives	43,193	43,193	33,100	–	33,100	2,648
	Off balance sheet exposures other than OTC derivatives or credit derivatives	853,206	853,206	100,193	–	100,193	8,015
	Defaulted Exposures	–	–	–	–	–	–
	Total Off-Balance Sheet Exposures	896,399	896,399	133,293	–	133,293	10,663
	Total On and Off-Balance Sheet Exposures	21,663,737	21,663,737	2,411,358	–	2,411,358	192,908
1.2	Exposures under the IRB Approach						
	On-Balance-Sheet Exposures						
	Banks, Development Financial Institutions & MDBs	9,336,048	9,336,048	3,023,182	–	3,023,182	241,855
	Corporate Exposures	17,951,852	17,951,852	10,923,073	(120,110)	10,802,963	864,237
	a) Corporates (excluding Specialised Lending and firm-size adjustments)	9,235,827	9,235,827	5,180,787	(120,110)	5,060,677	404,854
	b) Corporates (with firm-size adjustment)	7,647,639	7,647,639	4,865,847	–	4,865,847	389,268
	c) Specialised Lending (Slotting Approach) - Project Finance	1,068,386	1,068,386	876,439	–	876,439	70,115
	Retail Exposures	38,509,521	38,509,521	13,591,337	–	13,591,337	1,087,308
	a) Residential Mortgages	7,798,068	7,798,068	4,663,875	–	4,663,875	373,110
	b) Qualifying Revolving Retail Exposures	338,521	338,521	179,769	–	179,769	14,382
	c) Hire Purchase Exposures	15,291,491	15,291,491	4,790,824	–	4,790,824	383,266
	d) Other Retail Exposures	15,081,441	15,081,441	3,956,869	–	3,956,869	316,550
	Defaulted Exposures	380,948	380,948	110,807	–	110,807	8,865
	Total On-Balance Sheet Exposures	66,178,369	66,178,369	27,648,399	(120,110)	27,528,289	2,202,263

Table 5: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic (Cont'd.)

Item	As at 31.12.2012 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum Capital Requirement at 8% RM'000
	Off-Balance-Sheet Exposures						
	OTC Derivatives	187,137	187,137	120,357	–	120,357	9,629
	Off balance sheet exposures other than OTC derivatives or credit derivatives	5,722,703	5,722,703	2,948,052	–	2,948,052	235,844
	Defaulted Exposures	5,652	5,652	3,856	–	3,856	308
	Total Off-Balance Sheet Exposures	5,915,492	5,915,492	3,072,265	–	3,072,265	245,781
	Total On and Off-Balance Sheet Exposures	72,093,861	72,093,861	30,720,664	(120,110)	30,600,554	2,448,044
	Total IRB Approach after Scaling Factor of 1.06			32,563,904	(127,317)	32,436,587	2,594,927
	Total Credit Risk (Exposures under Standardised Approach & IRB Approach)	93,757,599	93,757,598	34,975,262	(127,317)	34,847,945	2,787,836
2.0	Market Risk						
	Bench Mark Rate Risk			126,089	–	126,089	10,087
	Equity Risk			–	–	–	–
	Foreign Exchange Risk			621,816	–	621,816	49,745
	Option Risk			–	–	–	–
	Total Market Risk			747,905	–	747,905	59,832
3.0	Operational Risk			2,959,425	–	2,959,425	236,754
4.0	Additional RWA due to capital Floor			968,148		968,148	77,452
5.0	Total RWA and Capital Requirements			39,650,740	(127,317)	39,523,423	3,161,874

Table 5: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic (cont'd.)

Item	As at 31.12.2011 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum Capital Requirement at 8% RM'000
1.0	Credit Risk						
1.1	Exempted Exposures (Standardised Approach)						
	On-Balance-Sheet Exposures						
	Sovereigns/Central Banks	12,198,099	12,198,099	–	–	–	–
	Public Sector Entities	93,011	89,323	77,315	–	77,315	6,185
	Insurance Cos, Securities Firms & Fund Managers	329	329	329	–	329	26
	Corporates	2,649,670	2,464,690	2,707,937	–	2,707,937	216,635
	Regulatory Retail	924,021	826,110	619,583	–	619,583	49,567
	Residential Mortgage	189,943	189,943	119,680	–	119,680	9,574
	Higher Risk Assets	30,340	30,340	45,510	–	45,510	3,641
	Other Assets	2,368,113	2,368,113	525,833	–	525,833	42,067
	Defaulted Exposures	5,926	5,926	6,240	–	6,240	499
	Total On-Balance Sheet Exposures	18,459,452	18,172,873	4,102,427	–	4,102,427	328,194
	Off-Balance-Sheet Exposures						
	OTC Derivatives	181,545	181,545	36,749	–	36,749	2,940
	Off balance sheet exposures other than OTC derivatives or credit derivatives	412,955	412,955	14,504	–	14,504	1,160
	Defaulted Exposures	–	–	–	–	–	–
	Total Off-Balance Sheet Exposures	594,500	594,500	51,253	–	51,253	4,100
	Total On and Off-Balance Sheet Exposures	19,053,952	18,767,374	4,153,679	–	4,153,679	332,294
1.2	Exposures under the IRB Approach						
	On-Balance-Sheet Exposures						
	Banks, Development Financial Institutions & MDBs	8,622,533	8,622,533	3,523,929	–	3,523,929	281,914
	Corporate Exposures	14,682,146	14,682,146	10,272,192	(194,270)	10,077,922	806,234
	a) Corporates (excluding Specialised Lending and firm-size adjustments)	7,345,787	7,345,787	4,529,898	(194,270)	4,335,628	346,850
	b) Corporates (with firm-size adjustment)	6,660,457	6,660,457	5,153,373	–	5,153,373	412,270
	c) Specialised Lending (Slotting Approach) - Project Finance	675,902	675,902	588,921	–	588,921	47,114
	Retail Exposures	30,398,139	30,398,139	10,894,520	–	10,894,520	871,561
	a) Residential Mortgages	5,536,957	5,536,957	3,099,850	–	3,099,850	247,988
	b) Qualifying Revolving Retail Exposures	312,644	312,644	181,426	–	181,426	14,514
	c) Hire Purchase Exposures	14,117,388	14,117,388	5,136,076	–	5,136,076	410,886
	d) Other Retail Exposures	10,431,150	10,431,150	2,477,168	–	2,477,168	198,173
	Defaulted Exposures	521,041	521,041	167,230	–	167,230	13,378
	Total On-Balance Sheet Exposures	54,223,859	54,223,859	24,857,871	(194,270)	24,663,601	1,973,088

Table 5: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic (Cont'd.)

Item	As at 31.12.2011 Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum Capital Requirement at 8% RM'000
	Off-Balance-Sheet Exposures						
	OTC Derivatives	143,026	143,026	53,154	–	53,154	4,252
	Off balance sheet exposures other than OTC derivatives or credit derivatives	3,320,186	3,320,186	1,702,384	–	1,702,384	136,191
	Defaulted Exposures	5,496	5,496	3,620	–	3,620	290
	Total Off-Balance Sheet Exposures	3,468,707	3,468,707	1,759,158	–	1,759,158	140,733
	Total On and Off-Balance Sheet Exposures	57,692,566	57,692,566	26,617,030	(194,270)	26,422,760	2,113,821
	Total IRB Approach after Scaling Factor of 1.06			28,214,051	(205,926)	28,008,125	2,240,650
	Total Credit Risk (Exposures under Standardised Approach & IRB Approach)	76,746,518	76,459,940	32,367,730	(205,926)	32,161,804	2,572,944
2.0	Market Risk						
	Bench Mark Rate Risk			284,442	–	284,442	22,755
	Equity Risk			–	–	–	–
	Foreign Exchange Risk			23,500	–	23,500	1,880
	Total Market Risk			307,942	–	307,942	24,635
3.0	Operational Risk			2,573,751	–	2,573,751	205,900
4.0	Additional RWA due to capital Floor			3,891,670	–	3,482,850	278,628
5.0	Total RWA and Capital Requirements			39,141,093	(205,926)	38,935,167	3,114,813

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.

Reviews are conducted at least once a year with updated information on 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.

A two-pronged approach is adopted:

i) Managing the Credit Risk
ii) Managing the Credit Portfolio

Retail credit exposures are managed on a programme basis. Credit programme 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.

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

MANAGEMENT OF CONCENTRATION RISK

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

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

ASSET QUALITY MANAGEMENT

To effectively manage vulnerable corporate and institutional credits of the Group, 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.

Credit Risk Management (“CRM”) Framework

The CRM framework includes comprehensive credit risk policies, 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 Group’s credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. The Credit Risk Management (CRM) is responsible for developing, enhancing and communicating an effective and consistent credit risk management framework across the Group 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”).

Tables 6 through 8 present the geographic analysis and distribution of exposures under both the SA and IRB approaches for the Group, the Bank and MIB respectively. These tables show the geographic distribution and the proportion of credit exposures assessed under the SA and IRB approaches.

Tables 9 through 11 present the disclosure on credit risk exposures by the various industries for the Group, the Bank and MIB, respectively.

In Tables 12 through 14, the credit risk exposures are presented by maturity periods of one year or less, one to five years and over five years for the Group, the Bank and MIB, respectively.

Table 6: Disclosure on Credit Risk Exposure - Geographic Analysis for Maybank Group

As at 31.12.2012 Exposure Class	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others i.e. Oversea Units RM'000	Total RM'000
Exposures under Standardised Approach					
Sovereigns/Central Banks	34,832,970	13,442,562	6,787,671	2,417,071	57,480,274
Public Sector Entities	1,147,743	665,777	3,484	17,672	1,834,676
Banks, Development Financial Institutions & MDBs	88,919	573,644	2,566,060	762,049	3,990,672
Insurance Cos, Securities Firms & Fund Managers	42,078	791,528	–	37,657	871,263
Corporates	6,872,519	2,168,819	18,160,480	10,592,869	37,794,687
Regulatory Retail	4,417,099	5,915,293	7,150,054	1,650,987	19,133,433
Residential Mortgage	1,217,049	106,876	894,420	91,306	2,309,651
Higher Risk Assets	511,210	62,518	–	1,573	575,301
Other Assets	179,847	1,396,956	2,413,769	4,561,750	8,552,322
Securitisation Exposures	296,629	–	–	–	296,629
Equity Exposure	81,411	26,531	–	802	108,744
Total Standardised Approach	49,687,474	25,150,504	37,975,938	20,133,736	132,947,652
Exposures under IRB Approach					
Banks, Development Financial Institutions & MDBs	44,930,152	12,579,297	–	12,497,094	70,006,543
Insurance Cos, Securities Firms & Fund Managers	5	–	–	–	5
Corporate Exposures	112,396,920	51,054,720	–	11,466,010	174,917,650
a) Corporates (excluding Specialised Lending and firm-size adjustments)	66,073,008	27,225,235	–	11,101,364	104,399,605
b) Corporates (with firm-size adjustment)	42,807,387	23,829,485	–	364,646	67,001,518
c) Specialised Lending (Slotting Approach) - Project Finance	3,516,525	–	–	–	3,516,525
Retail Exposures	109,391,200	23,689,545	–	–	133,080,744
a) Residential Mortgages	30,342,965	10,175,458	–	–	40,518,423
b) Qualifying Revolving Retail Exposures	5,304,839	3,053,059	–	–	8,357,898
c) Hire Purchase Exposures	27,211,291	7,775,234	–	–	34,986,525
d) Other Retail Exposures	46,532,104	2,685,794	–	–	49,217,898
Total IRB Approach	266,718,278	87,323,562	–	23,963,102	378,004,943
Total Standardised and IRB Approaches	316,405,750	112,474,064	37,975,939	44,096,839	510,952,595

Table 6: Disclosure on Credit Risk Exposure - Geographic Analysis for Maybank Group (Cont'd.)

As at 31.12.2011 Exposure Class	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others i.e. Oversea Units RM'000	Total RM'000
Exposures under Standardised Approach					
Sovereigns/Central Banks	44,687,764	10,084,929	4,624,699	2,616,939	62,014,330
Public Sector Entities	308,174	653,459	6,498	54,850	1,022,981
Banks, Development Financial Institutions & MDBs	13,844	630,472	2,761,571	685,383	4,091,271
Insurance Cos, Securities Firms & Fund Managers	16,976	329,728	–	207,594	554,298
Corporates	7,530,990	4,049,100	16,527,110	18,679,690	46,786,891
Regulatory Retail	5,025,305	3,113,988	6,247,015	943,536	15,329,844
Residential Mortgage	903,858	42,685	1,139,139	15,772	2,101,454
Higher Risk Assets	599,057	11,085	–	1,635	611,777
Other Assets	7,832,719	9,449,314	1,263,488	651,265	19,196,787
Securitisation Exposures	1,012,355	–	–	–	1,012,355
Equity Exposure	535,122	44,782	–	–	579,904
Total Standardised Approach	68,466,165	28,409,540	32,569,521	23,856,664	153,301,891
Exposures under IRB Approach					
Banks, Development Financial Institutions & MDBs	29,021,470	10,569,472	–	17,150,313	56,741,255
Corporate Exposures	96,932,882	33,305,532	–	2,103,546	132,341,960
a) Corporates (excluding Specialised Lending and firm-size adjustments)	55,389,963	18,248,481	–	1,547,130	75,185,574
b) Corporates (with firm-size adjustment)	40,174,964	15,057,051	–	556,416	55,788,432
c) Specialised Lending (Slotting Approach) - Project Finance	1,367,955	–	–	–	1,367,955
Retail Exposures	90,254,426	24,194,697	–	–	114,449,123
a) Residential Mortgages	26,392,809	11,361,652	–	–	37,754,461
b) Qualifying Revolving Retail Exposures	5,478,817	2,745,869	–	–	8,224,686
c) Hire Purchase Exposures	24,115,708	8,031,004	–	–	32,146,712
d) Other Retail Exposures	34,267,091	2,056,173	–	–	36,323,264
Total IRB Approach	216,208,779	68,069,701	–	19,253,859	303,532,338
Total Standardised and IRB Approaches	284,674,944	96,479,241	32,569,521	43,110,523	456,834,230

Table 7: Disclosure on Credit Risk Exposure - Geographic Analysis for Maybank

As at 31.12.2012 Exposure Class	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others i.e. Oversea Units RM'000	Total RM'000
Exposures under Standardised Approach					
Sovereigns/Central Banks	17,215,486	13,430,910	–	787,757	31,434,153
Public Sector Entities	485,809	665,777	–	–	1,151,585
Insurance Cos, Securities Firms & Fund Managers	40,420	–	–	36,913	77,333
Corporates	5,438,345	1,935,145	–	9,073,531	16,447,021
Regulatory Retail	3,329,660	3,418,660	–	287,795	7,036,116
Residential Mortgage	703,486	106,876	–	84,501	894,863
Higher Risk Assets	418,696	15,981	–	–	434,677
Other Assets	8,360,656	519,572	–	366,625	9,246,853
Securitisation Exposures	296,629	–	–	–	296,629
Equity Exposure	81,178	26,531	–	–	107,709
Total Standardised Approach	**36,370,365**	**20,119,452**	**–**	**10,637,122**	**67,126,939**
Exposures under IRB Approach					
Banks, Development Financial Institutions & MDBs	**44,012,048**	**12,579,297**	**–**	**12,497,094**	**69,088,440**
Insurance Cos, Securities Firms & Fund Managers	**5**	**–**	**–**	**–**	**5**
Corporate Exposures	**91,356,663**	**51,054,720**	**–**	**10,738,278**	**153,149,660**
a) Corporates (excluding Specialised Lending and firm-size adjustments)	**55,444,781**	**27,225,235**	**–**	**10,373,632**	**93,043,647**
b) Corporates (with firm-size adjustment)	**33,463,744**	**23,829,485**	**–**	**364,646**	**57,657,875**
c) Specialised Lending (Slotting Approach) - Project Finance	**2,448,138**	**–**	**–**	**–**	**2,448,138**
Retail Exposures	**68,440,988**	**23,689,545**	**–**	**–**	**92,730,532**
a) Residential Mortgages	22,384,693	10,175,458	–	–	32,560,151
b) Qualifying Revolving Retail Exposures	4,891,301	3,053,059	–	–	7,944,360
c) Hire Purchase Exposures	11,094,764	7,775,234	–	–	18,869,997
d) Other Retail Exposures	30,070,230	2,685,794	–	–	32,756,024
Total IRB Approach	**203,809,703**	**87,323,562**	**–**	**23,235,371**	**314,368,639**
Total Standardised and IRB Approaches	**240,180,067**	**107,443,014**	**–**	**33,872,494**	**381,495,578**

Table 7: Disclosure on Credit Risk Exposure - Geographic Analysis for Maybank (Cont'd.)

As at 31.12.2011 Exposure Class	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others i.e. Oversea Units RM'000	Total RM'000
<u>Exposures under Standardised Approach</u>					
Sovereigns/Central Banks	32,170,726	10,080,374	–	1,224,547	43,475,648
Public Sector Entities	213,865	653,459	–	–	867,324
Insurance Cos, Securities Firms & Fund Managers	16,066	–	–	207,594	223,660
Corporates	4,703,788	3,743,217	–	17,133,374	25,580,379
Regulatory Retail	3,519,730	1,652,599	–	417,426	5,589,755
Residential Mortgage	709,566	42,685	–	15,772	768,023
Higher Risk Assets	471,847	1,050	–	–	472,896
Other Assets	8,991,154	8,126,829	–	307,073	17,425,057
Securitisation Exposures	1,012,355	–	–	–	1,012,355
Equity Exposure	522,322	44,782	–	–	567,104
Total Standardised Approach	52,331,419	24,344,994	–	19,305,787	95,982,200
<u>Exposures under IRB Approach</u>					
Banks, Development Financial Institutions & MDBs	29,092,439	10,569,472	–	17,150,313	56,812,224
Insurance Cos, Securities Firms & Fund Managers					–
Corporate Exposures	80,423,296	33,305,532	–	2,103,546	115,832,374
a) Corporates (excluding Specialised Lending and firm-size adjustments)	47,324,716	18,248,481	–	1,547,130	67,120,327
b) Corporates (with firm-size adjustment)	32,406,527	15,057,051	–	556,416	48,019,995
c) Specialised Lending (Slotting Approach) - Project Finance	692,053	–	–	–	692,053
Retail Exposures	57,795,833	24,194,697	–	–	81,990,529
a) Residential Mortgages	20,849,051	11,361,652	–	–	32,210,703
b) Qualifying Revolving Retail Exposures	5,096,793	2,745,869	–	–	7,842,662
c) Hire Purchase Exposures	8,679,271	8,031,004	–	–	16,710,274
d) Other Retail Exposures	23,170,718	2,056,173	–	–	25,226,891
Total IRB Approach	167,311,568	68,069,701	–	19,253,859	254,635,128
Total Standardised and IRB Approaches	219,642,987	92,414,695	–	38,559,646	350,617,328

Table 8: Disclosure on Credit Risk Exposure - Geographic Analysis for Maybank Islamic

As at 31.12.2012 Exposure Class	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others i.e. Oversea Units RM'000	Total RM'000
Exposures under Standardised Approach					
Sovereigns/Central Banks	17,617,117	–	–	–	17,617,117
Public Sector Entities	661,934	–	–	–	661,934
Insurance Cos, Securities Firms & Fund Managers	1,657	–	–	–	1,657
Corporates	1,081,313	–	–	–	1,081,313
Regulatory Retail	893,152	–	–	–	893,152
Residential Mortgage	513,563	–	–	–	513,563
Higher Risk Assets	2,075	–	–	–	2,075
Other Assets	892,926	–	–	–	892,926
Total Standardised Approach	**21,663,737**	–	–	–	**21,663,737**
Exposures under IRB Approach					
Banks, Development Financial Institutions & MDBs	**9,452,183**	–	–	–	**9,452,183**
Corporate Exposures	**21,691,465**	–	–	–	**21,691,465**
a) Corporates (excluding Specialised Lending and firm-size adjustments)	11,279,436	–	–	–	11,279,436
b) Corporates (with firm-size adjustment)	9,343,643	–	–	–	9,343,643
c) Specialised Lending (Slotting Approach) - Project Finance	1,068,386	–	–	–	1,068,386
Retail Exposures	**40,950,214**	–	–	–	**40,950,214**
a) Residential Mortgages	7,958,273	–	–	–	7,958,273
b) Qualifying Revolving Retail Exposures	413,539	–	–	–	413,539
c) Hire Purchase Exposures	16,116,527	–	–	–	16,116,527
d) Other Retail Exposures	16,461,875	–	–	–	16,461,875
Total IRB Approach	**72,093,862**	–	–	–	**72,093,862**
Total Standardised and IRB Approaches	**93,757,599**	–	–	–	**93,757,599**

Table 8: Disclosure on Credit Risk Exposure - Geographic Analysis for Maybank Islamic (Cont'd.)

As at 31.12.2011 Exposure Class	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others i.e. Oversea Units RM'000	Total RM'000
Exposures under Standardised Approach					
Sovereigns/Central Banks	12,498,099	–	–	–	12,498,099
Public Sector Entities	94,309	–	–	–	94,309
Insurance Cos, Securities Firms & Fund Managers	910	–	–	–	910
Corporates	2,937,690	–	–	–	2,937,690
Regulatory Retail	929,252	–	–	–	929,252
Residential Mortgage	193,640	–	–	–	193,640
Higher Risk Assets	31,938	–	–	–	31,938
Other Assets	2,368,113	–	–	–	2,368,113
Total Standardised Approach	19,053,951	–	–	–	19,053,951
Exposures under IRB Approach					
Banks, Development Financial Institutions & MDBs	8,769,320	–	–	–	8,769,320
Corporate Exposures	16,509,586	–	–	–	16,509,586
a) Corporates (excluding Specialised Lending and firm-size adjustments)	8,065,247	–	–	–	8,065,247
b) Corporates (with firm-size adjustment)	7,768,437	–	–	–	7,768,437
c) Specialised Lending (Slotting Approach) - Project Finance	675,902	–	–	–	675,902
Retail Exposures	32,413,661	–	–	–	32,413,661
a) Residential Mortgages	5,543,759	–	–	–	5,543,759
b) Qualifying Revolving Retail Exposures	382,024	–	–	–	382,024
c) Hire Purchase Exposures	15,436,438	–	–	–	15,436,438
d) Other Retail Exposures	11,051,440	–	–	–	11,051,440
Total IRB Approach	57,692,567	–	–	–	57,692,567
Total Standardised and IRB Approaches	76,746,518	–	–	–	76,746,518

Table 9: Disclosure on Credit Risk Exposure - Industry Analysis for Maybank Group

As at 31.12.2012 Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Construction RM'000	Electricity, Gas & Water Supply RM'000	Wholesale, Retail trade, restaurants & hotels RM'000	Finance, Insurance, Real Estate & Business RM'000	Transport, Storage & Communication RM'000	Education, health & others RM'000	Household RM'000	NEC RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns/Central Banks	–	–	–	–	18,494,556	263	28,695,263	106,888	5,524,058	–	4,659,247	57,480,275
Public Sector Entities	340,890	–	–	1,455	851	–	775,320	–	678,717	–	37,442	1,834,675
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	3,482,517	–	–	–	508,155	3,990,672
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	4,961	42,070	–	–	824,232	871,263
Corporates	687,943	586,961	1,756,087	1,712,993	2,505,648	6,158,008	3,538,317	4,755,514	419,606	2,757,865	12,915,746	37,794,688
Regulatory Retail	5,004	1,292	155,824	34,098	1,190	296,708	526,089	15,974	25,894	10,936,382	7,134,978	19,133,433
Residential Mortgage	–	–	–	–	–	–	–	–	–	2,219,074	90,577	2,309,651
Higher Risk Assets	22,331	–	–	–	–	–	228,988	–	–	214,300	109,682	575,301
Other Assets	–	–	–	–	–	2	287,949	337	–	943,727	7,320,307	8,552,322
Securitisation Exposures	–	–	–	–	–	–	–	–	–	–	296,629	296,629
Equity Exposure	–	–	11,613	4,269	–	–	12,967	–	–	61,453	18,442	108,744
Total Standardised Approach	1,056,168	588,253	1,923,524	1,752,815	21,002,245	6,454,981	37,552,371	4,920,783	6,648,275	17,132,801	33,915,437	132,947,653
Exposures under IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	63,097,686	–	–	–	6,908,857	70,006,543
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	5	–	–	–	–	5
Corporate Exposures	6,874,000	1,305,976	33,982,713	19,160,650	5,381,618	26,405,268	60,155,263	12,162,824	2,621,148	504	6,867,683	174,917,647
a) Corporates (excluding Specialised Lending and firm-size adjustments)	2,957,988	481,538	19,897,150	10,527,192	4,450,333	13,875,027	37,837,897	7,040,587	863,153	504	6,468,236	104,399,605
b) Corporates (with firm-size adjustment)	3,916,012	824,438	10,569,039	8,633,458	931,285	12,530,241	22,317,366	5,122,237	1,757,995	–	399,447	67,001,518
c) Specialised Lending (Slotting Approach) - Project Finance	–	–	3,516,524	–	–	–	–	–	–	–	–	3,516,524
Retail Exposures	347,720	41,170	878,192	867,425	18,070	2,601,375	1,136,857	392,222	308,201	126,025,043	464,470	133,080,744
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	40,518,423	–	40,518,423
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	8,357,898	–	8,357,898
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	34,986,525	–	34,986,525
d) Other Retail Exposures	347,720	41,170	878,192	867,425	18,070	2,601,375	1,136,857	392,222	308,201	42,162,197	464,470	49,217,898
Total IRB Approach	7,221,720	1,347,146	34,860,905	20,028,075	5,399,688	29,006,643	124,389,811	12,555,046	2,929,349	126,025,547	14,241,010	378,004,940
Total Standardised and IRB Approaches	8,277,887	1,935,399	36,784,430	21,780,891	26,401,932	35,461,625	161,942,184	17,475,829	9,577,623	143,158,346	48,156,447	510,952,595

Table 9: Disclosure on Credit Risk Exposure - Industry Analysis for Maybank Group (Cont'd.)

As at 31.12.2011 Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Construction RM'000	Electricity, Gas & Water Supply RM'000	Wholesale, Retail trade, restaurants & hotels RM'000	Finance, Insurance, Real Estate & Business RM'000	Transport, Storage & Communication RM'000	Education, health & others RM'000	Household RM'000	NEC RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns/Central Banks	–	–	–	–	19,248,305	132	27,017,117	–	2,779,229	–	12,969,547	62,014,330
Public Sector Entities	528,569	–	–	738	830	5,171	219,489	25,603	173,372	–	69,209	1,022,981
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	4,081,735	9,535	–	–	–	4,091,270
Insurance Cos, Securities Firms & Fund Managers	–	1,987	–	–	–	–	252,486	5,979	–	–	293,846	554,298
Corporates	1,591,694	1,203,917	6,930,571	2,082,687	2,446,623	6,071,834	4,854,390	5,510,965	974,302	2,773,532	12,346,376	46,786,890
Regulatory Retail	12,859	6,759	94,786	51,481	2,085	432,801	354,068	22,392	3,903,062	9,739,633	709,917	15,329,844
Residential Mortgage	–	–	471	–	–	341	3,324	115	–	2,096,465	739	2,101,454
Higher Risk Assets	22,331	–	1,263	1,053	–	–	201,896	–	–	276,566	108,668	611,777
Other Assets	121,843	426,082	1,054,156	40,858	8,879	4,206,475	2,232,578	2,481	98,892	2,819,898	8,184,646	19,196,787
Securitisation Exposures	–	–	–	–	–	–	–	–	–	–	1,012,355	1,012,355
Equity Exposure	–	–	13,410	24,075	–	95	7,260	–	–	–	535,065	579,904
Total Standardised Approach	2,277,296	1,638,745	8,094,657	2,200,892	21,706,722	10,716,849	39,224,343	5,577,070	7,928,857	17,706,094	36,230,369	153,301,891
Exposures under IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	55,477,847	–	–	–	1,263,408	56,741,255
Corporate Exposures	4,453,854	1,015,725	24,864,871	15,672,537	4,824,270	19,585,128	48,400,240	9,225,895	2,367,831	–	1,931,610	132,341,960
a) Corporates (excluding Specialised Lending and firm-size adjustments)	1,669,392	141,094	13,519,085	7,300,355	3,586,120	8,637,937	33,303,616	4,464,463	1,266,889	–	1,296,623	75,185,574
b) Corporates (with firm-size adjustment)	2,784,462	874,631	9,977,831	8,372,182	1,238,150	10,947,191	15,096,624	4,761,432	1,100,941	–	634,987	55,788,432
c) Specialised Lending (Slotting Approach) - Project Finance	–	–	1,367,955	–	–	–	–	–	–	–	–	1,367,955
Retail Exposures	–	–	–	–	–	–	–	–	–	114,449,124	–	114,449,124
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	37,754,461	–	37,754,461
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	8,224,686	–	8,224,686
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	32,146,712	–	32,146,712
d) Other Retail Exposures	–	–	–	–	–	–	–	–	–	36,323,264	–	36,323,264
Total IRB Approach	4,453,854	1,015,725	24,864,871	15,672,537	4,824,270	19,585,128	103,878,087	9,225,895	2,367,831	114,449,124	3,195,018	303,532,339
Total Standardised and IRB Approaches	6,731,151	2,654,470	32,959,527	17,873,428	26,530,991	30,301,977	143,102,430	14,802,965	10,296,687	132,155,218	39,425,387	456,834,230

Table 10: Disclosure on Credit Risk Exposure - Industry Analysis for Maybank

As at 31.12.2012 Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Construction RM'000	Electricity, Gas & Water Supply RM'000	Wholesale, Retail trade, restaurants & hotels RM'000	Finance, Insurance, Real Estate & Business RM'000	Transport, Storage & Communication RM'000	Education, health & others RM'000	Household RM'000	NEC RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns/Central Banks	–	–	–	–	6,987,116	263	20,208,606	106,888	3,133,364	–	997,916	31,434,153
Public Sector Entities	235,697	–	–	90	851	–	745,431	–	158,597	–	10,919	1,151,585
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	–	–	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	8	40,413	–	–	36,913	77,333
Corporates	66,610	4,505	739,097	734,463	1,158,187	486,595	610,475	957,208	234,340	2,049,885	9,405,657	16,447,022
Regulatory Retail	–	–	–	–	–	–	–	–	–	6,869,202	166,914	7,036,116
Residential Mortgage	–	–	–	–	–	–	–	–	–	810,362	84,501	894,863
Higher Risk Assets	22,331	–	–	–	–	–	90,438	–	–	212,225	109,682	434,677
Other Assets	–	–	–	–	–	–	–	–	–	880,228	366,525	9,246,853
Securitisation Exposures	–	–	–	–	–	–	–	–	–	–	296,629	296,629
Equity Exposure	–	–	11,613	4,269	–	–	12,734	–	–	61,453	17,640	107,709
Total Standardised Approach	324,638	4,505	750,710	738,822	8,146,153	486,858	21,667,692	1,104,508	3,526,301	18,883,356	11,493,395	67,126,939
Exposures under IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	68,352,569	–	–	–	735,871	69,088,440
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	5	–	–	–	–	5
Corporate Exposures	5,511,185	1,167,442	28,072,543	15,776,391	4,227,671	23,309,030	56,517,574	10,340,582	2,038,501	504	6,188,239	153,149,660
a) Corporates (excluding Specialised Lending and firm-size adjustments)	2,085,082	473,845	16,614,117	8,405,555	3,786,198	12,514,024	36,112,628	6,452,424	783,549	504	5,815,722	93,043,647
b) Corporates (with firm-size adjustment)	3,426,103	693,596	9,010,287	7,370,837	441,473	10,795,006	20,404,946	3,888,158	1,254,952	–	372,517	57,657,875
c) Specialised Lending (Slotting Approach) - Project Finance	–	–	2,448,138	–	–	–	–	–	–	–	–	2,448,138
Retail Exposures	275,074	32,596	725,744	667,626	13,324	2,163,209	806,734	260,698	223,410	86,666,962	295,155	92,130,531
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	32,560,151	–	32,560,151
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	7,944,360	–	7,944,360
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	18,869,997	–	18,869,997
d) Other Retail Exposures	275,074	32,596	725,744	667,626	13,324	2,163,209	806,734	260,698	223,410	27,292,455	295,155	32,756,024
Total IRB Approach	5,786,259	1,200,037	28,798,287	16,444,017	4,240,994	25,472,239	125,676,883	10,601,280	2,261,910	86,667,465	7,219,265	314,368,639
Total Standardised and IRB Approaches	6,110,897	1,204,542	30,332,139	17,182,839	12,387,148	25,959,097	147,344,575	13,967,125	5,788,212	106,891,831	19,320,420	381,495,578

Table 10: Disclosure on Credit Risk Exposure - Industry Analysis for Maybank (Cont'd.)

As at 31.12.2011 Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Construction RM'000	Electricity, Gas & Water Supply RM'000	Wholesale, Retail trade, restaurants & hotels RM'000	Finance, Insurance, Real Estate & Business RM'000	Transport, Storage & Communication RM'000	Education, health & others RM'000	Household RM'000	NEC RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns/Central Banks	–	–	–	–	13,280,795	132	19,900,406	–	2,475,738	–	7,818,576	43,475,648
Public Sector Entities	461,982	–	–	2	830	–	163,661	25,603	149,011	–	66,235	867,324
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	–	–	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	1,987	–	–	–	–	213,699	5,069	–	–	2,905	223,661
Corporates	612,113	269,906	3,080,949	1,360,709	1,368,050	1,591,499	2,063,981	3,069,651	485,745	1,787,384	9,890,392	25,580,379
Regulatory Retail	–	–	1,435	1,275	677	3,899	242,879	1,362	1,388	5,231,317	105,523	5,589,755
Residential Mortgage	–	–	471	–	–	341	3,324	115	–	763,033	739	768,023
Higher Risk Assets	22,331	–	1,263	1,053	–	–	94,953	–	–	244,628	108,668	472,896
Other Assets	121,843	426,082	1,049,323	40,858	8,869	4,204,367	1,891,984	1,218	53,686	9,226,365	400,462	17,425,057
Securitisation Exposures	–	–	–	–	–	–	–	–	–	–	1,012,355	1,012,355
Equity Exposure	–	–	13,410	24,075	–	95	7,202	–	–	–	522,322	567,104
Total Standardised Approach	1,218,269	697,975	4,146,851	1,427,971	14,659,221	5,800,332	24,582,090	3,103,019	3,165,568	17,252,727	19,928,177	95,982,200
Exposures under IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	56,028,000	–	–	–	784,224	56,812,224
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	–	–	–	–	–	–
Corporate Exposures	3,755,883	994,977	21,221,171	13,180,078	4,220,696	17,351,810	43,717,828	7,709,205	1,983,484	–	1,697,243	115,832,374
a) Corporates (excluding Specialised Lending and firm-size adjustments)	1,214,562	140,326	12,068,314	5,854,344	3,570,336	7,698,524	30,193,803	3,941,590	1,254,082	–	1,184,446	67,120,327
b) Corporates (with firm-size adjustment)	2,541,321	854,651	8,460,804	7,325,734	650,359	9,653,286	13,524,025	3,767,615	729,403	–	512,797	48,019,995
c) Specialised Lending (Slotting Approach) - Project Finance			692,053				–	–	–	–	–	692,053
Retail Exposures	–	–	–	–	–	–	–	–	–	81,990,529	–	81,990,529
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	32,210,703	–	32,210,703
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	7,842,662	–	7,842,662
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	16,710,274	–	16,710,274
d) Other Retail Exposures	–	–	–	–	–	–	–	–	–	25,226,891	–	25,226,891
Total IRB Approach	3,755,883	994,977	21,221,171	13,180,078	4,220,696	17,351,810	99,745,828	7,709,205	1,983,484	81,990,529	2,481,467	254,635,128
Total Standardised and IRB Approaches	4,974,152	1,692,952	25,368,022	14,608,049	18,879,917	23,152,142	124,327,918	10,812,224	5,149,052	99,243,256	22,409,644	350,617,329

Table 11: Disclosure on Credit Risk Exposure - Industry Analysis for Maybank Islamic

As at 31.12.2012 Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Construction RM'000	Electricity, Gas & Water Supply RM'000	Wholesale, Retail trade, restaurants & hotels RM'000	Finance, Insurance, Real Estate & Business RM'000	Transport, Storage & Communication RM'000	Education, health & others RM'000	Household RM'000	NEC RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns/Central Banks	–	–	–	–	11,507,440	–	1,864,370	–	2,390,693	–	1,854,614	17,617,117
Public Sector Entities	105,193	–	–	1,365	–	–	29,889	–	520,120	–	5,367	661,934
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	–	1,657	–	–	–	1,657
Corporates	141,972	378		58,832	119,478	16,770	10,284	381,985	25,106	185,516	140,993	1,081,314
Regulatory Retail	–	–	–	–	–	–	–	–	–	893,152	–	893,152
Residential Mortgage	–	–	–	–	–	–	–	–	–	513,563	–	513,563
Higher Risk Assets	–	–	–	–	–	–	–	–	–	2,075	–	2,075
Other Assets	–	–	–	–	–	–	–	–	–	892,926	–	892,926
Total Standardised Approach	247,165	378	–	60,197	11,626,918	16,770	1,904,543	383,642	2,935,919	2,487,232	2,000,974	21,663,738
Exposures under IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	3,279,197	–	–	–	6,172,986	9,452,183
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	–	–	–	–	–	–
Corporate Exposures	1,357,318	131,216	5,761,991	3,384,259	1,151,922	3,096,089	4,279,435	1,646,138	581,771	–	301,326	21,691,465
a) Corporates (excluding Specialised Lending and firm-size adjustments)	867,409	374	3,134,853	2,121,638	662,110	1,360,854	2,367,015	412,059	78,728	–	274,396	11,279,436
b) Corporates (with firm-size adjustment)	489,909	130,842	1,558,752	1,262,621	489,812	1,735,235	1,912,420	1,234,079	503,043	–	26,930	9,343,643
c) Specialised Lending (Slotting Approach) - Project Finance	–	–	1,068,386	–	–	–	–	–	–	–	–	1,068,386
Retail Exposures	72,646	8,574	152,448	199,799	4,746	438,166	330,123	131,524	84,791	39,358,081	169,315	40,950,213
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	7,958,273	–	7,958,273
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	413,539	–	413,539
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	16,116,527	–	16,116,527
d) Other Retail Exposures	72,646	8,574	152,448	199,799	4,746	438,166	330,123	131,524	84,791	14,869,742	169,315	16,461,874
Total IRB Approach	1,429,964	139,790	5,914,439	3,584,058	1,156,668	3,534,255	7,888,755	1,777,661	666,561	39,358,081	6,643,627	72,093,861
Total Standardised and IRB Approaches	1,677,129	140,168	5,914,439	3,644,255	12,783,586	3,551,026	9,793,298	2,161,304	3,602,481	41,845,313	8,644,601	93,757,599

Table 11: Disclosure on Credit Risk Exposure - Industry Analysis for Maybank Islamic (Cont'd.)

As at 31.12.2011 Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Construction RM'000	Electricity, Gas & Water Supply RM'000	Wholesale, Retail trade, restaurants & hotels RM'000	Finance, Insurance, Real Estate & Business RM'000	Transport, Storage & Communication RM'000	Education, health & others RM'000	Household RM'000	NEC RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns/Central Banks	–	–	–	–	5,967,510	–	3,167,049	–	–	–	3,363,540	12,498,099
Public Sector Entities	66,587	–	–	737	–	–	17,627	–	7,711	–	1,647	94,309
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–	–	–	910	–	–	–	910
Corporates	53,327	2,990	760,393	18,616	135,110	78,602	67,556	895,086	150,507	162,507	612,995	2,937,690
Regulatory Retail	–	–	–	–	–	–	–	–	–	929,252	–	929,252
Residential Mortgage	–	–	–	–	–	–	–	–	–	193,640	–	193,640
Higher Risk Assets	–	–	–	–	–	–	–	–	–	31,938	–	31,938
Other Assets	–	–	3,868	–	–	2,107	69	–	885	2,353,221	7,964	2,368,113
Total Standardised Approach	119,915	2,990	764,261	19,352	6,102,620	80,709	3,252,301	895,996	159,103	3,670,558	3,986,146	19,053,952
Exposures under IRB Approach												
Banks, Development Financial Institutions & MDBs	–	–	–	–	–	–	8,290,136	–	–	–	479,184	8,769,320
Corporate Exposures	697,972	20,748	3,643,700	2,492,459	603,574	2,233,318	4,682,412	1,516,690	384,346	–	234,367	16,509,586
a) Corporates (excluding Specialised Lending and firm-size adjustments)	454,830	768	1,450,771	1,446,012	15,783	939,413	3,109,812	522,872	12,808	–	112,177	8,065,247
b) Corporates (with firm-size adjustment)	243,141	19,980	1,517,027	1,046,447	587,791	1,293,905	1,572,600	993,818	371,539	–	122,190	7,768,437
c) Specialised Lending (Slotting Approach) - Project Finance	–	–	675,902	–	–	–	–	–	–	–	–	675,902
Retail Exposures	–	–	–	–	–	–	–	–	–	32,413,661	–	32,413,661
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	5,543,759	–	5,543,759
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	382,024	–	382,024
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	15,436,438	–	15,436,438
d) Other Retail Exposures	–	–	–	–	–	–	–	–	–	11,051,440	–	11,051,440
Total IRB Approach	697,972	20,748	3,643,700	2,492,459	603,574	2,233,318	12,972,548	1,516,690	384,346	32,413,661	713,551	57,692,566
Total Standardised and IRB Approaches	817,886	23,738	4,407,961	2,511,811	6,706,194	2,314,027	16,224,849	2,412,686	543,450	36,084,219	4,699,697	76,746,518

Table 12: Disclosure on Credit Risk Exposure - Maturity Analysis for Maybank Group

As at 31.12.2012 Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Standardised Approach				
Sovereigns/Central Banks	31,090,793	14,640,610	11,748,872	57,480,274
Public Sector Entities	109,056	676,103	1,049,517	1,834,675
Banks, Development Financial Institutions & MDBs	2,855,926	866,947	267,798	3,990,672
Insurance Cos, Securities Firms & Fund Managers	52,220	812,912	6,131	871,263
Corporates	13,850,663	17,093,880	6,850,145	37,794,688
Regulatory Retail	6,958,287	8,177,426	3,997,721	19,133,434
Residential Mortgage	12,573	335,019	1,962,058	2,309,651
Higher Risk Assets	139,863	427,123	8,315	575,300
Other Assets	2,360,603	6,191,719	–	8,552,322
Securitisation Exposures	–	296,629	–	296,629
Equity Exposure	61,453	47,291	–	108,744
Total Standardised Approach	57,491,438	49,565,659	25,890,557	132,947,652
IRB Approach				
Banks, Development Financial Institutions & MDBs	47,522,021	17,582,710	4,901,813	70,006,543
Insurance Cos, Securities Firms & Fund Managers	5	–	–	5
Corporate Exposures	73,685,512	51,750,996	49,481,140	174,917,650
a) Corporates (excluding Specialised Lending and firm-size adjustments)	45,867,429	28,177,829	30,354,349	104,399,607
b) Corporates (with firm-size adjustment)	27,818,083	20,056,643	19,126,791	67,001,518
c) Specialised Lending (Slotting Approach) - Project Finance	–	3,516,525	–	3,516,525
Retail Exposures	6,266,399	22,623,160	104,191,186	133,080,744
a) Residential Mortgages	43,845	1,562,182	38,912,396	40,518,423
b) Qualifying Revolving Retail Exposures	2,260,247	5,908,806	188,845	8,357,898
c) Hire Purchase Exposures	297,198	11,542,408	23,146,918	34,986,525
d) Other Retail Exposures	3,665,108	3,609,763	41,943,026	49,217,898
Total IRB Approach	127,473,936	91,956,866	158,574,139	378,004,942
Total Standardised and IRB Approaches	184,965,373	141,522,525	184,464,696	510,952,595

Table 12: Disclosure on Credit Risk Exposure - Maturity Analysis for Maybank Group (Cont'd.)

As at 31.12.2011 Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Standardised Approach				
Sovereigns/Central Banks	27,803,279	12,676,120	21,534,932	62,014,330
Public Sector Entities	660,357	79,123	283,501	1,022,981
Banks, Development Financial Institutions & MDBs	1,877,940	2,165,302	48,027	4,091,270
Insurance Cos, Securities Firms & Fund Managers	575	553,723	–	554,298
Corporates	14,890,750	25,719,629	6,176,511	46,786,890
Regulatory Retail	5,005,404	6,775,820	3,548,620	15,329,844
Residential Mortgage	525,279	342,115	1,234,060	2,101,454
Higher Risk Assets	138,027	339,872	133,879	611,777
Other Assets	10,274,575	7,703,086	1,219,127	19,196,787
Securitisation Exposures	1,012,355	–	–	1,012,355
Equity Exposure	–	579,904	–	579,904
Total Standardised Approach	62,188,541	56,934,694	34,178,657	153,301,891
IRB Approach				
Banks, Development Financial Institutions & MDBs	31,118,360	22,760,591	2,862,304	56,741,255
Corporate Exposures	57,503,540	42,448,551	32,389,870	132,341,960
a) Corporates (excluding Specialised Lending and firm-size adjustments)	33,562,168	24,643,104	16,980,302	75,185,574
b) Corporates (with firm-size adjustment)	23,941,372	16,437,492	15,409,568	55,788,432
c) Specialised Lending (Slotting Approach) - Project Finance	–	1,367,955	–	1,367,955
Retail Exposures	1,526,626	27,699,242	85,223,255	114,449,123
a) Residential Mortgages	43,363	6,702,240	31,008,859	37,754,461
b) Qualifying Revolving Retail Exposures	926,623	6,898,009	400,053	8,224,686
c) Hire Purchase Exposures	287,022	10,379,839	21,479,851	32,146,712
d) Other Retail Exposures	269,619	3,719,153	32,334,492	36,323,264
Total IRB Approach	90,148,526	92,908,383	120,475,429	303,532,338
Total Standardised and IRB Approaches	152,337,067	149,843,077	154,654,085	456,834,230

Table 13: Disclosure on Credit Risk Exposure - Maturity Analysis for Maybank

As at 31.12.2012 Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Standardised Approach				
Sovereigns/Central Banks	14,436,001	8,200,080	8,798,072	31,434,154
Public Sector Entities	86,685	630,562	434,338	1,151,585
Banks, Development Financial Institutions & MDBs	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	49,979	21,222	6,131	77,333
Corporates	3,843,176	8,848,488	3,755,358	16,447,022
Regulatory Retail	3,464,873	1,091,107	2,480,137	7,036,116
Residential Mortgage	2,653	65,822	826,388	894,863
Higher Risk Assets	138,791	288,436	7,449	434,676
Other Assets	8,989,306	257,547	–	9,246,853
Securitisation Exposures	–	296,629	–	296,629
Equity Exposure	61,453	46,256	–	107,709
Total Standardised Approach	31,072,918	19,746,149	16,307,873	67,126,939
IRB Approach				
Banks, Development Financial Institutions & MDBs	39,308,654	24,918,479	4,861,307	69,088,440
Insurance Cos, Securities Firms & Fund Managers	5	–	–	5
Corporate Exposures	63,349,698	48,471,937	41,328,025	153,149,660
a) Corporates (excluding Specialised Lending and firm-size adjustments)	39,205,297	27,548,554	26,289,797	93,043,648
b) Corporates (with firm-size adjustment)	24,144,401	18,475,245	15,038,228	57,657,874
c) Specialised Lending (Slotting Approach) - Project Finance	–	2,448,138	–	2,448,138
Retail Exposures	5,678,197	16,822,833	69,629,501	92,130,531
a) Residential Mortgages	39,339	1,312,684	31,208,127	32,560,151
b) Qualifying Revolving Retail Exposures	2,229,582	5,530,114	184,664	7,944,360
c) Hire Purchase Exposures	203,616	7,284,673	11,381,708	18,869,997
d) Other Retail Exposures	3,205,661	2,695,362	26,855,000	32,756,024
Total IRB Approach	108,336,554	90,213,249	115,818,833	314,368,639
Total Standardised and IRB Approaches	139,409,472	109,959,398	132,126,706	381,495,578

Table 13: Disclosure on Credit Risk Exposure - Maturity Analysis for Maybank (Cont'd.)

As at 31.12.2011 Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Standardised Approach				
Sovereigns/Central Banks	17,884,878	7,101,440	18,489,329	43,475,648
Public Sector Entities	580,811	19,872	266,641	867,324
Banks, Development Financial Institutions & MDBs	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	223,660	–	223,660
Corporates	5,827,213	17,259,020	2,494,146	25,580,379
Regulatory Retail	2,100,707	1,449,182	2,039,866	5,589,755
Residential Mortgage	505,169	40,017	222,836	768,023
Higher Risk Assets	124,211	232,472	116,213	472,896
Other Assets	16,427,499	997,557	–	17,425,057
Securitisation Exposures	1,012,355	–	–	1,012,355
Equity Exposure	–	567,104	–	567,104
Total Standardised Approach	44,462,844	27,890,324	23,629,032	95,982,200
IRB Approach				
Banks, Development Financial Institutions & MDBs	35,895,911	18,068,030	2,848,282	56,812,224
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate Exposures	49,421,656	39,201,893	27,208,825	115,832,374
a) Corporates (excluding Specialised Lending and firm-size adjustments)	28,576,658	23,668,676	14,874,993	67,120,327
b) Corporates (with firm-size adjustment)	20,844,998	14,841,165	12,333,832	48,019,995
c) Specialised Lending (Slotting Approach) - Project Finance	–	692,053	–	692,053
Retail Exposures	1,384,884	15,890,696	64,714,949	81,990,529
a) Residential Mortgages	37,925	1,272,320	30,900,458	32,210,703
b) Qualifying Revolving Retail Exposures	923,045	6,525,086	394,531	7,842,662
c) Hire Purchase Exposures	204,903	6,582,013	9,923,358	16,710,274
d) Other Retail Exposures	219,011	1,511,277	23,496,603	25,226,891
Total IRB Approach	86,702,451	73,160,620	94,772,057	254,635,128
Total Standardised and IRB Approaches	131,165,295	101,050,944	118,401,089	350,617,328

Table 14: Disclosure on Credit Risk Exposure - Maturity Analysis for Maybank Islamic

As at 31.12.2012 Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Standardised Approach				
Sovereigns/Central Banks	11,873,720	4,504,670	1,216,478	17,594,868
Public Sector Entities	18,886	27,869	615,179	661,934
Insurance Cos, Securities Firms & Fund Managers	1,495	162	–	1,657
Corporates	792,853	–	288,460	1,081,313
Regulatory Retail	207,892	84,375	600,886	893,153
Residential Mortgage	309	23,682	489,572	513,563
Higher Risk Assets	1,072	137	866	2,075
Other Assets	915,174	–	–	915,174
Total Standardised Approach	13,811,401	4,640,895	3,211,441	21,663,737
IRB Approach				
Banks, Development Financial Institutions & MDBs	8,213,367	1,198,311	40,506	9,452,184
Corporate Exposures	10,335,814	3,202,536	8,153,114	21,691,464
a) Corporates (excluding Specialised Lending and firm-size adjustments)	6,662,132	552,752	4,064,551	11,279,435
b) Corporates (with firm-size adjustment)	3,673,682	1,581,398	4,088,563	9,343,643
c) Specialised Lending (Slotting Approach) - Project Finance	–	1,068,386	–	1,068,386
Retail Exposures	588,201	5,800,326	34,561,686	40,950,213
a) Residential Mortgages	4,506	249,498	7,704,269	7,958,273
b) Qualifying Revolving Retail Exposures	30,666	378,692	4,181	413,539
c) Hire Purchase Exposures	93,582	4,257,735	11,765,210	16,116,527
d) Other Retail Exposures	459,447	914,401	15,088,026	16,461,874
Total IRB Approach	19,137,382	10,201,173	42,755,306	72,093,861
Total Standardised and IRB Approaches	32,948,783	14,842,068	45,966,747	93,757,598

Table 14: Disclosure on Credit Risk Exposure - Maturity Analysis for Maybank Islamic (Cont'd.)

As at 31.12.2011 Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Standardised Approach				
Sovereigns/Central Banks	6,264,637	4,772,393	1,461,069	12,498,099
Public Sector Entities	73,538	4,401	16,370	94,309
Insurance Cos, Securities Firms & Fund Managers	575	335	–	910
Corporates	541,498	1,126,661	1,269,532	2,937,691
Regulatory Retail	77,765	81,764	769,723	929,252
Residential Mortgage	6,819	12,738	174,084	193,641
Higher Risk Assets	13,816	457	17,665	31,938
Other Assets	2,360,490	7,623	–	2,368,113
Total Standardised Approach	9,339,138	6,006,372	3,708,443	19,053,951
IRB Approach				
Banks, Development Financial Institutions & MDBs	4,062,737	4,692,561	14,022	8,769,320
Corporate Exposures	8,081,883	3,246,658	5,181,045	16,509,586
a) Corporates (excluding Specialised Lending and firm-size adjustments)	4,985,510	974,429	2,105,309	8,065,247
b) Corporates (with firm-size adjustment)	3,096,374	1,596,327	3,075,736	7,768,437
c) Specialised Lending (Slotting Approach) - Project Finance	–	675,902	–	675,902
Retail Exposures	96,810	11,808,545	20,508,305	32,413,660
a) Residential Mortgages	5,438	5,429,920	108,401	5,543,759
b) Qualifying Revolving Retail Exposures	3,579	372,923	5,522	382,024
c) Hire Purchase Exposures	82,118	3,797,826	11,556,493	15,436,437
d) Other Retail Exposures	5,675	2,207,876	8,837,889	11,051,440
Total IRB Approach	12,241,430	19,747,764	25,703,372	57,692,566
Total Standardised and IRB Approaches	21,580,568	25,754,134	29,411,816	76,746,518

CREDIT IMPAIRMENT POLICY AND CLASSIFICATION AND IMPAIRMENT ALLOWANCE FOR LOANS, ADVANCES AND FINANCING

Refer to Note 2.3 and Note 2.4 of the financial statements for the accounting policies and accounting estimates on impairment assessment of loans, advances and financing. The disclosure on reconciliation of impairment/allowance can be found in Note 48(c)(10) of the financial statements.

BASEL II REQUIREMENTS

The Group has obtained BNM's approval to use internal credit models for evaluating the majority of its credit risk exposures. For Corporate and Bank portfolios, the Group has adopted the FIRB Approach, which allows the Group to use its internal PD estimates to determine an asset risk weighting while the Group has adopted the AIRB Approach for the retail portfolios.

In line with Basel II requirements for capital adequacy purposes, the parameters are calibrated to a full economic cycle experience to reflect long-run, cycle-neutral estimations:

- **Probability of Default ("PD")**

  PD represents the probability of a borrower defaulting within the next 12 months time horizon. The first level estimation is based on portfolio's Observed Default Rate of the more recent years' data. The average long run default experience covering crisis periods including the major Asian crisis in 1997 is reflected through Central Tendency calibration for the Basel estimated PD.

- **Loss Given Default ("LGD")**

  LGD measures the economic loss the bank would incur in the event of borrower defaulting. Among others, it takes into account post default pathways, cure probability, direct and indirect costs associated with the workout and recoveries from borrower and collateral liquidation.

  For Basel II purposes, LGD is calibrated to loss experiences during period of economic crisis whereby for most portfolios, the estimated loss during crisis years is expected to be higher than that during normal economy period. The crisis period LGD, known as Downturn LGD, is used as input for RWA calculations.

- **Exposure at Default ("EAD")**

  EAD is linked to facility risk; namely the expected gross exposure of a facility should a borrower default. The "race-to-default" is captured by Credit Conversion Factor ("CCF"), which should reflect the expected increase in exposure amount due to additional drawdown by borrower facing financial difficulties leading to default.

  Internal experience during crisis period is being taken into consideration for EAD estimations and where there is a material difference in EAD during downturn period as compared to normal period, Downturn EAD would be used in RWA computation.

APPLICATION OF INTERNAL RATINGS (USE TEST)

Since the development and implementation of the Group's internal rating models, the Group has been using internal ratings in the following essential areas:

- **Credit approval** – the determination on the level of approval for a loan application is determined based on the internal rating of the borrower;

- **Policy** – Policy has been formulated to allow low risk borrowers rated grade 1 to grade 9 in the Corporate Masterscale be put under the fast track process flow for loan application;

- **Reporting** – regular reporting on the risk rating portfolio distribution and sectoral outlook vs borrower risk profile within sector are being produced and monitored by the Group;

- **Capital Management** – the Group has put in place risk-based capital management ICAAP programme. The use of RWA and regulatory capital charge for decision making and capital charge information for budget process are currently being practised by the Group;

- **Risk Governance** – Internal ratings are also being used for various risk governance activities such as the setting of group exposure under the Maybank Group Exposure Limit ("MGEL"), threshold limit for CRC review, sectoral limit framework, sampling methodology for credit review and policy breach framework; and

- **Pricing Decision** – authority is given for credit approver to vary pricing based on the riskiness of the borrower as reflected by the borrowers' ratings.

NON-RETAIL PORTFOLIOS

Corporate exposures comprise corporate, commercial, small business, Real Estate, Non-Bank Financial Institutions (NBFIs) and Specialised Lending portfolios, while, for bank exposures, they include other commercial banks and Development Financial Institutions ("DFIs") portfolios.

The Group employs a variety of techniques in developing its PD models. In each case, the appropriate approach is dictated by the availability and appropriateness of the Group's internal data.

The general approach adopted by the Group can be categorised into the following three categories:

- **Default History Based ("Good-Bad" analysis)** — This approach is adopted when the Group has sufficient default data. Under this approach, statistical method is employed to determine the likelihood of default on existing exposures. The Group's Credit Risk Rating System ("CRRS") models were developed using this approach;

- **Shadow Rating Approach** - This approach is usually applied when there are few or no defaults data available or also known as "low default portfolio" category. The objective of this methodology is to replicate the risk ranking applied by external rating agency. The Group's Bank Risk Rating Scorecards ("BRRS") were developed using this approach; and

- **Experts Judgment Approach** – The default experience for some exposures, for example Holding Companies and Specialised Lending is insufficient for the Group to perform the required analyses to develop a robust statistical model. Another approach known as experts' judgment approach is therefore opted to develop the scorecard. Under this approach, the qualitative, quantitative and factor weights were determined by the Group's credit experts.

CREDIT RISK MODELS AND TOOLS

Credit Risk Rating System ("CRRS")

The CRRS comprises two components, namely, the Borrower Risk Rating ("BRR") and Facility Risk Rating ("FRR"). The BRR is a borrower-specific rating component that provides an estimate on the likelihood of the borrower going into default over the next twelve months. The BRR estimates the borrower risk and is independent of the type/nature of facilities and collaterals offered.

The BRR is generated from a structured rating process which consists of quantitative and qualitative factors. From raw rating, the rating is then capped at policy rating if any. Then the group support matrix is used to objectively measure the impact of the group relationship on the raw rating of a borrower (where relevant). In view that the risk rating is based on historical financial data, judgmental override is allowed on the BRR by the relevant parties. Rating judgmental override is permissible but subject to maximum 3 notches upgrade to be decided by rating approval party and unlimited downgrade (subject to the worst performing grade of grade 21) that can be performed by the business units.

For reference, each grade can be mapped to external agency ratings, like Standard & Poor's (S&P), as per Table A below:

Table A

Non Retail		
Risk Category	**CRRS Grade**	**S&P Equivalent**
Very Low	1	AA TO AAA
	2	AA-
	3	A+
	4	A
	5	A-
Low	6	BBB+ TO A-
	7	BBB TO BBB+
	8	BBB
	9	BBB- TO BBB
	10	BB+ TO BBB-
Moderate	11	BB+
	12	BB
	13	BB- TO BB
	14	BB-
	15	B+ TO BB-
High	16	B TO B+
	17	B
	18	B- TO B
	19	B-
	20	CCC TO B-
	21	CCC

RATING COVERAGE FOR CORPORATE EXPOSURES

The CRRS has been implemented within the Group since 2005. Subsequently, more scorecards were developed to rate corporate exposures. With the implementation of these scorecards, the Group was able to rate about 95% of its corporate exposures at Maybank Malaysia, 93% at Maybank Singapore and 87% at MIB, respectively as at 31 December 2012.

Bank Risk Rating Scorecard ("BRRS")

In addition to quantifying the risk of corporate borrowers, the Group has developed BRRS to risk grade the Group's counterparties and banks as borrowers based on the FIRB Approach. The BRRS is able to rate commercial banks, investment, savings and cooperative banks except central banks.

As the Group's portfolio falls under low default portfolio category, normal statistical modeling such as good-bad analysis could not be applied. Instead, a shadow-bond rating technique was used in developing the scorecards. Generally, the objective of such methodology is to replicate the risk ranking implied by external rating agency. In this technique, a set of input/independent variables are regressed against an output/dependent variable to produce estimates to predict the output variable. The input variables are the financial ratios and qualitative factors while the output variable is the external rating.

A different masterscale known as Global Masterscale is used to map the PD generated from BRRS to the scale. There are altogether 17 performing grades in the BRRS masterscale with Grade 1 being the best performing grade and Grade 17 being the worst performing grade. For defaulted borrowers, the applicable grade is Grade 18. The BRRS Global Masterscale and its mapping to S&P's and RAM's ratings are shown in Table B below.

Table B

BRRS Grade	S&P Equivalent	RAM Equivalent
1,2,3	AA TO AAA	–
4	AA-	AAA
5	A+	AAA
6	A	AAA
7	A-	AA TO AAA
8	BBB+	AA
9	BBB	AA
10	BBB-	A TO AA
10	BBB-	A
11	BB+	A
12	BB	BBB TO A
12	BB	BBB
13	BB-	BBB
14	B+	BB TO BBB
15	B	BB
15	B	BB
15	B	BB
16	B-	BB TO B
16	B-	B
17	CCC	C TO B

Project Finance Scorecard (Specialised Lending)

Project Finance is one of the five sub-classes (other sub-classes are object finance, commodities finance, income-producing real estate and high volatility commercial real estate) of Specialised Lending and forms part of the corporate asset class under the IRB Approach. The Group has developed Project Finance scorecard to enable it to rate its borrowers. The scorecard was developed based on the supervisory slotting criteria approach. The scorecard has been designed to output eight internal grades which will then be mapped to the four BNM slotting grades to derive the respective risk weights for RWA computation.

Project Finance, as defined by Basel II and BNM, is a method of funding in which:

- The banking institution looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. In contrast, if repayment of the exposure depends primarily on a well established, diversified, credit-worthy, contractually obligated end user for repayment, it is considered a collateralised claim on the corporate;
- Is usually for large, complex and expensive installations that might include, for example, power plants, chemical processing plants, mines, transportation infrastructure, environment, telecommunications infrastructure (mainly immovable assets);
- May also take the form of financing of the construction of a new capital installation, or refinancing of an existing installation, with or without improvements; and
- The lender is usually paid solely or almost exclusively from the proceeds generated by the project being financed.

The objectives of developing this scorecard are:

- To develop and implement a Project Finance rating template based on and mapped to Basel II/BNM Supervisory Slotting Approach to achieve an IRB compliance;
- To enhance credit risk management processes to achieve:
  a. Consistency in credit risk assessment and business management for project finance portfolios; and
  b. Improvement in turnaround time; and
- To facilitate better pricing of borrowers based on risk class.

Special Purpose Vehicles ("SPV")

An SPV is a corporation, trust or other non-bank entity established where structure of the entity and the securitisation activities are intended to isolate the obligations of the SPV from those of the originator and the holders of the beneficial interests. The Bank has recently developed and put in place SPV rating models to cater for a portion of unrated portfolio identified as a growing sub-portfolio which will have an impact on the Bank's overall IRB coverage.

Tables 15 through 19 show the exposures by PD bands for Non-Retail Portfolios of the Group, the Bank and MIB, respectively. A summary of the PD distribution of these exposures are also provided.

Table 15: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank Group

As at 31.12.2012 PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments RM'000	RWA RM'000
Non-Retail Exposures					
Bank					
0.0000 – 0.0715	17,097,684	45.00	21.49	2,458,470	3,673,888
0.0715 – 0.3335	44,119,952	45.00	27.86	3,730	12,291,621
0.3335 – 4.8305	8,588,807	45.00	78.31	433	6,725,848
4.8305 – 24.0203	46,900	45.00	153.30	–	71,896
100	153,200	22.50	–	–	–
Total for Bank Exposures	70,006,543			2,462,632	22,763,253
Insurance Cos, Securities Firms & Fund Managers					
0.0000 – 0.1200	–	23	–	–	–
0.1200 – 0.6440	–	23	–	–	–
0.6440 – 2.4750	–	23	–	–	–
2.4750 – 100	5	45	202	2	11
100	–	23	–	–	–
Total for Insurance Cos, Securities Firms & Fund Managers Exposures	5			2	11
Corporate (excluding Specialised Lending and firm-size adjustments)					
0.0000 – 0.1200	23,118,462	45.00	20.49	3,506,414	4,617,579
0.1200 – 0.6440	44,550,296	45.00	53.76	5,959,181	23,950,713
0.6440 – 2.4750	27,419,587	45.00	92.78	3,230,585	24,065,531
2.4750 – 100	6,519,132	45.00	159.60	237,515	11,778,878
100	2,792,130	45.00	0.20	38,673	5,589
Total for Corporate (excluding Specialised Lending and firm-size adjustments)	104,399,608			12,972,368	64,418,290
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	4,494,681	45.03	20.74	1,577,268	932,016
0.1200 – 0.6440	26,660,745	43.89	45.12	3,476,178	12,030,483
0.6440 – 2.4750	25,365,431	43.82	73.19	2,549,780	18,565,728
2.4750 – 100	8,130,968	44.46	112.23	564,334	9,125,348
100	2,349,693	43.79	–	44,175	–
Total for Corporate (with firm-size adjustment)	67,001,518			8,211,736	40,653,575
Total Non-Retail Exposures	241,407,673			23,646,737	127,835,129

Table 15: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank Group (Cont'd.)

As at 31.12.2011 PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments RM'000	RWA RM'000
Non-Retail Exposures					
Bank					
0.0000 – 0.0715	26,249,862	45.06	20.28	–	5,324,654
0.0715 – 0.3335	21,694,498	45.04	29.94	6,326	6,495,691
0.3335 – 4.8305	8,684,412	45.00	84.14	4,813	7,307,285
4.8305 – 24.0203	46,198	46.99	292.88	–	135,303
100	66,285	44.80	–	–	–
Total for Bank Exposures	56,741,255			11,139	19,262,933
Insurance Cos, Securities Firms & Fund Managers					
0.0000 – 0.1200	–	–	–	–	–
0.1200 – 0.6440	–	–	–	–	–
0.6440 – 2.4750	–	–	–	–	–
2.4750 – 100	–	–	–	–	–
100	–	–	–	–	–
Total for Insurance Cos, Securities Firms & Fund Managers Exposures	–			–	–
Corporate (excluding Specialised Lending and firm-size adjustments)					
0.0000 – 0.1200	17,966,208	44.92	26.89	1,021,470	4,831,886
0.1200 – 0.6440	28,760,873	44.79	49.90	1,441,572	14,350,981
0.6440 – 2.4750	20,397,729	44.98	93.68	573,999	19,109,160
2.4750 – 100	6,105,149	44.66	158.41	204,891	9,670,892
100	1,955,615	43.10	0.14	6,522	2,935
Total for Corporate (excluding Specialised Lending and firm-size adjustments)	75,185,574			3,248,454	47,965,854
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	2,483,793	44.04	20.25	376,657	502,925
0.1200 – 0.6440	19,143,764	44.11	47.03	910,336	9,003,671
0.6440 – 2.4750	22,139,846	43.05	73.46	680,350	16,263,164
2.4750 – 100	9,863,861	43.49	118.47	186,907	11,685,946
100	2,157,168	41.75	–	21,731	–
Total for Corporate (with firm-size adjustment)	55,788,432			2,175,982	37,455,705
Total Non-Retail Exposures	187,879,798			5,435,576	104,684,492

Table 16: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank

As at 31.12.2012 PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments RM'000	RWA RM'000
Non-Retail Exposures					
Bank					
0.0000 – 0.0715	15,024,286	45.00	21.34	2,458,470	3,206,706
0.0715 – 0.3335	45,348,827	45.00	28.47	2,850	12,911,507
0.3335 – 4.8305	8,494,452	45.00	80.53	433	6,840,852
4.8305 – 24.0203	67,674	45.00	178.95	–	121,104
100	153,200	45.00	–	–	–
Total for Bank Exposures	69,088,440			2,461,753	23,080,168
Insurance Cos, Securities Firms & Fund Managers					
0.0000 – 0.1200	–	–	–	–	–
0.1200 – 0.6440	–	–	–	–	–
0.6440 – 2.4750	–	–	–	–	–
2.4750 – 100	5	45.00	20.85	2	11
100	–	–	–	–	–
Total for Insurance Cos, Securities Firms & Fund Managers Exposures	5			2	11
Corporate (excluding Specialised Lending and firm-size adjustments)					
0.0000 – 0.1200	20,908,005	45.00	19.78	3,264,827	4,135,668
0.1200 – 0.6440	39,639,148	45.00	53.30	4,947,570	21,126,332
0.6440 – 2.4750	24,562,600	45.00	93.42	3,000,272	22,947,080
2.4750 – 100	5,430,354	45.00	161.95	229,296	8,794,595
100	2,503,543	45.00	0.22	38,673	5,589
Total for Corporate (excluding Specialised Lending and firm-size adjustments)	93,043,649			11,480,639	57,009,265
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	3,975,249	45.00	20.67	1,464,216	821,573
0.1200 – 0.6440	23,174,361	45.00	45.47	3,121,508	10,538,308
0.6440 – 2.4750	22,090,850	45.00	72.80	2,385,101	16,101,354
2.4750 – 100	6,538,580	45.00	110.82	518,708	7,246,131
100	1,878,834	45.00	–	42,818	–
Total for Corporate (with firm-size adjustment)	57,657,875			7,532,351	34,707,366
Total Non-Retail Exposures	219,789,965			21,474,743	114,796,798

Table 16: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank (Cont'd.)

As at 31.12.2011 PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments RM'000	RWA RM'000
Non-Retail Exposures					
Bank					
0.0000 – 0.0715	24,787,005	45.12	20.32	–	5,037,116
0.0715 – 0.3335	24,502,196	45.07	30.41	6,326	7,450,704
0.3335 – 4.8305	7,380,469	45.00	86.88	3,043	6,412,335
4.8305 – 24.0203	76,269	48.98	269.73	–	205,721
100	66,285	45.00	–	–	–
Total for Bank Exposures	56,812,224			9,369	19,105,876
Insurance Cos, Securities Firms & Fund Managers					
0.0000 – 0.1200	–	–	–	–	–
0.1200 – 0.6440	–	–	–	–	–
0.6440 – 2.4750	–	–	–	–	–
2.4750 – 100	–	–	–	–	–
100	–	–	–	–	–
Total for Insurance Cos, Securities Firms & Fund Managers Exposures	–			–	–
Corporate (excluding Specialised Lending and firm-size adjustments)					
0.0000 – 0.1200	15,626,932	44.89	26.63	941,355	4,161,597
0.1200 – 0.6440	25,746,188	44.31	52.42	1,300,278	13,496,337
0.6440 – 2.4750	18,657,803	44.54	89.94	514,751	16,780,974
2.4750 – 100	5,216,762	44.38	154.41	201,999	8,055,319
100	1,872,642	42.30	0.15	6,521	2,799
Total for Corporate (excluding Specialised Lending and firm-size adjustments)	67,120,327			2,964,904	42,497,026
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	2,100,345	44.45	20.40	346,235	428,525
0.1200 – 0.6440	16,313,931	43.86	47.01	838,178	7,668,921
0.6440 – 2.4750	19,894,178	42.97	72.91	631,858	14,505,416
2.4750 – 100	7,833,394	43.06	116.25	174,966	9,106,431
100	1,878,148	40.74	–	21,347	–
Total for Corporate (with firm-size adjustment)	48,019,995			2,012,584	31,709,293
Total Non-Retail Exposures	171,952,545			4,986,858	93,312,195

Table 17a: Disclosure on Specialised Lending Exposures under the Supervisory Slotting Criteria for Maybank Group

Supervisory Categories/ Risk Weights As at 31.12.2012	Strong (a) or 50% RM'000	Strong or 70% RM'000	Good (a) or 70% RM'000	Good or 90% RM'000	Satisfactory or 115% RM'000	Weak or 250% RM'000	Default or 0% RM'000
Specialised Lending - Project Finance EAD Post CRM	1,614,272	111,288	576,831	1,214,134	–	–	–

Supervisory Categories/ Risk Weights As at 31.12.2011	Strong (a) or 50% RM'000	Strong or 70% RM'000	Good (a) or 70% RM'000	Good or 90% RM'000	Satisfactory or 115% RM'000	Weak or 250% RM'000	Default or 0% RM'000
Specialised Lending - Project Finance EAD Post CRM	543,112	78,287	145,925	600,630	–	–	–

Table 17b: Disclosure on Specialised Lending Exposures under the Supervisory Slotting Criteria for Maybank

Supervisory Categories/ Risk Weights As at 31.12.2012	Strong (a) or 50% RM'000	Strong or 70% RM'000	Good (a) or 70% RM'000	Good or 90% RM'000	Satisfactory or 115% RM'000	Weak or 250% RM'000	Default or 0% RM'000
Specialised Lending - Project Finance EAD Post CRM	1,494,285	101,250	401,302	451,301	–	–	–

Supervisory Categories/ Risk Weights As at 31.12.2011	Strong (a) or 50% RM'000	Strong or 70% RM'000	Good (a) or 70% RM'000	Good or 90% RM'000	Satisfactory or 115% RM'000	Weak or 250% RM'000	Default or 0% RM'000
Specialised Lending - Project Finance EAD Post CRM	521,433	78,287	92,333	–	–	–	–

Table 17c: Disclosure on Specialised Lending Exposures under the Supervisory Slotting Criteria for Maybank Islamic

Supervisory Categories/ Risk Weights As at 31.12.2012	Strong (a) or 50% RM'000	Strong or 70% RM'000	Good (a) or 70% RM'000	Good or 90% RM'000	Satisfactory or 115% RM'000	Weak or 250% RM'000	Default or 0% RM'000
Specialised Lending - Project Finance EAD Post CRM	119,988	10,037	175,528	762,833	–	–	–

Supervisory Categories/ Risk Weights As at 31.12.2011	Strong (a) or 50% RM'000	Strong or 70% RM'000	Good (a) or 70% RM'000	Good or 90% RM'000	Satisfactory or 115% RM'000	Weak or 250% RM'000	Default or 0% RM'000
Specialised Lending - Project Finance EAD Post CRM	21,680	–	53,592	600,630	–	–	–

Table 18a: Disclosure on Impaired loans, advances and financing by industry for Maybank Group

As at 31.12.2012 Group	Impaired loans, advances and financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000
Agriculture	118,868	–	46,243	–
Mining & quarrying	148,873	–	39,422	–
Manufacturing	2,212,490	–	1,266,575	–
Construction	351,303	–	73,667	–
Electricity, gas & water supply	27,760	–	1,430	–
Wholesale, retail trade, restaurants & hotels	564,082	–	203,724	–
Finance, insurance, real estate & business	627,043	–	430,168	–
Transport, storage & communication	413,003	–	84,232	–
Education, health & others	52,759	–	–	–
Household	829,936	–	29,724	–
Others	308,235	–	53,350	–
Total	5,654,352	19,239,760	2,228,535	3,744,994

As at 31.12.2011 Group	Impaired loans, advances and financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000
Agriculture	206,520	–	98,192	–
Mining & quarrying	43,850	–	4,019	–
Manufacturing	2,751,960	–	947,606	–
Construction	821,897	–	375,911	–
Electricity, gas & water supply	94,955	–	276,575	–
Wholesale, retail trade, restaurants & hotels	810,649	–	315,969	–
Finance, insurance, real estate & business	804,688	–	449,475	–
Transport, storage & communication	737,305	–	221,917	–
Education, health & others	116,459	–	32,157	–
Household	1,261,714	–	31,239	–
Others	386,847	–	60,047	–
Total	8,036,844	5,773,527	2,813,107	4,169,974

Table 18b: Disclosure on Impaired loans, advances and financing by industry for Maybank

As at 31.12.2012 Maybank	Impaired loans, advances and financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000
Agriculture	100,185	–	46,042	–
Mining & quarrying	10,500	–	5,172	–
Manufacturing	1,889,932	–	1,047,261	–
Construction	272,416	–	36,055	–
Electricity, gas & water supply	26,117	–	2	–
Wholesale, retail trade, restaurants & hotels	386,138	–	165,799	–
Finance, insurance, real estate & business	437,241	–	366,747	–
Transport, storage & communication	285,099	–	40,144	–
Education, health & others	28,311	–	–	–
Household	606,651	–	–	–
Others	119,711	–	12,233	–
Total	4,162,301	11,638,655	1,719,455	2,726,849

As at 31.12.2011 Maybank	Impaired loans, advances and financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000
Agriculture	186,053	–	80,939	–
Mining & quarrying	5,699	–	–	–
Manufacturing	2,306,918	–	728,575	–
Construction	702,904	–	308,274	–
Electricity, gas & water supply	84,873	–	273,517	–
Wholesale, retail trade, restaurants & hotels	679,819	–	285,707	–
Finance, insurance, real estate & business	563,331	–	310,732	–
Transport, storage & communication	523,430	–	114,100	–
Education, health & others	34,316	–	–	–
Household	990,518	–	244	–
Others	167,975	–	333	–
Total	6,245,836	4,032,257	2,102,421	3,097,366

Table 18c: Disclosure on Impaired loans, advances and financing by industry for Maybank Islamic

As at 31.12.2012 Group	Impaired loans, advances and financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000
Agriculture	11,277	–	–	–
Mining & quarrying	–	–	–	–
Manufacturing	99,832	–	45,282	–
Construction	33,028	–	–	–
Electricity, gas & water supply	250	–	–	–
Wholesale, retail trade, restaurants & hotels	44,062	–	31,285	–
Finance, insurance, real estate & business	35,480	–	13,107	–
Transport, storage & communication	117,575	–	4,502	–
Education, health & others	1,186	–	–	–
Household	174,815	–	–	–
Others	2,474	–	–	–
Total	519,979	6,537,142	94,176	595,517

As at 31.12.2011 Group	Impaired loans, advances and financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000
Agriculture	16,800	–	16,826	–
Mining & quarrying	–	–	–	–
Manufacturing	124,103	–	57,873	–
Construction	62,346	–	50,660	–
Electricity, gas & water supply	1,293	–	–	–
Wholesale, retail trade, restaurants & hotels	54,023	–	5,968	–
Finance, insurance, real estate & business	89,720	–	111,347	–
Transport, storage & communication	79,531	–	24,014	–
Education, health & others	80,425	–	32,151	–
Household	240,182	–	–	–
Others	63,550	–	–	–
Total	811,973	420,596	298,839	631,658

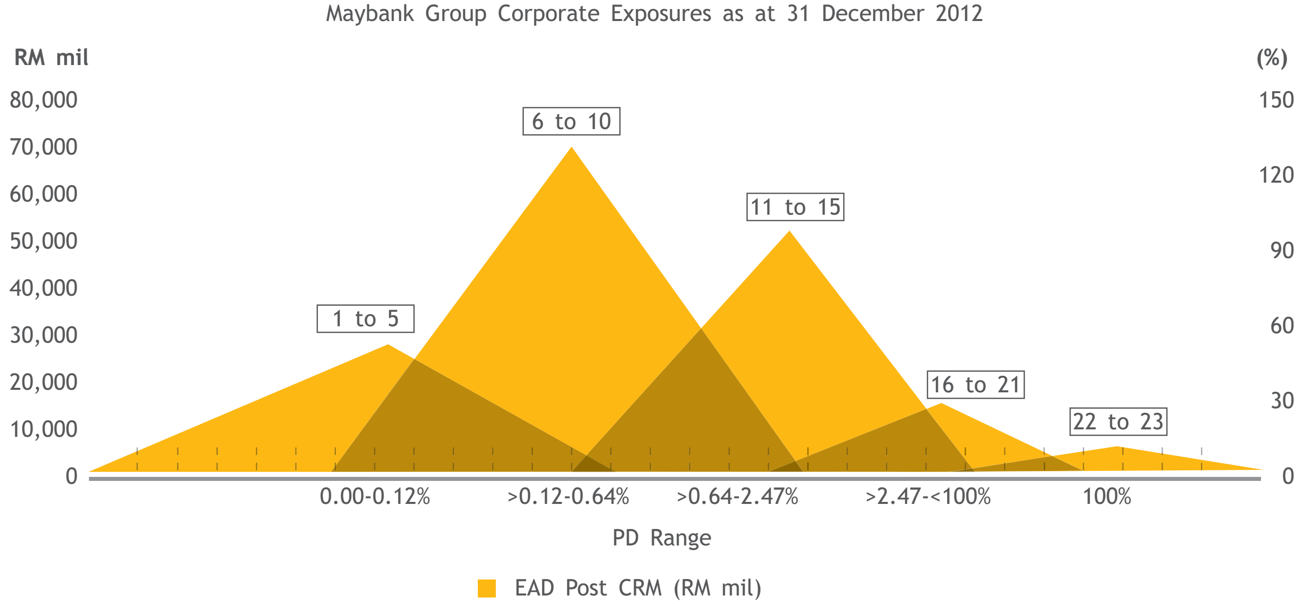
Table 19: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank Islamic

As at 31.12.2012 PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments RM'000	RWA RM'000
Non-Retail Exposures					
Bank					
0.0000 – 0.0715	2,073,398	45.00	22.53	–	467,182
0.0715 – 0.3335	6,387,013	45.00	29.63	879	1,892,370
0.3335 – 4.8305	988,909	45.00	69.75	–	689,772
4.8305 – 24.0203	2,864	45.00	195.87	–	5,609
100	–	–	–	–	–
Total for Bank Exposures	9,452,183			879	3,054,933
Corporate (excluding Specialised Lending and firm-size adjustments)					
0.0000 – 0.1200	2,861,665	45.00	21.04	241,587	602,021
0.1200 – 0.6440	4,908,756	45.00	57.51	1,011,610	2,823,218
0.6440 – 2.4750	2,695,014	45.00	85.11	230,312	2,293,831
2.4750 – 100	525,413	45.00	138.34	8,219	726,849
100	288,588	45.00	–	–	–
Total for Corporate (excluding Specialised Lending and firm-size adjustments)	11,279,436			1,491,728	6,445,919
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	519,431	45.06	21.26	113,052	110,443
0.1200 – 0.6440	3,486,385	42.77	42.80	354,671	1,492,176
0.6440 – 2.4750	3,274,580	42.64	75.26	164,679	2,464,374
2.4750 – 100	1,592,388	43.91	118.01	45,626	1,879,217
100	470,858	42.58	–	1,357	–
Total for Corporate (with firm-size adjustment)	9,343,642			679,385	5,946,210
Total Non-Retail Exposures	30,075,261			2,171,992	15,447,062

Table 19: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank Islamic (Cont'd.)

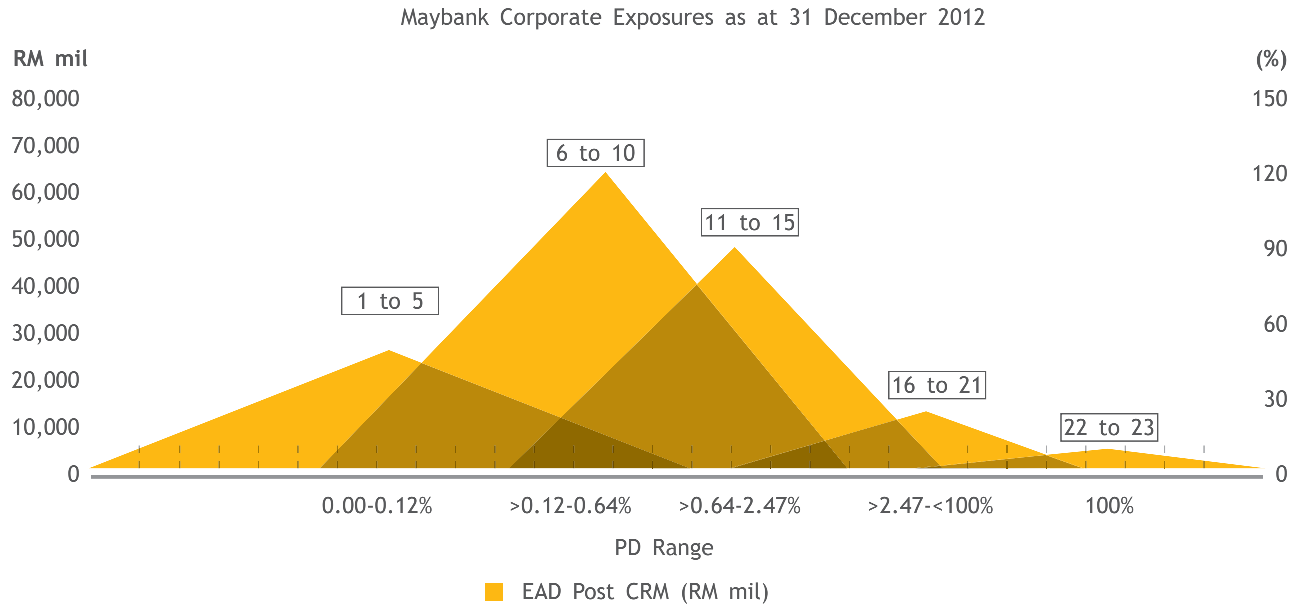
As at 31.12.2011 PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments RM'000	RWA RM'000
Non-Retail Exposures					
Bank					
0.0000 – 0.0715	1,462,857	45.00	19.66	–	287,538
0.0715 – 0.3335	4,955,149	45.00	27.45	–	1,360,150
0.3335 – 4.8305	2,349,419	45.00	82.05	1,770	1,927,697
4.8305 – 24.0203	1,894	45.00	195.87	–	3,709
100	–	44.59	–	–	–
Total for Bank Exposures	8,769,319			1,770	3,579,094
Corporate (excluding Specialised Lending and firm-size adjustments)					
0.0000 – 0.1200	2,339,276	44.95	28.65	80,115	670,289
0.1200 – 0.6440	3,060,610	45.27	58.74	141,294	1,797,869
0.6440 – 2.4750	1,694,002	45.42	93.22	59,248	1,579,232
2.4750 – 100	833,402	44.93	177.85	2,892	1,482,171
100	137,957	43.90	0.10	1	136
Total for Corporate (excluding Specialised Lending and firm-size adjustments)	8,065,247			283,550	5,529,697
Corporate (with firm-size adjustment)					
0.0000 – 0.1200	383,448	43.64	19.40	30,422	74,400
0.1200 – 0.6440	2,829,834	44.37	47.17	72,158	1,334,749
0.6440 – 2.4750	2,245,668	43.13	78.27	48,492	1,757,748
2.4750 – 100	2,001,264	43.91	127.86	11,941	2,558,813
100	308,224	42.76	–	385	–
Total for Corporate (with firm-size adjustment)	7,768,438			163,398	5,725,710
Total Non-Retail Exposures	24,603,004			448,718	14,834,501

Corporate Exposures by PD Bands for Maybank Group



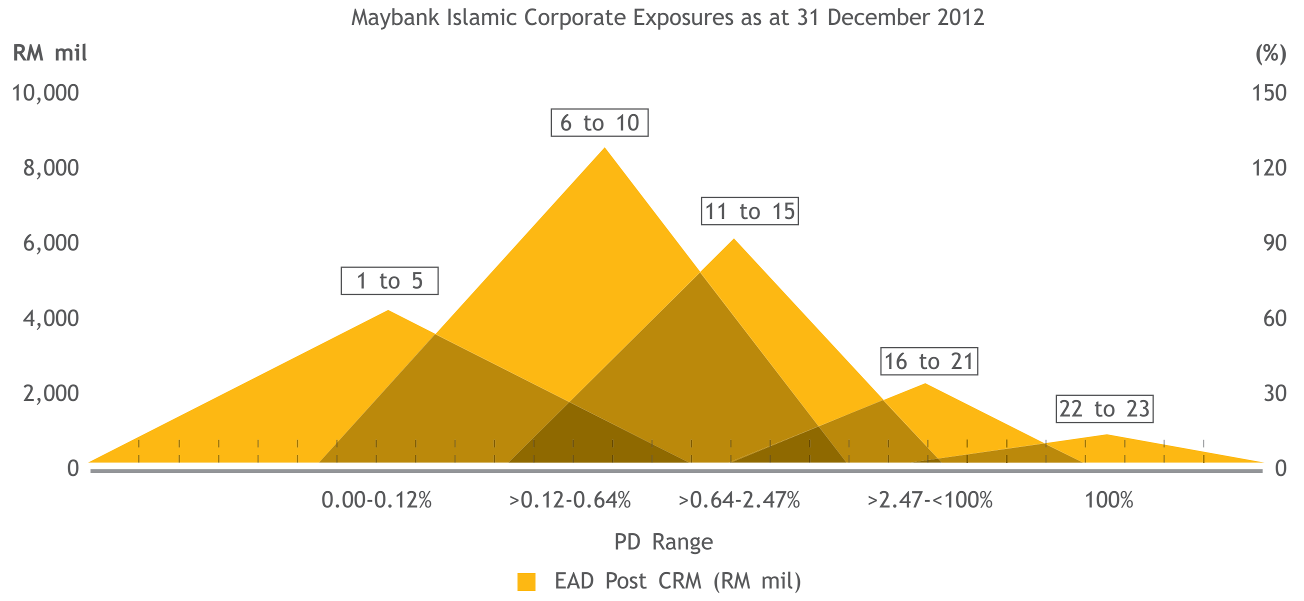
Most of the Group's corporate exposures, amounting to 58% are concentrated on the better PD ranges of 0.00% to 0.64%, and another 31% of the exposures are from PD ranges of >0.64% to 2.47%, whilst 9% are in the higher PD ranges of >2.47% to <100% (Grades 16 to 21). Grades 22 and 23 are bad grades.

Corporate Exposures by PD Bands for Maybank



Similarly at Bank level, about 58.20% of the corporate exposures are concentrated on the better PD ranges of 0.00% to 0.64%, and another 30.95% of the exposures are from PD ranges of >0.64% to 2.47%, whilst 7.94% are in the higher PD ranges of >2.47% to <100% (Grades 16 to 21). Grades 22 and 23 are bad grades.

Corporate Exposures by PD Bands for Maybank Islamic Berhad



For MIB, about 57.10% of the corporate exposures are concentrated on the better PD ranges of 0.00% to 0.64%, and another 28.95% of the exposures are from PD ranges of >0.64% to 2.47%, whilst 10.27% are in the higher PD ranges of >2.47% to <100% (Grades 16 to 21). Grades 22 and 23 are bad grades.

RETAIL PORTFOLIOS

The Group's Retail portfolios are under the Advanced Internal Ratings-Based Approach ("AIRB"). This approach calls for more extensive reliance on the Bank's own internal experience whereby estimations for all the three components of RWA calculation namely PD, EAD and LGD are based on its own historical data.

Separate PD, EAD and LGD statistical models were developed at portfolio level; each model covering borrowers with fundamentally similar risk profiles in a portfolio. The estimations derived from the models are used as input for RWA calculations.

AIRB COVERAGE FOR RETAIL PORTFOLIOS

Currently the following material retail portfolios are under Retail IRB:

Basel II Retail sub–portfolio category	Maybank Retail Portfolios
Residential Mortgage	• Housing Loan (Malaysia & Singapore) • Other Property Based Loan (Malaysia) • Staff Housing Loan (Malaysia)
Qualifying Revolving Retail Exposure ("QRRE")	• Credit Card (Malaysia & Singapore)
Other Retail	• Auto Loan (Malaysia & Singapore) • Unit Trust Loan (Malaysia) • Commercial Property Loan (Malaysia)

The above portfolios represent about 85% of total Bank's retail exposures. Whilst currently the rest of Group's retail portfolios are under ("SA"), efforts are under way to bring the other material retail portfolios under the AIRB Approach.

RETAIL MASTERSCALE

A retail masterscale with mapping to PD and external ratings like S&P's and Rating Agency Malaysia (RAM) is used to promote a common risk language across the Group's retail portfolios as per Table C below:

Table C

Risk Category	PD Grade	Midpoint PD	Rating Definition	S&P Equivalent	RAM Equivalent
Very Low	R1	0.25%	Excellent	BBB to AAA	A to AAA
	R2	0.44%	Very Strong	BBB-	A
Low	R3	0.79%	Strong	BB+	A
	R4	1.41%	Very Good	BB- to BB	BBB
	R5	2.50%	Good	BB-	BBB
Moderate	R6	4.45%	Moderate	B to B+	BB
	R7	7.91%	Satisfactory	B- to B	BB
	R8	14.06%	Week	CCC to B-	B
High	R9	25.00%	Risky	CCC	C to B
	R10	44.46%	Very Risky	CCC	C
	R11	79.06%	Extremely Risky	D	C

OTHER RISK MEASUREMENT FOR RETAIL PORTFOLIOS

Besides having the Basel II Retail IRB models, application and behaviour scorecards are widely used for business management purposes. Scorecards assess the probability that the customer will fail to make full and timely repayment of credit obligations. Business decisions and strategies are then built around the scores.

Where relevant, both application and behavioural scorecards are used as input into Retail IRB PD models.

Application Scorecard

With application scorecards, at the point of time when an applicant applies for the credit facility, each applicant is assigned a score that corresponds to the odds of future repayment. Scores are designed to rank-order the riskiness of the applicants, whereby higher score represents lower risk.

With proper utilisation, the application scorecards benefit both risk management and business acquisition process through:

- Consistency in credit risk assessment;
- Improved turnaround time;
- Better management control of the portfolios; and
- Improved revenue and profit through the identification and acceptance of additional business

Currently, application scorecards are deployed for all the major retail portfolios in Malaysia, Singapore and Indonesia.

Behaviour Scorecard

The product nature of credit card is subject to variable utilisation and payment pattern. A customer is able to utilise any portion of the granted limit and pay any amount of the outstanding balance. Due to the volatile nature of the product, a more robust risk measurement tool is required to manage the portfolio.

Behavioural Scorecards were therefore developed for Credit Card portfolios both in Malaysia and Singapore. Behaviour score measures the borrower riskiness based on transaction information and behavioural pattern of customer's utilisation and payment of the credit card. The scores are generated on monthly basis and among others, are being used for the following purposes:

- Collection Strategies;
- Limit Management; and
- Transaction Authorisation.

With the use of Behaviour score, credit card portfolio is able to closely manage the accounts to reduce defaulters, increase collection and ultimately increase the profitability.

Tables 20 through 22 show the exposures by PD bands for Retail Portfolios of the Group, the Bank and MIB, respectively. A summary of the PD distribution of these exposures are also provided.

Table 20: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank Group

As at 31.12.2012 PD Range (%)	EAD Post CRM (1) RM'000	Exposure Weighted Average LGD (2) (%)	Exposure Weighted Average Risk Weight (3) (%)	Undrawn commitments (4) RM'000	RWA (5) RM'000
Retail Exposures					
Residential Mortgages					
0.0000 – 0.5900	18,703,330	25.36	20.37	17,623	3,810,119
0.5900 – 3.3330	17,148,061	28.11	42.62	167,935	7,308,406
3.3330 – 18.750	3,391,868	20.60	86.55	68,480	2,935,521
18.750 – 100	947,785	70.60	107.82	1,532	1,021,898
100	327,379	–	73.24	4,359	239,780
Total for Residential Mortgages Exposures	40,518,423			259,929	15,315,723
Qualifying Revolving Retail Exposure					
0.0000 – 0.5900	4,200,753	78.62	13.63	2,532,553	572,501
0.5900 – 3.3330	2,963,663	77.20	40.83	1,059,095	1,210,147
3.3330 – 18.750	919,853	76.19	116.25	165,513	1,069,335
18.750 – 100	271,136	77.11	229.89	55,533	623,325
100	2,493	75.30	65.23	104	1,626
Total for Qualifying Revolving Retail Exposures	8,357,898			3,812,797	3,476,935
Hire Purchase Exposure					
0.0000 – 0.5900	26,686,287	51.42	25.37	–	6,771,021
0.5900 – 3.3330	6,656,792	49.02	57.86	–	3,851,727
3.3330 – 18.750	1,366,554	49.51	74.04	–	1,011,814
18.750 – 100	204,924	71.22	97.40	–	199,599
100	71,967	47.20	69.47	–	49,993
Total Hire Purchase Exposures	34,986,525			–	11,884,154
Other Retail Exposure					
0.0000 – 0.5900	15,563,354	21.09	20.40	833,169	3,174,881
0.5900 – 3.3330	22,341,525	15.50	25.52	3,187,475	5,701,268
3.3330 – 18.750	9,160,737	36.01	31.15	547,388	2,853,303
18.750 – 100	1,979,919	68.72	76.83	108,933	1,521,252
100	172,364	–	102.31	16,575	176,337
Total Other Retail Exposures	49,217,898			4,693,540	13,427,042
Total Retail Exposures	133,080,744			8,766,266	44,103,855

Table 20: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank Group (Cont'd.)

As at 31.12.2011 PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments RM'000	RWA RM'000
Retail Exposures					
Residential Mortgages					
0.0000 – 0.5900	12,428,881	17.46	8.93	26,326	1,109,827
0.5900 – 3.3330	18,441,984	23.65	44.59	174,375	8,223,166
3.3330 – 18.750	4,466,126	29.50	79.69	56,873	3,558,924
18.750 – 100	1,864,198	37.24	69.20	21,141	1,290,106
100	556,194	73.46	67.43	4,849	375,028
Total for Residential Mortgages Exposures	37,757,383			283,564	14,557,051
Qualifying Revolving Retail Exposure					
0.0000 – 0.5900	3,514,547	77.84	12.21	2,074,928	429,297
0.5900 – 3.3330	3,346,909	77.32	39.18	1,296,220	1,311,424
3.3330 – 18.750	1,023,851	75.81	115.12	155,011	1,178,648
18.750 – 100	332,493	76.41	226.73	64,322	753,847
100	6,886	74.69	27.43	47	1,889
Total for Qualifying Revolving Retail Exposures	8,224,686			3,590,528	3,675,105
Hire Purchase Exposure					
0.0000 – 0.5900	20,860,575	50.87	22.10	–	4,609,821
0.5900 – 3.3330	8,272,027	52.53	54.39	–	4,499,428
3.3330 – 18.750	2,483,479	47.13	74.69	–	1,854,936
18.750 – 100	386,496	47.69	116.77	–	451,329
100	144,135	95.21	69.50	–	100,179
Total Hire Purchase Exposures	32,146,712			–	11,515,693
Other Retail Exposure					
0.0000 – 0.5900	3,221,362	19.54	11.42	531,335	367,741
0.5900 – 3.3330	16,890,441	20.57	27.15	2,914,391	4,585,031
3.3330 – 18.750	14,380,167	13.67	22.61	450,047	3,251,934
18.750 – 100	1,481,690	23.07	48.23	173,823	714,611
100	346,684	68.92	77.17	17,524	267,523
Total Other Retail Exposures	36,320,344			4,087,120	9,186,840
Total Retail Exposures	114,449,125			7,961,212	38,934,689

Table 21: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank

As at 31.12.2012 PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments RM'000	RWA RM'000
Retail Exposures					
Residential Mortgages					
0.0000 – 0.5900	12,503,569	22.39	34.86	15,012	1,111,146
0.5900 – 3.3330	15,582,428	23.37	85.29	101,355	5,432,388
3.3330 – 18.750	3,261,690	19.69	110.46	40,650	2,781,849
18.750 – 100	885,085	68.95	73.24	1,049	977,653
100	327,379	0.00	–	3,504	239,780
Total for Residential Mortgages Exposures	32,560,151			161,570	10,542,816
Qualifying Revolving Retail Exposure					
0.0000 – 0.5900	3,875,592	82.24	12.52	2,488,582	485,136
0.5900 – 3.3330	2,877,796	79.40	38.31	1,033,603	1,102,494
3.3330 – 18.750	917,557	77.37	115.97	161,494	1,064,101
18.750 – 100	270,921	79.22	229.94	54,191	622,963
100	2,493	75.30	65.23	104	1,626
Total for Qualifying Revolving Retail Exposures	7,944,359			3,737,973	3,276,320
Hire Purchase Exposure					
0.0000 – 0.5900	11,697,139	51.05	23.17	–	2,710,564
0.5900 – 3.3330	5,587,954	50.61	53.47	–	2,988,043
3.3330 – 18.750	1,361,622	46.41	73.81	–	1,004,993
18.750 – 100	151,315	45.44	111.34	–	168,475
100	71,967	94.41	69.47	–	49,993
Total Hire Purchase Exposures	18,869,997			–	6,922,068
Other Retail Exposure					
0.0000 – 0.5900	6,214,209	21	15	755,349	950,141
0.5900 – 3.3330	15,985,680	16	26	2,221,853	4,089,302
3.3330 – 18.750	8,453,746	36	27	390,168	2,269,693
18.750 – 100	1,930,025	71	77	71,185	1,480,015
100	172,364	–	102	11,777	176,337
Total Other Retail Exposures	32,756,024			3,450,331	8,965,488
Total Retail Exposures	92,130,531			7,349,874	29,706,692

Table 21: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank (Cont'd.)

As at 31.12.2011 PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments RM'000	RWA RM'000
Retail Exposures					
Residential Mortgages					
0.0000 – 0.5900	11,977,706	14.29	8.78	22,152	1,052,227
0.5900 – 3.3330	14,533,152	21.66	42.51	140,531	6,177,334
3.3330 – 18.750	3,595,641	26.95	74.19	41,375	2,667,761
18.750 – 100	1,551,018	33.76	60.91	17,761	944,780
100	553,186	73.76	67.37	3,965	372,704
Total for Residential Mortgages Exposures	32,210,703			225,784	11,214,806
Qualifying Revolving Retail Exposure					
0.0000 – 0.5900	3,403,010	81.04	12.26	2,037,599	417,206
0.5900 – 3.3330	3,169,106	80.02	39.21	1,271,185	1,242,653
3.3330 – 18.750	950,091	76.98	115.41	150,323	1,096,476
18.750 – 100	314,314	78.18	227.30	62,738	714,436
100	6,140	74.75	25.99	47	1,596
Total for Qualifying Revolving Retail Exposures	7,842,661			3,521,892	3,472,367
Hire Purchase Exposure					
0.0000 – 0.5900	9,690,324	49.62	23.07	–	2,235,116
0.5900 – 3.3330	5,280,590	49.78	52.67	–	2,781,210
3.3330 – 18.750	1,451,205	45.01	71.87	–	1,043,017
18.750 – 100	196,253	45.19	112.15	–	220,096
100	91,902	94.29	70.51	–	64,801
Total Hire Purchase Exposures	16,710,274			–	6,344,240
Other Retail Exposure					
0.0000 – 0.5900	3,000,087	17.67	11.28	500,160	338,353
0.5900 – 3.3330	12,850,806	21.48	27.79	2,452,125	3,570,951
3.3330 – 18.750	8,198,417	15.42	25.43	372,463	2,084,730
18.750 – 100	910,838	28.64	51.54	149,468	469,412
100	266,743	71.77	92.31	12,913	246,226
Total Other Retail Exposures	25,226,891			3,487,129	6,709,672
Total Retail Exposures	81,990,529			7,234,805	27,741,085

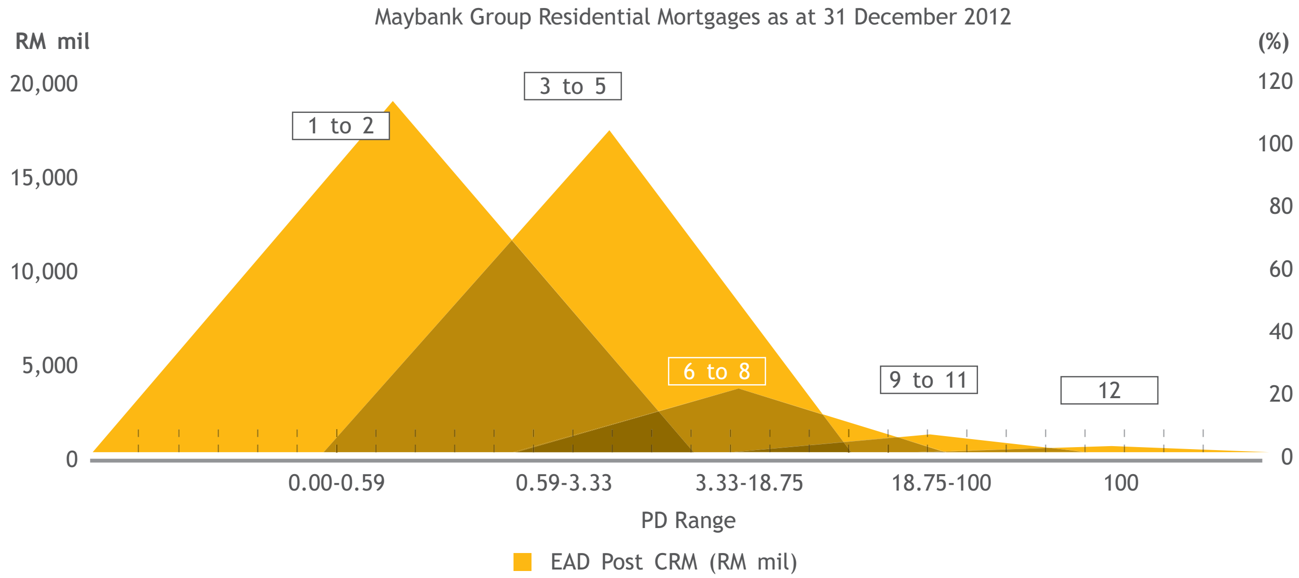
Table 22: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank Islamic

As at 31.12.2012 PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments RM'000	RWA RM'000
Retail Exposures					
Residential Mortgages					
0.0000 – 0.5900	6,199,762	28.32	43.53	2,611	2,698,973
0.5900 – 3.3330	1,565,633	32.85	119.82	66,580	1,876,018
3.3330 – 18.750	130,178	21.51	118.05	27,830	153,672
18.750 – 100	62,700	72.26	70.57	483	44,245
100	–	–	–	855	–
Total for Residential Mortgages Exposures	7,958,273			98,359	4,772,908
Qualifying Revolving Retail Exposure					
0.0000 – 0.5900	325,161	75.00	26.87	43,970	87,365
0.5900 – 3.3330	85,867	75.00	125.37	25,492	107,653
3.3330 – 18.750	2,296	75.00	228.01	4,020	5,234
18.750 – 100	215	75.00	168.62	1,342	362
100	–	–	–	–	–
Total for Qualifying Revolving Retail Exposures	413,539			74,824	200,614
Hire Purchase Exposure					
0.0000 – 0.5900	14,989,147	51.79	27.09	–	4,060,457
0.5900 – 3.3330	1,068,838	47.43	80.81	–	863,684
3.3330 – 18.750	4,932	52.61	138.29	–	6,821
18.750 – 100	53,609	96.99	58.06	–	31,124
100	–	–	–	–	–
Total Hire Purchase Exposures	16,116,526			–	4,962,086
Other Retail Exposure					
0.0000 – 0.5900	9,349,145	20.88	23.80	77,820	2,224,741
0.5900 – 3.3330	6,355,844	14.65	25.36	965,623	1,611,967
3.3330 – 18.750	706,991	36.20	82.55	157,220	583,610
18.750 – 100	49,894	66.81	82.65	37,749	41,238
100	–	–	–	4,797	
Total Other Retail Exposures	16,461,874			1,243,209	4,461,556
Total Retail Exposures	40,950,212			1,416,392	14,397,164

Table 22: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank Islamic (Cont'd.)

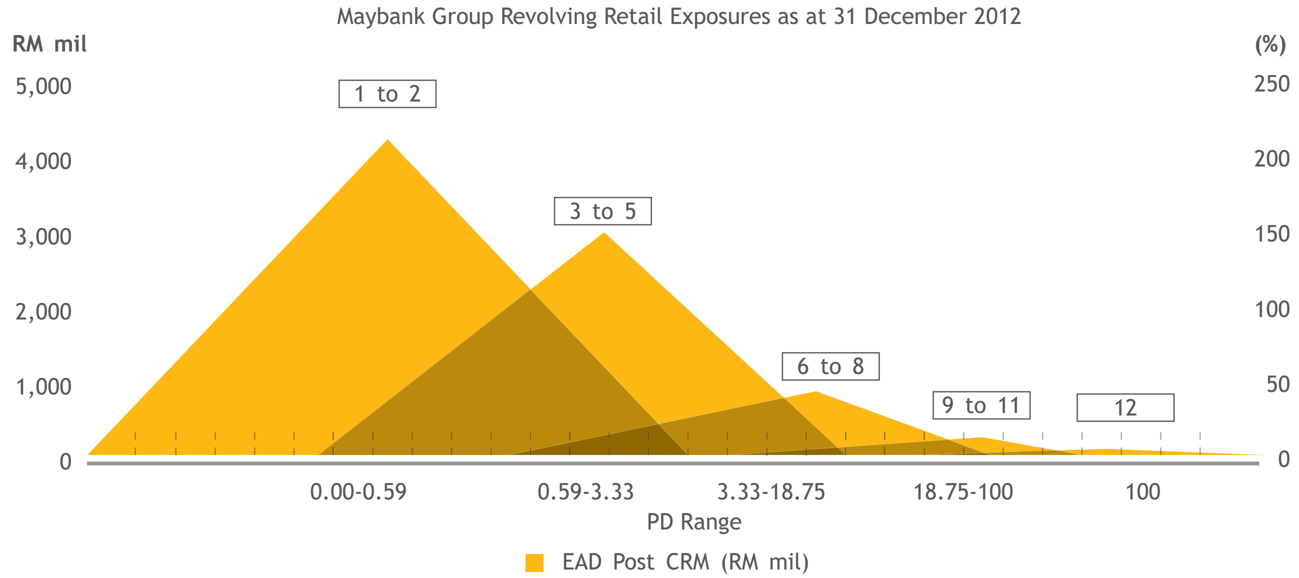
As at 31.12.2011 PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments RM'000	RWA RM'000
Retail Exposures					
Residential Mortgages					
0.0000 – 0.5900	451,175	20.64	12.77	4,174	57,601
0.5900 – 3.3330	3,908,832	25.64	52.34	33,844	2,045,832
3.3330 – 18.750	870,485	32.05	102.38	15,499	891,163
18.750 – 100	310,259	40.73	111.30	3,380	345,326
100	3,008	73.16	77.25	884	2,324
Total for Residential Mortgages Exposures	5,543,759			57,781	3,342,246
Qualifying Revolving Retail Exposure					
0.0000 – 0.5900	111,537	74.63	10.84	37,329	12,091
0.5900 – 3.3330	177,803	74.63	38.68	25,034	68,771
3.3330 – 18.750	73,760	74.63	111.41	4,688	82,173
18.750 – 100	18,179	74.63	216.79	1,584	39,411
100	745	74.63	39.30	–	293
Total for Qualifying Revolving Retail Exposures	382,024			68,635	202,739
Hire Purchase Exposure					
0.0000 – 0.5900	11,170,250	52.12	21.26	–	2,374,705
0.5900 – 3.3330	2,991,438	55.28	57.44	–	1,718,218
3.3330 – 18.750	1,032,273	49.25	78.65	–	811,920
18.750 – 100	190,243	50.18	121.55	–	231,233
100	52,233	96.14	67.73	–	35,378
Total Hire Purchase Exposures	15,436,437			–	5,171,454
Other Retail Exposure					
0.0000 – 0.5900	221,275	21.41	13.28	31,174	29,389
0.5900 – 3.3330	4,039,634	19.67	25.10	462,266	1,014,080
3.3330 – 18.750	6,181,750	11.92	18.88	77,584	1,167,204
18.750 – 100	528,840	17.49	46.37	24,355	245,199
100	79,941	66.08	26.64	4,612	21,296
Total Other Retail Exposures	11,051,440			599,991	2,477,168
Total Retail Exposures	32,413,660			726,407	11,193,607

Residential Mortgages by PD Bands for Maybank Group



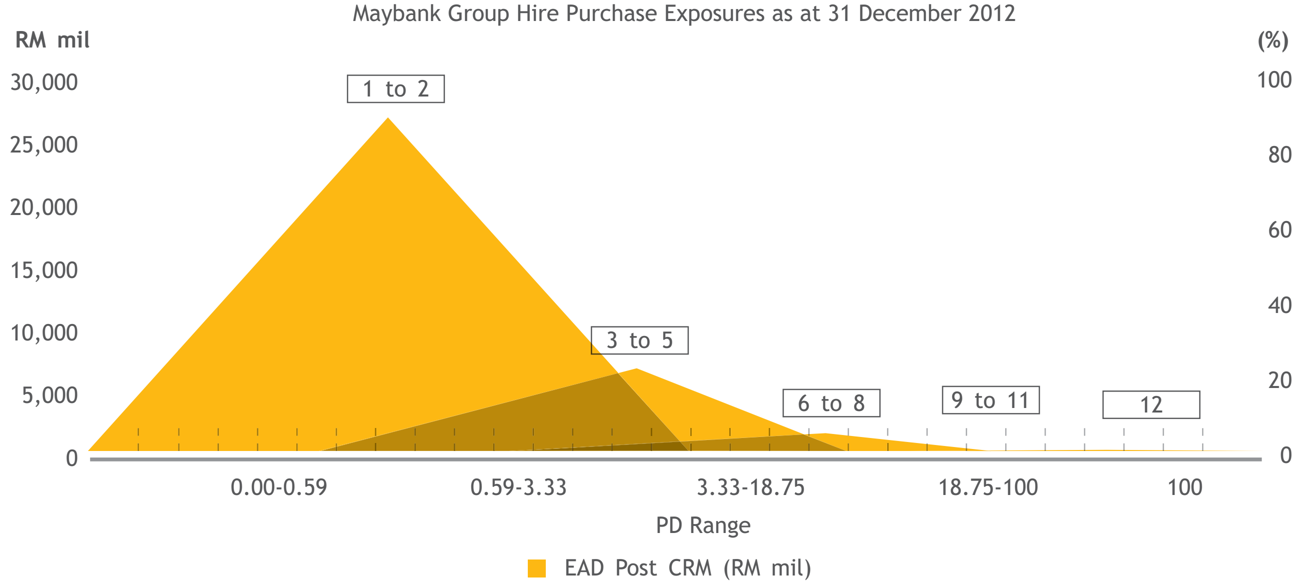
Maybank Group's residential mortgages profile are concentrated in the better grades of 1 to 5, with PD ranges of 0.00 – 3.33%.

Qualifying Revolving Retail Exposures (Credit Cards) by PD Bands for Maybank Group



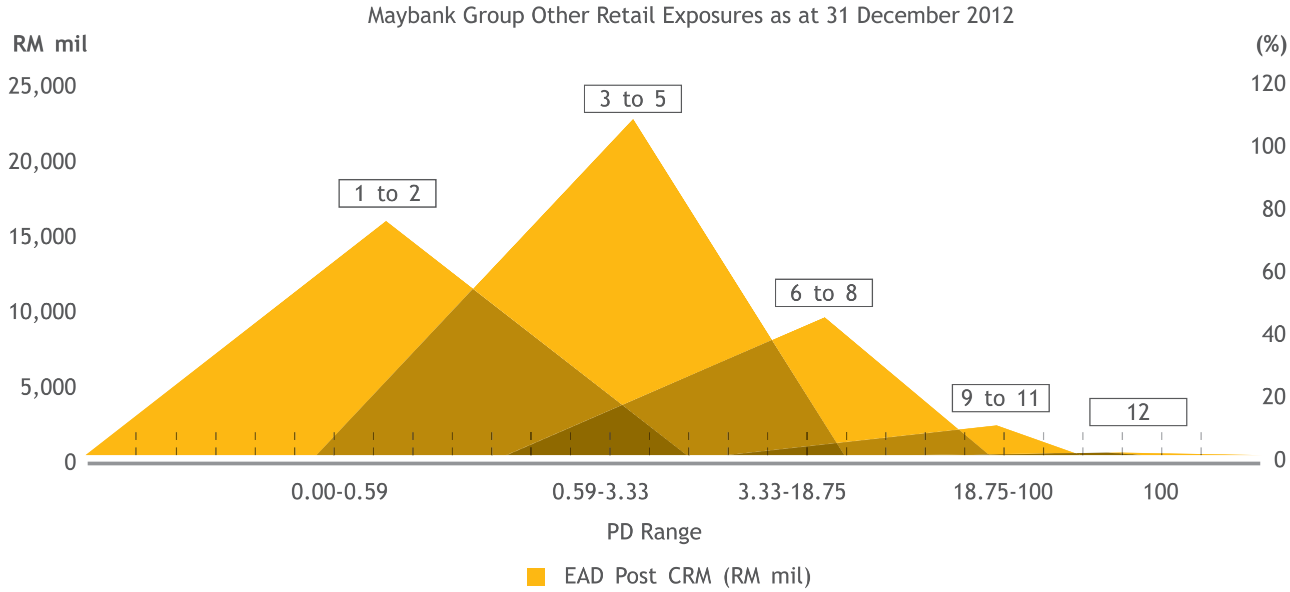
For Qualifying Revolving Retail Exposures (Credit Cards), again the Group's profile are concentrated in the better grades of 1 to 5, with PD ranges of 0.00 – 3.33%.

Hire Purchase Exposures by PD Bands for Maybank Group



For Hire Purchase portfolio, the majority of the exposure are concentrated in the better grades of 1 to 2, with PD range of 0.00 – 0.59%.

Other Retail Exposures by PD Bands for Maybank Group



For Other Retail portfolio, the majority of the exposure are concentrated in the low and moderate grades of 1 to 5, with PD range of 0.00 – 3.33%.

INDEPENDENT MODEL VALIDATION

At the Group, credit IRB models are validated by an independent validation team which is separate from the model development teams. Model validation findings are presented to the Model Validation and Acceptance Committee for deliberation and subsequently to the ERC for endorsement and RMC for approval.

SCOPE AND FREQUENCY OF MODEL VALIDATION

Validation techniques include both quantitative and qualitative analyses to test the appropriateness and robustness of the IRB models used. Validation of credit risk models covers activities that evaluates and examines the rating system and the estimation process and methods for deriving the risk components, namely PD, LGD and EAD. This involves validating that the risk models are capable of discriminating ('discriminatory or rank ordering power') and deriving consistent and predictive estimates ('calibration') of the relevant risk parameters.

The validation of models would be conducted at two stages. Pre-implementation model validation is to be conducted prior to launch of the model. Post-implementation validation must be done at least annually from the model implementation date or from the previous validation date. However, more frequent validation may be done, where necessary.

The validation processes are also subject to an independent review by the Internal Auditors, which is performed on a regular basis.

CREDIT RISK MITIGATION

The Group takes a holistic approach when granting credit facilities and do so very much based on the repayment capacity of the borrower, rather than place primary dependency on credit risk mitigation. As a fundamental credit principle, the Group generally does not grant facilities solely on the basis of collateral provided. Credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Depending on a customer's standing and the type of product, facilities may be provided unsecured. Nevertheless, collateral is taken whenever possible to mitigate the credit risk assumed. The Group's general policy is to promote the use of credit risk mitigation, justified by commercial prudence and good practice as well as capital efficiency. The value of collateral taken is also monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group include cash, marketable securities, real estate, equipment, inventory and receivables. For IRB purposes, personal guarantees are not recognised as an eligible credit risk protection.

Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to accommodate an extension of credit. To recognise the effects of guarantees under the FIRB Approach, the Group adopts the PD substitution approach whereby an exposure guaranteed by an eligible guarantor will utilise the PD of the guarantor in the computation of its capital requirement.

As a general rule-of-thumb, the following eligibility criteria must be met before collateral can be accepted for IRB purposes:

- **Legal certainty** – The documentation must be legally binding and enforceable in all relevant jurisdictions;

- **Material positive correlation** - The value of the collateral must not be significantly affected by the deterioration of the borrower's credit worthiness; and

- **Third-party custodian** - The collateral that is held by a third-party custodian must be segregated from the custodian's own assets.

Tables 23 through 25 show the credit risk mitigation analysis under SA approach for the Group, the Bank and MIB, respectively, whilst Tables 26 through 28 show the credit risk mitigation analysis under the IRB approach.

Table 23: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank Group

As at 31.12.2012 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	56,634,064	–	–	7,392,763
Public Sector Entities	1,797,557	–	11,143	3,484
Banks, Development Financial Institutions & MDBs	3,420,615	–	2,911	2,041,262
Insurance Cos, Securities Firms & Fund Managers	792,996	–	328	–
Corporates	34,251,637	29,575	997,431	24,666,270
Regulatory Retail	16,968,402	–	1,287,764	7,236,632
Residential Mortgage	2,301,724	–	–	2,294,919
Higher Risk Assets	458,029	–	–	–
Other Assets	8,460,764	–	–	2,783,005
Securitisation Exposures	296,629	–	–	–
Equity Exposure	108,742	–	–	–
Defaulted Exposures	2,150,397	–	1,951	286,928
Total On-Balance Sheet Exposures	127,641,556	29,575	2,301,528	46,705,265
Off-Balance-Sheet Exposures				
OTC Derivatives	625,448	–	–	299,139
Off balance sheet exposures other than OTC derivatives or credit derivatives	4,680,619	919	387,145	1,927,804
Defaulted Exposures	29	–	–	–
Total for Off-Balance Sheet Exposures	5,306,096	919	387,145	2,226,943
Total On and Off-Balance Sheet Exposures	132,947,652	30,494	2,688,673	48,932,207

Table 23: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank Group (Cont'd.)

As at 31.12.2011 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	61,566,161	–	–	–
Public Sector Entities	1,002,719	–	6,020	–
Banks, Development Financial Institutions & MDBs	3,771,959	–	384	–
Insurance Cos, Securities Firms & Fund Managers	334,063	–	–	815
Corporates	42,112,182	71,809	844,762	242,016
Regulatory Retail	14,075,274	–	650,679	–
Residential Mortgage	2,063,422	–	–	–
Higher Risk Assets	574,927	–	–	–
Other Assets	19,094,871	–	–	–
Securitisation Exposures	1,012,355	–	–	–
Equity Exposure	580,746	–	–	–
Defaulted Exposures	1,526,949	40,377	4,690	–
Total On-Balance Sheet Exposures	147,715,628	112,186	1,506,535	242,831
Off-Balance-Sheet Exposures				
OTC Derivatives	387,044	–	–	–
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,199,198	57	391,396	2,311
Defaulted Exposures	22	–	–	–
Total for Off-Balance Sheet Exposures	5,586,264	57	391,396	2,311
Total On and Off-Balance Sheet Exposures	153,301,892	112,243	1,897,931	245,142

Table 24: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank

As at 31.12.2012 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	31,341,304	–	–	785,855
Public Sector Entities	1,128,923	–	7,125	–
Banks, Development Financial Institutions & MDBs	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	494	–	328	–
Corporates	14,051,035	29,569	92,452	8,015,971
Regulatory Retail	6,646,438	–	1,027,340	281,122
Residential Mortgage	889,835	–	–	889,835
Higher Risk Assets	319,443	–	–	–
Other Assets	9,155,591	–	–	275,363
Securitisation Exposures	296,629	–	–	–
Equity Exposure	107,709	–	–	–
Defaulted Exposures	190,556	–	650	58,948
Total On-Balance Sheet Exposures	64,127,957	29,569	1,127,895	10,307,094
Off-Balance-Sheet Exposures				
OTC Derivatives	254,653	–	–	3,583
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,744,301	919	108,825	1,344,180
Defaulted Exposures	29	–	–	–
Total for Off-Balance Sheet Exposures	2,998,983	919	108,825	1,347,763
Total On and Off-Balance Sheet Exposures	67,126,940	30,488	1,236,720	11,654,857

Table 24: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank (Cont'd.)

As at 31.12.2011 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	43,329,944	–	–	–
Public Sector Entities	863,528	–	2,085	–
Banks, Development Financial Institutions & MDBs	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	4,006	–	–	815
Corporates	22,456,258	68,845	199,477	242,016
Regulatory Retail	5,377,033	–	476,673	–
Residential Mortgage	736,715	–	–	–
Higher Risk Assets	437,645	–	–	–
Other Assets	17,324,102	–	–	–
Securitisation Exposures	1,012,355	–	–	–
Equity Exposure	567,104	–	–	–
Defaulted Exposures	221,137	36,848	3,638	–
Total On-Balance Sheet Exposures	92,329,827	105,693	681,873	242,831
Off-Balance-Sheet Exposures				
OTC Derivatives	171,032	–	–	–
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,481,319	57	230,340	2,311
Defaulted Exposures	22	–	–	–
Total for Off-Balance Sheet Exposures	3,652,373	57	230,340	2,311
Total On and Off-Balance Sheet Exposures	95,982,200	105,750	912,213	245,142

Table 25: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank Islamic

As at 31.12.2012 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	16,867,117	–	–	–
Public Sector Entities	647,616	–	4,018	–
Insurance Cos, Securities Firms & Fund Managers	229	–	–	–
Corporates	1,044,396	7	4,406	543,441
Regulatory Retail	883,697	–	205,661	–
Residential Mortgage	510,664	–	–	510,664
Higher Risk Assets	36	–	–	–
Other Assets	892,925	–	–	–
Defaulted Exposures	6,294	–	1,006	2,899
Total On-Balance Sheet Exposures	20,852,974	7	215,091	1,057,004
Off-Balance-Sheet Exposures				
OTC Derivatives	43,193	–	–	–
Off balance sheet exposures other than OTC derivatives or credit derivatives	767,570	–	467	150
Defaulted Exposures	–	–	–	–
Total for Off-Balance Sheet Exposures	810,763	–	467	150
Total On and Off-Balance Sheet Exposures	21,663,737	7	215,558	1,057,154

As at 31.12.2011 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	12,198,099	–	–	–
Public Sector Entities	93,011	–	3,935	–
Insurance Cos, Securities Firms & Fund Managers	329	–	–	–
Corporates	2,649,670	2,964	5,344	–
Regulatory Retail	924,021	–	101,483	–
Residential Mortgage	189,943	–	–	–
Higher Risk Assets	30,340	–	–	–
Other Assets	2,368,113	–	–	–
Defaulted Exposures	5,926	3,530	1,021	–
Total On-Balance Sheet Exposures	18,459,452	6,494	111,783	–
Off-Balance-Sheet Exposures				
OTC Derivatives	181,545	–	–	–
Off balance sheet exposures other than OTC derivatives or credit derivatives	412,955	–	1,623	–
Defaulted Exposures	–	–	–	–
Total for Off-Balance Sheet Exposures	594,500	–	1,623	–
Total On and Off-Balance Sheet Exposures	19,053,952	6,494	113,406	–

Table 26: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Group

As at 31.12.2012 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	57,631,179	–	–	–
Corporate Exposures	137,070,729	435,535	3,242,004	2,734,638
a) Corporates (excluding Specialised Lending and firm-size adjustments)	81,460,170	435,535	3,242,004	2,734,638
b) Corporates (with firm-size adjustment)	52,094,035	–	–	–
c) Specialised Lending (Slotting Approach) – Project Finance	3,516,524	–	–	–
Retail Exposures	122,462,572	312,324	–	–
a) Residential Mortgages	39,872,773	–	–	–
b) Qualifying Revolving Retail Exposures	4,544,108	–	–	–
c) Hire Purchase Exposures	34,089,521	–	–	–
d) Other Retail Exposures	43,956,170	312,324	–	–
Defaulted Exposures	2,816,748	32,455	2,419	60,510
Total On-Balance Sheet Exposures	319,981,228	780,314	3,244,423	2,795,148
Off-Balance-Sheet Exposures				
OTC Derivatives	9,117,245	–	–	–
Off balance sheet exposures other than OTC derivatives or credit derivatives	48,883,834	42,608	56,483	152,341
Defaulted Exposures	22,636	–	–	–
Total for Off-Balance Sheet Exposures	58,023,715	42,608	56,483	152,341
Total On and Off-Balance Sheet Exposures	378,004,943	822,922	3,300,906	2,947,489

Table 26: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Group (Cont'd.)

As at 31.12.2011 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	50,251,862	–	–	–
Corporate Exposures	111,203,419	1,272,859	2,404,914	10,337,594
a) Corporates (excluding Specialised Lending and firm-size adjustments)	62,937,722	1,270,640	272,505	4,672,465
b) Corporates (with firm-size adjustment)	46,897,742	2,219	2,132,409	5,665,129
c) Specialised Lending (Slotting Approach) – Project Finance	1,367,955	–	–	–
Retail Exposures	104,937,142	–	–	–
a) Residential Mortgages	37,497,934	–	–	–
b) Qualifying Revolving Retail Exposures	4,627,319	–	–	–
c) Hire Purchase Exposures	30,735,761	–	–	–
d) Other Retail Exposures	32,076,128	–	–	–
Defaulted Exposures	4,412,542	95,852	178,830	293,000
Total On-Balance Sheet Exposures	270,804,965	1,368,711	2,583,744	10,630,594
Off-Balance-Sheet Exposures				
OTC Derivatives	7,437,556	–	–	–
Off balance sheet exposures other than OTC derivatives or credit derivatives	25,095,621	3,324	418,659	196,272
Defaulted Exposures	194,197	–	6	49
Total for Off-Balance Sheet Exposures	32,727,374	3,324	418,665	196,321
Total On and Off-Balance Sheet Exposures	303,532,339	1,372,035	3,002,409	10,826,915

Table 27: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank

As at 31.12.2012 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	56,829,211	–	–	–
Corporate Exposures	119,200,475	418,467	3,237,849	2,592,054
a) Corporates (excluding Specialised Lending and firm-size adjustments)	72,305,941	418,467	3,237,849	2,592,054
b) Corporates (with firm-size adjustment)	44,446,396	–	–	–
c) Specialised Lending (Slotting Approach) – Project Finance	2,448,138	–	–	–
Retail Exposures	83,953,051	296,096	–	–
a) Residential Mortgages	32,074,705	–	–	–
b) Qualifying Revolving Retail Exposures	4,205,587	–	–	–
c) Hire Purchase Exposures	18,798,030	–	–	–
d) Other Retail Exposures	28,874,729	296,096	–	–
Defaulted Exposures	2,435,800	30,741	2,419	60,510
Total On-Balance Sheet Exposures	262,418,537	745,304	3,240,268	2,652,564
Off-Balance-Sheet Exposures				
OTC Derivatives	8,926,671	–	–	–
Off balance sheet exposures other than OTC derivatives or credit derivatives	43,006,447	41,812	52,477	152,341
Defaulted Exposures	16,984	–	–	–
Total for Off-Balance Sheet Exposures	51,950,102	41,812	52,477	152,341
Total On and Off-Balance Sheet Exposures	314,368,639	787,116	3,292,745	2,804,905

Table 27: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank (Cont'd.)

As at 31.12.2011 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	50,469,618	–	–	–
Corporate Exposures	96,521,273	643,083	2,292,217	9,835,967
a) Corporates (excluding Specialised Lending and firm-size adjustments)	55,591,935	640,864	259,627	4,636,647
b) Corporates (with firm-size adjustment)	40,237,285	2,219	2,032,590	5,199,320
c) Specialised Lending (Slotting Approach)				
– Project Finance	692,053	–	–	–
Retail Exposures	74,494,070	–	–	–
a) Residential Mortgages	31,960,977	–	–	–
b) Qualifying Revolving Retail Exposures	4,314,675	–	–	–
c) Hire Purchase Exposures	16,618,373	–	–	–
d) Other Retail Exposures	21,600,045	–	–	–
Defaulted Exposures	3,891,501	89,755	173,377	268,809
Total On-Balance Sheet Exposures	225,376,462	732,838	2,465,594	10,104,776
Off-Balance-Sheet Exposures				
OTC Derivatives	7,294,530	–	–	–
Off balance sheet exposures other than OTC derivatives or credit derivatives	21,775,436	3,136	395,337	191,834
Defaulted Exposures	188,701	–	6	49
Total for Off-Balance Sheet Exposures	29,258,667	3,136	395,343	191,883
Total On and Off-Balance Sheet Exposures	254,635,129	735,974	2,860,937	10,296,659

Table 28: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Islamic

As at 31.12.2012 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	9,336,048	–	–	–
Corporate Exposures	17,951,852	17,068	4,155	142,583
a) Corporates (excluding Specialised Lending and firm-size adjustments)	9,235,827	17,068	4,155	142,583
b) Corporates (with firm-size adjustment)	7,647,639	–	–	–
c) Specialised Lending (Slotting Approach) – Project Finance	1,068,386	–	–	–
Retail Exposures	38,509,521	16,227	–	–
a) Residential Mortgages	7,798,068	–	–	–
b) Qualifying Revolving Retail Exposures	338,521	–	–	–
c) Hire Purchase Exposures	15,291,491	–	–	–
d) Other Retail Exposures	15,081,441	16,227	–	–
Defaulted Exposures	380,948	1,714	–	–
Total On-Balance Sheet Exposures	66,178,369	35,009	4,155	142,583
Off-Balance-Sheet Exposures				
OTC Derivatives	187,137	–	–	–
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,722,703	797	4,006	–
Defaulted Exposures	5,652	–	–	–
Total for Off-Balance Sheet Exposures	5,915,492	797	4,006	–
Total On and Off-Balance Sheet Exposures	72,093,861	35,806	8,161	142,583

Table 28: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Islamic (Cont'd.)

As at 31.12.2011 Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	8,622,533	–	–	–
Corporate Exposures	14,682,146	629,776	112,697	501,626
a) Corporates (excluding Specialised Lending and firm-size adjustments)	7,345,787	629,776	12,878	35,818
b) Corporates (with firm-size adjustment)	6,660,457	–	99,819	465,809
c) Specialised Lending (Slotting Approach)				
– Project Finance	675,902	–	–	–
Retail Exposures	30,398,139	–	–	–
a) Residential Mortgages	5,536,957	–	–	–
b) Qualifying Revolving Retail Exposures	312,644	–	–	–
c) Hire Purchase Exposures	14,117,388	–	–	–
d) Other Retail Exposures	10,431,150	–	–	–
Defaulted Exposures	521,041	6,096	5,453	24,192
Total On-Balance Sheet Exposures	54,223,859	635,872	118,150	525,819
Off-Balance-Sheet Exposures				
OTC Derivatives	143,026	–	–	–
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,320,186	188	23,322	4,439
Defaulted Exposures	5,496	–	–	–
Total for Off-Balance Sheet Exposures	3,468,708	188	23,322	4,439
Total On and Off-Balance Sheet Exposures	57,692,567	636,060	141,472	530,258

CREDIT EXPOSURES SUBJECT TO STANDARDISED APPROACH (SA)

The Standardised Approach (SA) is applied to portfolios that are classified as permanently exempt from the IRB approach, and those portfolios that are currently in transition to the IRB approach.

The SA approach to credit risk measures credit risk pursuant to fixed risk weights and is the least sophisticated of the capital calculation methodologies. The risk weights applied under SA is prescribed by BNM and is based on the asset class to which the exposure is assigned. For exposures subject to SA, approved External Credit Assessment Agencies ("ECAI") ratings and the prescribed risk weights based on asset classes are used in the computation of regulatory capital.

The ECAI used by the Group include Fitch Ratings, Moody's Investor Services, S&P, RAM and Malaysia Rating Corporation ("MARC"). Assessments provided by approved ECAIs are mapped to credit quality grades prescribed by the regulator.

Below are the summary tables of the rules governing the assignment of risk weights under the SA approach and Summary of Short Term Ratings of Banking Institutions and Corporates:

Rating Category	S&P	Moody's	Fitch	RAM	MARC	Rating & Investment Inc
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-	A+ to A-
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB1 to BB3	BBB+ to BB-	BBB+ to BB-
4	B+ and below	B1 and below	B+ and below	B1 and below	B+ and below	B+ and below
5	Unrated					

Rating Category	S&P	Moody's	Fitch	RAM	MARC	Rating & Investment Inc
1	A-1	P-1	F1+, F1	P-1	MARC-1	a+1, a-1
2	A-2	P-2	F2	P-2	MARC-2	a-2
3	A-3	P-3	F3	P-3	MARC-3	a-3
4	Others	Others	B to D	NP	MARC-4	b, c
5	Unrated					

Tables 29 through 31 show the disclosure on risk weights under SA for the Group, the Bank and MIB, respectively.

Tables 32 through 34 further show the rated exposures by ECAIs for the Group, the Bank and MIB, respectively.

Table 29: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank Group

As at 31.12.2012 Risk weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks RM'000	PSEs RM'000	Banks, MDBs & FDIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residental Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Securitisation RM'000	Equity RM'000		
0%	55,282,171	352,267	–	–	3,577	1,249,127	–	–	6,115,989		–	63,003,131	–
10%	–	–	–	–	–	–	–	–	–		–	–	–
20%	404,294	649,656	1,381,595	–	198,509	–	–	–	82,584		–	2,716,638	543,328
35%	–	–	–	–	–	–	1,865,468	–	–		–	1,865,468	652,914
50%	92,144	–	1,746,825	–	692,022	8,005	337,622	–	593		–	2,877,211	1,438,605
75%	–	–	–	–	–	16,030,472	99,988	–	–		–	16,130,459	12,097,844
90%	–	–	–	–	–	–	–	–	–		–	–	–
100%	1,701,666	829,210	551,291	870,518	35,565,799	156,430	10,338	–	2,331,103		91,748	42,108,103	42,108,103
110%	–	–	–	–	–	–	–	–	–		–	–	–
125%	–	–	–	–	–	–	–	–	–		–	–	–
135%	–	–	–	–	–	–	–	–	–		–	–	–
150%	–	–	2,652	–	425,924	1,589,966	–	575,301	22,053		16,995	2,632,893	3,949,340
Total	57,480,275	1,831,133	3,682,363	870,518	36,885,831	19,034,000	2,313,416	575,301	8,552,322	296,629	108,743	131,630,531	60,790,134*
Deduction from Capital Base										–	–		

* Total Risk Weight Assets without securitisation.

Table 29: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank Group (Cont'd.)

As at 31.12.2011	Exposures after Netting and Credit Risk Mitigation												
Risk weights	Sovereigns & Central Banks RM'000	PSEs RM'000	Banks, MDBs & FDIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residental Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Securitisation RM'000	Equity RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	58,916,446	–	–	–	–	3,638	–	–	14,659,349		–	73,579,433	–
10%	–	–	–	–	–	–	–	–	–		–	–	–
20%	102,053	219,437	2,796,069	–	173,629	–	–	–	–		–	3,291,188	658,238
35%	–	–	–	–	–	–	1,531,459	–	–		–	1,531,459	536,010
50%	2,466	6,490	531,741	–	1,809,146	13,942	39,998	–	–		–	2,403,783	1,201,892
75%	–	–	–	–	–	13,164,628	498,029	–	–		–	13,662,657	10,246,993
90%	–	–	–	–	–	–	–	–	–		–	–	–
100%	2,993,366	773,661	757,512	554,297	43,175,860	446,867	31,968	–	4,493,928		45,682	53,273,139	53,273,139
110%	–	–	–	–	–	–	–	–	–		–	–	–
125%	–	–	–	–	–	–	–	–	–		–	–	–
135%	–	–	–	–	–	–	–	–	–		–	–	–
150%	–	13,715	5,212	–	413,635	1,167,694	–	611,777	42,669		535,065	2,789,766	4,184,648
Total	62,014,331	1,013,303	4,090,534	554,297	45,572,270	14,796,769	2,101,454	611,777	19,195,946	1,012,355	580,747	151,543,783	70,100,920*
Deduction from Capital Base										31,383	–		

* Total Risk Weight Assets without securitisation.

Table 30: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank

As at 31.12.2012	Exposures after Netting and Credit Risk Mitigation													
Risk weights	Sovereigns & Central Banks RM'000	PSEs RM'000	Banks, MDBs & FDIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Specialised Financing/ Investment RM'000	Securitisation RM'000	Equity RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	30,725,262	243,031	–	–	3,577	1,042,452	–	–	4,886,417	–		–	36,900,739	–
10%	–	–	–	–	–	–	–	–	–	–		–	–	–
20%	341,988	104,619	–	–	100,367	–	–	–	–	–		–	546,974	109,395
35%	–	–	–	–	–	–	521,758	–	–	–		–	521,758	182,615
50%	92,144	–	–	–	570,121	7,264	269,325	–	–	–		–	938,855	469,427
75%	–	–	–	–	–	5,970,399	99,988	–	–	–		–	6,070,386	4,552,790
90%	–	–	–	–	–	–	–	–	–	–		–	–	–
100%	274,759	803,935	–	77,333	15,687,914	8,657	3,793	–	4,360,436	–		90,714	21,307,540	21,307,540
110%	–	–	–	–	–	–	–	–	–	–		–	–	–
125%	–	–	–	–	–	–	–	–	–	–		–	–	–
135%	–	–	–	–	–	–	–	–	–	–		–	–	–
150%	–	–	–	–	67,715	300	–	434,677	–	–		16,995	519,688	779,532
Total	31,434,153	1,151,585	–	77,333	16,429,694	7,029,072	894,864	434,677	9,246,853	–	296,629	107,709	67,102,569	27,401,299*
Deduction from Capital Base											–	–		

* Total Risk Weight Assets without securitisation.

Table 30: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank (Cont'd.)

As at 31.12.2011	Exposures after Netting and Credit Risk Mitigation													
Risk weights	Sovereigns & Central Banks RM'000	PSEs RM'000	Banks, MDBs & FDIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residental Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Specialised Financing/ Investment RM'000	Securitisation RM'000	Equity RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	41,971,172	–	–	–	–	3,638	–	–	12,074,365	–		–	54,049,176	–
10%	–	–	–	–	–	–	–	–	–	–		–	–	–
20%	102,053	204,427	–	–	62,074	–	–	–	–	–		–	368,554	73,711
35%	–	–	–	–	–	–	344,191	–	–	–		–	344,191	120,467
50%	–	–	–	–	1,622,248	13,128	29,695	–	–	–		–	1,665,071	832,535
75%	–	–	–	–	–	5,066,680	368,504	–	–	–		–	5,435,184	4,076,388
90%	–	–	–	–	–	–	–	–	–	–		–	–	–
100%	1,402,422	659,923	–	223,660	23,678,436	4,351	25,633	–	5,330,063	–		44,782	31,369,271	31,369,271
110%	–	–	–	–	–	–	–	–	–	–		–	–	–
125%	–	–	–	–	–	–	–	–	–	–		–	–	–
135%	–	–	–	–	–	–	–	–	–	–		–	–	–
150%	–	–	–	–	182,677	6,092	–	472,896	20,628	–		522,322	1,204,616	1,806,925
Total	43,475,647	864,350	–	223,660	25,545,435	5,093,889	768,023	472,896	17,425,056	–	1,012,355	567,104	95,448,415	38,279,297*
Deduction from Capital Base											–	–		

* Total Risk Weight Assets without securitisation.

Table 31: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank Islamic

As at 31.12.2012	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
Risk weights	Sovereigns & Central Banks RM'000	PSEs RM'000	Banks, MDBs & FDIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residental Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Specialised Financing/ Investment RM'000	Securitisation RM'000	Equity RM'000	RM'000	RM'000
0%	17,554,811	109,236	–	–	–	206,675	–	–	406,043	–		–	18,276,765	–
10%	–	–	–	–	–	–	–	–	–	–		–	–	–
20%	62,305	541,553	–	–	–	–	–	–	–	–		–	603,858	120,772
35%	–	–	–	–	–	–	443,213	–	–	–		–	443,213	155,125
50%	–	–	–	–	–	318	67,568	–	–	–		–	67,886	33,943
75%	–	–	–	–	–	686,127	–	–	–	–		–	686,127	514,595
90%	–	–	–	–	–	–	–	–	–	–		–	–	–
100%	–	11,145	–	1,657	1,081,313	33	2,781	–	486,882	–		–	1,583,811	1,583,811Δ
110%	–	–	–	–	–	–	–	–	–	–		–	–	–
125%	–	–	–	–	–	–	–	–	–	–		–	–	–
135%	–	–	–	–	–	–	–	–	–	–		–	–	–
150%	–	–	–	–	–	–	–	2,075	–	–		–	2,075	3,112
Total	17,617,116	661,934	–	1,657	1,081,313	893,153	513,562	2,075	892,925	–	–	–	21,663,735	2,411,358
Deduction from Capital Base											–	–	–	

Table 31: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank Islamic (Cont'd.)

As at 31.12.2011	Exposures after Netting and Credit Risk Mitigation													
Risk weights	Sovereigns & Central Banks RM'000	PSEs RM'000	Banks, MDBs & FDIs RM'000	Insurance Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residental Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Specialised Financing/ Investment RM'000	Securitisation RM'000	Equity RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	12,498,099	–	–	–	–	–	–	–	1,842,280	–		–	14,340,379	–
10%	–	–	–	–	–	–	–	–	–	–		–	–	–
20%	–	15,010	–	–	–	–	–	–	–	–		–	15,010	3,002
35%	–	–	–	–	–	–	51,156	–	–	–		–	51,156	17,905
50%	–	–	–	–	–	580	9,651	–	–	–		–	10,231	5,116
75%	–	–	–	–	–	826,110	129,526	–	–	–		–	955,636	716,727
90%	–	–	–	–	–	–	–	–	–	–		–	–	–
100%	–	75,364	–	909	2,757,559	51	3,307	–	525,833	–		–	3,363,023	3,363,023
110%	–	–	–	–	–	–	–	–	–	–		–	–	–
125%	–	–	–	–	–	–	–	–	–	–		–	–	–
135%	–	–	–	–	–	–	–	–	–	–		–	–	–
150%	–	–	–	–	–	–	–	31,938	–	–		–	31,938	47,907
Total	12,498,099	90,374	–	909	2,757,559	826,741	193,640	31,938	2,368,113	–	–	–	18,767,373	4,153,680
Deduction from Capital Base											–	–		

Table 32: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank Group

	As at 31.12.2012 Exposure Class	Rating Categories					
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	On and Off Balance Sheet Exposures						
1	Rated Exposures						
	A) Ratings of Corporate:						
	Public Sector Entities	352,267	649,656	–	–	829,210	1,831,133
	Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	870,518	870,518
	Corporates	3,577	198,509	692,022	425,924	35,565,799	36,885,831
	B) Ratings of Sovereigns and Central Banks:						
	Sovereigns and Central Banks	55,282,171	404,294	92,144	–	1,701,666	57,480,276
	C) Ratings of Banking Institutions						
	Banks, MDBs and FDIs	–	1,381,595	1,746,825	2,652	551,291	3,682,363
2	Unrated Exposures	–	–	–	–	–	–
	Total Exposures	55,638,015	2,634,054	2,530,991	428,576	39,518,484	100,750,120

Table 32: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank Group (Cont'd.)

	As at 31.12.2011 Exposure Class	Rating Categories					
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	On and Off Balance Sheet Exposures						
1	Rated Exposures						
	A) Ratings of Corporate:						
	Public Sector Entities	219,437	–	–	–	792,593	1,012,030
	Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	554,297	554,297
	Corporates	173,629	1,801,668	1,094,412	123,105	42,379,456	45,572,270
	B) Ratings of Sovereigns and Central Banks:						
	Sovereigns and Central Banks	58,916,446	102,053	2,466	–	2,993,366	62,014,331
	C) Ratings of Banking Institutions						
	Banks, MDBs and FDIs	1,112,643	103,081	–	248,932	2,625,878	4,090,534
2	Unrated Exposures	–	–	–	–	–	–
	Total Exposures	60,422,155	2,006,802	1,096,878	372,037	49,345,590	113,243,462

Table 33: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank

	As at 31.12.2012 Exposure Class	Rating Categories					
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	On and Off Balance Sheet Exposures						
1	Rated Exposures						
	A) Ratings of Corporate:						
	Public Sector Entities	243,031	104,619	–	–	803,935	1,151,585
	Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	77,333	77,333
	Corporates	3,577	100,367	570,121	67,714	15,687,914	16,429,693
	B) Ratings of Sovereigns and Central Banks:						
	Sovereigns and Central Banks	30,725,262	341,988	92,144	–	274,759	31,434,153
	C) Ratings of Banking Institutions						
	Banks, MDBs and FDIs	–	–	–	–	–	–
2	Unrated Exposures	–	–	–	–	–	–
	Total Exposures	30,971,871	546,974	662,265	67,714	16,843,941	49,092,764

Table 33: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank (Cont'd.)

	As at 31.12.2011 Exposure Class	Rating Categories					
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	On and Off Balance Sheet Exposures						
1	Rated Exposures						
	A) Ratings of Corporate:						
	Public Sector Entities	204,427	–	–	–	659,923	864,350
	Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	223,660	223,660
	Corporates	62,074	1,622,248	1,042,943	–	22,818,171	25,545,436
	B) Ratings of Sovereigns and Central Banks:						
	Sovereigns and Central Banks	41,971,172	102,053	–	–	1,402,422	43,475,647
	C) Ratings of Banking Institutions						
	Banks, MDBs and FDIs	–	–	–	–	–	–
2	Unrated Exposures	–	–	–	–	–	–
	Total Exposures	42,237,673	1,724,301	1,042,943	–	25,104,176	70,109,093

Table 34: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank Islamic

	As at 31.12.2012 Exposure Class	Rating Categories					
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	On and Off Balance Sheet Exposures						
1	Rated Exposures						
	A) Ratings of Corporate:						
	Public Sector Entities	109,236	541,553	–	11,140	–	661,929
	Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	1,657	1,657
	Corporates	–	–	–	–	1,081,313	1,081,313
	B) Ratings of Sovereigns and Central Banks:						
	Sovereigns and Central Banks	17,554,811	62,305	–	–	–	17,617,116
	C) Ratings of Banking Institutions						
	Banks, MDBs and FDIs	–	–	–	–	–	–
2	Unrated Exposures	–	–	–	–	–	–
	Total Exposures	17,664,047	603,858	–	11,140	1,082,970	19,362,015

Table 34: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank Islamic (Cont'd.)

	As at 31.12.2011 Exposure Class	Rating Categories					
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	On and Off Balance Sheet Exposures						
1	Rated Exposures						
	A) Ratings of Corporate:						
	Public Sector Entities	15,010	–	–	–	75,364	90,374
	Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	909	909
	Corporates	–	–	–	–	2,757,559	2,757,559
	B) Ratings of Sovereigns and Central Banks:						
	Sovereigns and Central Banks	12,498,099	–	–	–	–	12,498,099
	C) Ratings of Banking Institutions						
	Banks, MDBs and FDIs	–	–	–	–	–	–
2	Unrated Exposures	–	–	–	–	–	–
	Total Exposures	12,513,109	–	–	–	2,833,832	15,346,941

COUNTERPARTY CREDIT RISK

Counterparty credit risk is the risk of the Bank's counterparty defaulting in transactions involving foreign exchange, interest rate, commodity, equity and derivatives prior to the successful completion of the said transaction, and occurs both in the trading and banking books from treasury activities.

COUNTERPARTY RISK MANAGEMENT

Counterparty credit risk is the risk of the Bank's counterparties defaulting on their transactions and obligations prior to the successful settlement of payment due to their inability and failure to pay.

Counterparty credit risk originate from the Bank's lending business, investment and treasury activities that impact upon the Bank's trading and banking books associated with dealings in Foreign Exchange, Money Market instruments, Fixed Income Securities, Commodities, Equities and Over-the-Counter ("OTC") derivatives.

LIMITS

Counterparty credit risk exposures are managed via counterparty limits either on a single name basis or counterparty group basis that also adhere to BNM's GP5. These exposures are actively monitored to protect the Bank's balance sheet in the event of counterparty default. The Bank monitors and manages its exposures to counterparties on a day-to-day basis.

CREDIT RISK EXPOSURE TREATMENT

For on-balance sheet exposures, the Bank employs risk treatments that are in accordance with BNM and Basel II guidelines.

For off-balance sheet exposures, the Bank measures the credit risk using Credit Risk Equivalent via the Current Exposure Method. This method calculates the Bank's credit risk exposure after considering both the mark-to-market exposures and the appropriate add-on factor for potential future exposures. The add-on factors employed are in accordance with BNM guideline and Basel II requirements.

CREDIT RISK MITIGATION

Counterparty credit risk exposures are further mitigated via master netting arrangements e.g. ISDA Master Agreement with counterparties where appropriate. In the event of a default, all amounts with the counterparty (derivative assets and liabilities) are settled on a net basis or offset.

The ISDA Master Agreement is used for documenting OTC derivative transactions. It provides the contractual framework within which trading activities across a full range of OTC products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

Where possible, the Bank endeavours to enter into Credit Support Annex ("CSA") agreements with approved ISDA counterparties in order to apply collateral margining in order to attain a higher level of risk mitigation.

CSA is negotiated with counterparties on a case to case basis to provide flexibility to meet the parties' requirements. The terms are vetted, reviewed and negotiated and where applicable, feedback from units in charge of credit policy, operational, market and legal risk are sought.

The collateral held by the Bank is mainly in cash and government securities.

Tables 35 through 37 show the off-balance sheet and counter-party credit risk exposures for the Group, the Bank and MIB, respectively.

Table 35: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank Group

As at 31.12.2012 Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
Direct credit substitutes	9,630,321	9,330,230	5,923,432
Transaction related contingent items	12,507,481	6,086,424	4,548,217
Short term self liquidating trade related contingencies	4,866,380	968,455	702,003
Assets sold with recourse	–	–	–
NIFs and obligations under an ongoing underwriting agreement	30,000	15,000	3,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/ borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back	798,196	411,598	50,963
Foreign exchange related contracts	170,105,729	7,069,561	2,856,296
One year or less	88,143,896	1,897,261	520,511
Over one year to five years	63,778,648	3,119,888	1,444,007
Over five years	18,183,185	2,052,412	891,778
Interest/profit rate related contracts	41,079,672	2,385,332	770,938
One year or less	24,701,618	550,359	199,287
Over one year to five years	16,104,820	1,824,999	569,365
Over five years	273,234	9,974	2,286
Equity related contracts	–	–	–
One year or less	–	–	–
Over one year to five years	–	–	–
Over five years	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	35,779,967	21,323,920	8,420,052
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	23,567,299	15,352,562	9,652,404
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	27,403,696	271,032	63,766
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	578,462	115,692	86,888
Total	326,347,203	63,329,806	33,077,959

Table 35: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank Group (Cont'd.)

As at 31.12.2011 Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
Direct credit substitutes	8,402,059	7,864,786	5,463,701
Transaction related contingent items	12,789,614	5,797,032	4,339,391
Short term self liquidating trade related contingencies	6,797,648	1,243,446	704,094
Assets sold with recourse	1,499,266	1,499,270	498,592
NIFs and obligations under an ongoing underwriting agreement	30,000	15,000	15,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/ borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back	56	2	–
Foreign exchange related contracts	86,802,639	1,804,238	686,825
One year or less	85,689,890	1,697,361	589,459
Over one year to five years	738,934	61,824	52,846
Over five years	373,815	45,053	44,520
Interest/profit rate related contracts	89,735,027	4,924,289	2,357,886
One year or less	18,991,149	515,281	420,674
Over one year to five years	60,498,562	3,275,364	1,408,777
Over five years	10,245,316	1,133,644	528,435
Equity related contracts	–	–	–
One year or less	–	–	–
Over one year to five years	–	–	–
Over five years	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	35,251,815	11,669,069	4,829,809
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	20,362,970	3,398,686	2,109,787
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	44,118,364	–	–
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	489,110	97,822	73,043
Total	306,278,568	38,313,640	21,078,128

Table 36: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank

As at 31.12.2012 Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
Direct credit substitutes	8,455,342	8,168,415	5,193,382
Transaction related contingent items	10,620,361	5,156,128	3,749,803
Short term self liquidating trade related contingencies	4,130,112	821,410	574,337
Assets sold with recourse	–	–	–
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back	650,330	263,732	21,390
Foreign exchange related contracts	167,946,656	6,918,110	2,750,638
One year or less	86,733,931	1,848,562	505,478
Over one year to five years	63,050,929	3,019,275	1,354,451
Over five years	18,161,796	2,050,273	890,709
Interest/profit rate related contracts	36,201,906	2,113,314	6,189,754
One year or less	24,065,323	513,495	2,057,781
Over one year to five years	11,863,349	1,589,845	4,129,687
Over five years	273,234	9,974	2,286
Equity related contracts	–	–	–
One year or less	–	–	–
Over one year to five years	–	–	–
Over five years	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	30,916,957	17,858,307	7,406,546
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	20,229,080	13,300,347	8,313,711
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	18,377,624	233,629	40,958
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	578,462	115,692	86,888
Total	298,106,830	54,949,084	34,327,407

Table 36: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank (Cont'd.)

As at 31.12.2011 Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
Direct credit substitutes	7,619,448	7,082,175	4,867,669
Transaction related contingent items	11,084,310	4,944,380	3,558,588
Short term self liquidating trade related contingencies	5,944,763	1,072,869	662,784
Assets sold with recourse			
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/ borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back	56	2	–
Foreign exchange related contracts	84,574,565	1,713,308	632,405
One year or less	83,474,494	1,607,984	536,592
Over one year to five years	738,934	61,824	52,846
Over five years	361,137	43,500	42,967
Interest/profit rate related contracts	86,803,153	4,506,752	2,025,842
One year or less	18,943,325	245,406	150,871
Over one year to five years	57,828,080	3,141,152	1,349,852
Over five years	10,031,748	1,120,194	525,119
Equity related contracts	–	–	–
One year or less	–	–	–
Over one year to five years	–	–	–
Over five years	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	32,156,793	10,537,197	4,483,043
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	17,689,989	2,956,535	1,822,601
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	36,251,715	–	–
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	489,110	97,822	73,043
Total	282,613,902	32,911,040	18,125,975

Table 37: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank Islamic

As at 31.12.2012 Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
Direct credit substitutes	786,803	773,639	519,972
Transaction related contingent items	1,083,954	528,713	506,466
Short term self liquidating trade related contingencies	127,152	25,222	16,097
Assets sold with recourse	–	–	–
Foreign exchange related contracts	1,003,290	33,499	8,169
One year or less	1,003,290	33,499	8,169
Over one year to five years	–	–	–
Over five years	–	–	–
Interest/profit rate related contracts	4,559,103	198,593	145,288
One year or less	600,000	568	153
Over one year to five years	3,959,103	198,025	145,135
Over five years	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,773,179	3,414,552	958,692
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,552,943	1,800,273	1,028,067
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,905,325	37,403	22,807
Total	16,791,749	6,811,894	3,205,558

Table 37: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank Islamic (Cont'd.)

As at 31.12.2011 Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
Direct credit substitutes	353,389	353,389	218,717
Transaction related contingent items	977,179	488,589	420,439
Short term self liquidating trade related contingencies	274,341	54,868	33,029
Assets sold with recourse	1,499,266	1,499,270	498,592
Foreign exchange related contracts	1,530,998	43,997	29,678
One year or less	1,530,998	43,997	29,678
Over one year to five years	–	–	–
Over five years	–	–	–
Interest/profit rate related contracts	2,662,100	137,548	60,224
One year or less	35,500	89	24
Over one year to five years	2,476,600	128,459	57,774
Over five years	150,000	9,000	2,426
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,039,259	1,117,988	333,118
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,837,885	367,560	216,612
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,537,136	–	–
Total	13,711,553	4,063,209	1,810,409

MARKET RISK

INTRODUCTION

The Group defines market risk as the adverse impact on earnings or capital from changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity prices and equity prices. On the Islamic banking operations for the Group, market risk comprises of rate of return and displaced commercial risks.

The Group is exposed to market risk through Trading and Non-Trading activities. Traded market risk arises from positions taken from market making, position taking and proprietary trading. For Non-Trading activities, interest rate or rate of return positions primarily arise from retail and commercial or Islamic banking assets, liabilities, financial investment available-for-sale and financial investment held-to-maturity.

In managing market risk, the Group are guided by the following building blocks:

The overarching building blocks serves as a foundation of Market Risk Management for the Group. It consists of three (3) main components: Principles of Market Risk, Governance & Risk Oversight and Risk Management Practices and Processes.

MARKET RISK GOVERNANCE

The Risk Management Committee ("RMC") approves the Group's risk appetite for Trading and Non-Trading activities taking into account business strategies, targeted returns, anticipated market volatility and a range of products. RMC is also responsible to approve the Group's market risk management frameworks, policies and limits which are recommended by the Executive Risk Committee ("ERC") for the overall governance and management of market risk.

The Asset and Liability Management Committee ("ALCO") under the delegated authority of RMC, ensures that approved market risk policies, limits and control standards for managing market risk are implemented effectively. In addition, ALCO is responsible for ratifying breaches of market risk limits, as well as, executing strategies as part of Balance Sheet optimisation.

Market Risk Management ("MRM") as an independent risk control unit, supports the management committee with independent assessment of the market risk profile of the Group. MRM is also responsible for ensuring efficient implementation of market risk management policies, limits and controls to support business growth and facilitating risk return decisions through monitoring and reporting for escalation to senior management, management committees, Board and regulators, as well as, performing independent valuation of models and alerting/pre-empting the management though stress testing.

MARKET RISK MANAGEMENT FRAMEWORK

The Market Risk Management Framework serves as the base for overall and consistent management of market risk. It covers key risk management practices and processes such as identification, measurement, monitoring, control and reporting of market risk exposures which are benchmarked against industry leading practices and regulatory requirements. Key principles are defined for traded and non-traded market risk to facilitate the Group in managing the market risk in a systematic and consistent manner.

i **Management of Trading Activities**

Market risk across the portfolio is identified, measured, monitored and controlled using a variety of measurement techniques which comprises of both quantitative and qualitative measures.

Among the range of tools used to measure and control market risk exposures, one of the principal measures for traded market risk adopted by the Group is Value-at-Risk ("VaR"). VaR measures the potential loss of value resulting from market movements over a specified period of time within a specified probability of occurrence under normal business situations. To ensure the relevancy and accuracy of the VaR computation, VaR is back tested on a daily basis and is subject to periodic independent validation.

In addition, the Group utilises other risk measures, such as interest rate sensitivity e.g. exposure to a one basis point increase in yield ("PV01"), net open position limit for managing foreign currency exposure and Greek limits for controlling options risk. These measures provide granular information on the Group's market risk exposures and are used for control and monitoring purposes.

The principal measures of non traded market risk include net open position limits in the management of foreign currency exposures as well as re-pricing gap analysis, sensitivity – PV01, Earnings-at-Risk ("EaR"), Economic Value-at-Risk ("EVaR") and dynamic simulation in managing interest rate/rate of return risk in the Non-Trading book.

The Group also conducts regular stress testing on both the Trading and Non Trading books to assess the impact of stressed events on the Group's earnings and economic value.

Monitoring mechanisms with clearly defined frequency of monitoring are established to ensure the Trading and Non-Trading activities are conducted in a manner consistent with sound business practices and are in compliance with the Group's internal guidelines, applicable laws and regulatory requirements.

ii **Management of Interest Rate/Rate of Return Risk in the Banking Book (the "IRR/RoR")**

One of the Group's core non traded market risks is interest rate risk ("IRR") (or rate of return risk ("RoR") in the case of Islamic Banking activities).

IRR/RoR arise from the changes in market interest rates that adversely impact the Group's financial condition in terms of earnings or economic value, based on the risk profile of the balance sheet.

The Group emphasises the importance of managing IRR/RoR in the banking book as most of the balance sheet items of the Group generate interest income and interest expense which are indexed to interest rates. Accepting the IRR is a normal part of banking and can be an important source of profitability and shareholder value. However, excess IRR can threaten the Bank's earnings, capital, liquidity and solvency.

IRR/RoR has many components/sources, including repricing, basis, yield curve, optionality and price risk. The Group quantified and measured the exposures using a combination of static analysis tools and dynamic simulation techniques.

The static analysis tools including the repricing gap and sensitivity analysis which also provide indications of potential impact on earnings volatility as well as sensitivity of economic value for the Group.

For the dynamic simulation techniques, both earnings and economic value impact are assessed. In the earnings simulation, the sensitivity of projected net interest income/net fund base income under varying interest rate scenarios from the Bank's pro-forma balance sheet is simulated. The analysis incorporates business and behavioural assumptions established based on statistical and non-statistical methods.

On a more holistic view on the potential long term effects of the overall exposure, the Economic Value sensitivity simulation is used to estimate the impact on economic value by calculating the current or "base case" present value of all assets, liabilities and off-balance-sheet positions at a point in time. The model projects the amount and timing of future cash flows (principal and interest cash flows) of all rate-sensitive instruments i.e. assets, liabilities and interest rate related off balance sheet positions under the base case interest rate scenario. These cash flows are then discounted by an appropriate discount factor to arrive at a net present value. The change of economic value is quantified and observed under different interest rate scenarios.

Other management and control of IRR/RoR for the Non-Trading book is transferring the risks to a designated funding unit with the supervision of ALCO. The funding unit is delegated by the ALCO for the effective management of the balance sheet risk in accordance with the approved risk management policies.

Tables 38 (a) – (c) shows the impact of changes in IRR/RoR to earnings and economic value for the Group, the Bank and MIB respectively.

Table 38(a): Interest Rate Risk in the Banking Book for Maybank Group

Currency	As at 31.12.2012		As at 31.12.2011	
	Impact on Global Position +200 bps parellel shock		Impact on Global Position +200 bps parellel shock	
	Potential Earning Volatility (PEV) RM'000	Impact on Economic Value (IEV) RM'000	Potential Earning Volatility (PEV) RM'000	Impact on Economic Value (IEV) RM'000
MYR	529,164	2,026,318	60,682	2,520,569
USD	38,537	52,228	123,504	(9,703)
SGD	89,806	531,994	143,795	242,157
IDR	49,736	(106,493)	23,072	(7,269)
Others*	(145,841)	180,587	(99,624)	93,568
Total	561,402	2,684,634	251,429	2,839,322

Table 38(b): Interest Rate Risk in the Banking Book for Maybank

Currency	As at 31.12.2012		As at 31.12.2011	
	Impact on Global Position +200 bps parellel shock		Impact on Global Position +200 bps parellel shock	
	Potential Earning Volatility (PEV) RM'000	Impact on Economic Value (IEV) RM'000	Potential Earning Volatility (PEV) RM'000	Impact on Economic Value (IEV) RM'000
MYR	651,728	1,216,637	510,138	800,759
USD	(25,600)	77,973	(63,570)	271,776
SGD	89,806	531,994	213,248	(88,281)
Others*	(148,789)	181,243	(99,180)	145,929
Total	567,145	2,007,847	560,636	1,130,183

Table 38(c): Rate of Return Risk in the Banking Book for Maybank Islamic

Currency	As at 31.12.2012		As at 31.12.2011	
	Impact on Global Position +200 bps parellel shock		Impact on Global Position +200 bps parellel shock	
	Potential Earning Volatility (PEV) RM'000	Impact on Economic Value (IEV) RM'000	Potential Earning Volatility (PEV) RM'000	Impact on Economic Value (IEV) RM'000
Total	**(122,564)**	**809,645**	(193,310)	892,019

iii. **Management of Foreign Exchange Risk**

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities. Generally, the Group is exposed to three types of foreign exchange risk such as translation risk, transactional risk and economic risk which are managed in accordance with the market risk policy and limits.

The FX translation risks are mitigated as the assets are funded in the same currency. In addition, the earnings from the Overseas Operations are repatriated in line with Management Committees' direction as and when required.

The Bank controls its FX exposures by transacting in permissible currencies. It has an internal FX NOP to measure, control and monitor it FX risk and implements FX Hedging strategies to minimise FX exposures. Stress Testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

EQUITY EXPOSURES IN BANKING BOOK

The objective of Equity Exposure is to determine the nature and extent of the Group's exposure to investment risk arising from equity positions and instruments held in its banking book.

i **Publicly Traded**

Holding of equity investments comprises of quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures are stated at fair value.

ii **Privately Held**

Privately held equities are unquoted investments whose fair value cannot be reliably measured which are carried at cost less impairment losses, if any.

The Group holds investments in equity securities with the purpose of gaining strategic advantage as well as capital appreciation on sale thereof.

Equity Risk is the risk of decrease in the particular investments arising from unfavorable movements in the stock market dynamics or other specific factors.

CAPITAL TREATMENT FOR MARKET RISK

At the Group and Global consolidated level, Maybank also computes the minimum capital requirements against market risk as per BNM's RWCAF requirements under Standardised Approach. This is imperative as capital serves as a financial buffer to withstand any adverse market risk movements. Interest rate risk, foreign currency risk and options risk are the primary risk factors experienced in the Group's Trading and Non-Trading activities. Other risk factors such as commodity and equity are generally attributed to structured products which are transacted on a Back-to-Back basis.

Table 39 shows the Market Risk RWA and Minimum Capital Charge for the Group, the Bank and MIB respectively.

Table 39: Market Risk RWA and Minimum Capital Charge at 8% (RM'000)

As at 31.12.2012 Market Risk Categories	Maybank Group		Maybank	
	RWA	Capital	RWA	Capital
Interest Rate Risk	4,016,931	328,554	3,345,023	267,602
Foreign Currency Risk	4,199,619	335,969	2,443,975	195,518
Equity Risk	173,850	13,908	–	–
Commodity Risk	2,525	202	–	–
Options Risk	430,925	34,474	411,950	32,956

As at 31.12.2012 Market Risk Categories	Maybank Islamic	
	RWA	Capital
Benchmark Rate Risk	126,090	10,087
Foreign Currency Risk	621,816	49,745
Equity Risk	–	–
Options Risk	–	–

LIQUIDITY RISK MANAGEMENT

Liquidity risk 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.

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

In terms of day-to-day liquidity management, the Treasury Operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. It is our policy to manage and maintain the following:

- Maintaining sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flow;
- Managing short and long-term cash flow via maturity mismatch report and various indicators;
- Monitoring depositor concentration at the Group and the Bank level to avoid undue reliance on large depositors;
- Managing liquidity exposure by domestic and significant foreign currencies;
- Diversifying funding sources to ensure proper funding mix;
- Conducting liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan ("CFP") that is being tested regularly for its effectiveness; and
- Conducting CFP testing to examine the effectiveness and robustness of the plans.

The previous global financial crisis has resulted in a significant change in the regulation and supervision of liquidity risk in financial institutions. Arising from the Basel III liquidity risk management requirements, two ratios have been recommended to manage liquidity risks, which are Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). These measures will be phased in from 1 January 2015 and 1 January 2018 respectively.

The formal observation period commenced on 1 January 2012, the preliminary ratios are already been computed and presented to the ALCO and the RMC on a monthly basis. The information has been officially reported to BNM with effect from June 2012 as per the recent guideline entitled "Implementation of Basel III" published by BNM on 16 December 2011.

i Liquidity Risk Management Framework and Policy

Liquidity risk management is an approach that includes policies, standards, procedures and framework for the management of Maybank Group's liquidity obligations and to withstand a period of stress affecting secured and unsecured funding for the Group.

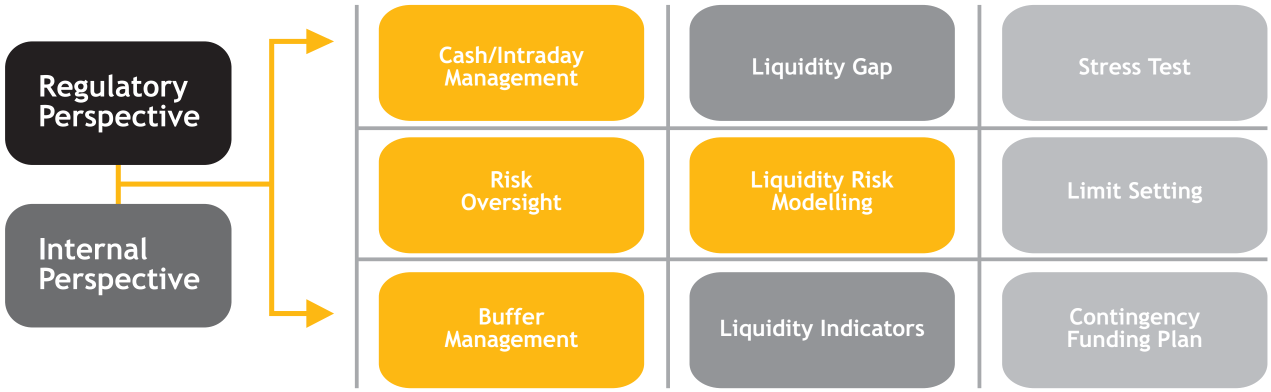
The Group employs BNM's Liquidity Framework and leading practices as a foundation to manage and measure its liquidity risk exposure and also uses a range of tools to monitor and limit liquidity risk exposure such as liquidity gap, early warning signals, liquidity indicators and stress testing. The liquidity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

ii. Liquidity Risk Governance and Management Oversight

The Maybank Group LRM Policies and Frameworks are reviewed annually and when required, taking into account changes in operations, objectives and regulatory requirements to ensure alignment with leading practices. Prior to implementation, the said framework and policy are subject to the endorsement of the ERC and approval of RMC.

iii. Liquidity Risk Measurement & Control

Measuring liquidity helps the Group to gauge its liquidity position prior to making operational and business decisions. In order to identify and quantify the major sources of liquidity risk, the liquidity measurement tools is employed based on two (2) perspectives as follows:



iv. **Liquidity Risk Limits**

The Group uses limits to control its liquidity risk exposures and vulnerabilities, which are set according to its business activities for purpose of effective monitoring mechanisms. This aims to facilitate effective implementation of liquidity policies and ensure compliance with statutory requirements. There are two (2) types of limits, i.e. regulatory compliance and internal requirements. The Group has a 3-tiered risk limit based on severity as depicted in the following table:

Limit Level	Severity	Limit	Description
Tier 1	Maximum risk & Corrective action stage	Internal Threshold Regulatory Compliance Limit	The maximum permissible level of risk tolerance for regulatory requirements and Group indicators. Limit breaches require immediate action to mitigate or regularise liquidity risk exposure.
Tier 2	Intervention stage	Internal indicator/ Benchmark (Soft Limits)	Limits are established to capture exceptions in internal benchmarks. Exceptions require investigative action and escalation to address concerns via action plans.
Tier 3	Intervention stage	Early warning signal	Soft limits which are early warning signals established to monitor unusual movements of a few key indicators that may cause liquidity distress. Exceptions require prompt investigation action and escalation to Management.

v. **Liquidity Buffer Management**

Liquid assets are important when the Group needs to raise liquidity within a short timeframe during a stressed period and when normal funding sources are unavailable. Therefore the Group must continuously maintain the availability of unencumbered, high quality liquid assets that can be easily sold or pledged to improve liquidity.

vi **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 level of stress environment and is closely linked to the Group's CFP, which provides a systemic approach in handling any unexpected liquidity disruptions.

The CFP plan encompasses strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios. It is being tested regularly to ensure the effectiveness and robustness of the plan.

vii Monitoring and Reporting

The risk reporting process governs both scheduled and exception reporting and constitutes the following components:

Components of Reporting

In addition, the Group is also uses the Key Risk Indicators ("KRI") which provides early warning signals of liquidity risk condition. In this regards, the Group has established three (3) classification codes for KRI to gauge risk level as follows:

GREEN	Signifies a favourable trend, i.e. less risk, where the KRIs is within risk limits.
AMBER	Signifies an adverse trend but within acceptable levels, where the KRIs are within tolerable range but approaching the risk limits.
RED	Signifies potentially hazardous levels of risk, where the KRIs had exceeded the tolerable risk limit.

OPERATIONAL RISK

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

MANAGEMENT OF OPERATIONAL RISK

The Operational Risk Management ("ORM") sub-sector is responsible for the formulation and implementation of the operational risk framework within the Maybank Group, which encompasses the operational risk management strategy and governance structure. Another key function is the development and implementation of operational risk management tools and methodologies to identify, measure, monitor and control operational risks.

Risk taking units (Strategic Business Unit) constitute an integral part of the operational risk management framework and are primarily responsible for the day-to-day management of operational risk. They are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken comply with the Maybank Group's operational risk management framework.

Operational Risk Officers ("ORO") have been appointed within the various Strategic Business Unit ("SBU") of the Maybank Group and are responsible for implementing and executing the operational risk management processes and tools. They are also responsible for the investigation of operational losses, monitoring and analysis of risk trends and staff training on operational risk management practices and governance.

OPERATIONAL RISK MANAGEMENT FRAMEWORK

Maybank Group's Operational Risk Management Framework focuses on the four causal factors of operational risk, i.e. people, processes, systems and external events. It provides a transparent and formalised framework aligned to business objectives within which the Board of Directors, management teams, staff and contractors can discharge their operational risk management responsibilities.

OPERATIONAL RISK MANAGEMENT METHODOLOGY AND TOOLS

A variety of methodologies and tools have been implemented to effectively identify, assess, measure and report operational risk exposures on a timely basis, thereby serving as tools to facilitate decision-making and enhance the operational risk management process.

Operational Risk Identification and Assessment

- Risk identification is the recognition of operational risk scenarios that may give rise to operational losses. For example, under the Maybank Group's product approval programme, all risks inherent in new/enhanced products/services are identified prior to the launch of the product/services, with risk mitigation measures emplaced; and

- Risk-profiling and self-assessment exercises are also conducted as part of the operational risk management process.

The above exercises enable risk taking units to identify inherent operational risks specific to their environment and assist them in assessing the effectiveness of controls in place.

Operational Risk Measurement and Monitoring

The key methods and tools used to measure and monitor operational risks are as follows:

- **Risk & Control Self Assessment ("RCSA")**

  RCSA is a process of continual assessment of inherent operational risks and controls to identify control gaps and to develop action plans to close the gaps. It is a risk profiling tool which facilitates effective operational risk management for the Maybank Group.

  SBU undertake the RCSA exercise to give due focus in the review of business processes to enhance critical operations and controls, especially those assessed to be in the 'Caution' and Alert' categories.

  The SBU level risk profiling exercises are compiled to establish the Maybank Group Risk Profile on a half-yearly basis. The consolidated Risk Profile is presented to the Group Operational Risk Management Committee and Risk Management Committee.

- **Key Risk Indicators ("KRIs")**

  KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/monitoring.

  SBU monitor their risk exposures via KRIs and are required to develop specific and concrete action plans for those indicators that fall under 'Caution' and 'Alert'. ORM assists the SBU to develop and validate the KRIs to ensure appropriate thresholds are set.

  KRIs are tracked at Group, Business and Operating levels. The main source of KRIs are from the periodic RCSA process, IMDC database, SBU experiences, internal/external audit findings and Bank Negara Malaysia examination findings.

- **Incident Management & Data Collection ("IMDC")**

  IMDC provides a platform of a structured and systematic process for SBU to identify and focus attention on operational 'hotspots'. This facilitates the establishment of a centralised database of consistent and standardised operational risk incident information readily available for analysis of operational lapses to minimise the risk impact of future operational losses.

OPERATIONAL RISK MITIGATION AND CONTROL

Risk Mitigation tools and techniques are used to minimise risk to an acceptable level and are focused on:

- Faster resumption of business in the event of a disaster/incident; and
- Decreasing the impact on the business, should it occur.

The control tools and techniques to mitigate operational risk are as follows:

- **Business Continuity Management ("BCM")**

  The BCM sub-sector is responsible for the formulation and implementation of a BCM Framework which outlines a comprehensive and integrated approach to ensure business continuity and mitigate possible disruptions to the Maybank Group's critical business operations, and people safety in event of disruptions and disaster. The BCM Framework is based on Bank Negara Malaysia's BCM Guidelines and international leading BCM practices.

The BCM Framework covers the following four key components:

BCM Framework Components

In line with the BCM Framework requirements, Business Continuity Plans ("BCP") were developed for all critical sectors including subsidiaries and overseas branches. The BCP documents and exercises are reviewed on a yearly basis. The Maybank Group's Board attests on the Maybank Group BCM Performance for FY2012 and BCM Readiness for FY2013.

In 2012, Maybank Group had successfully conducted the Enterprise Crisis Simulation Exercise ("ECSE") involving main critical business functions both in Menara Maybank and Dataran Maybank. The exercise demonstrated the level of readiness within the Maybank Group to cope with any eventualities.

By having a proper BCM in place, Maybank Group is able to respond effectively and in a structured manner in the event of disruptions/disaster, hence ensuring Maybank Group's business continuity.

- **Outsourcing**

  Outsourcing is a technique used by Maybank Group mainly for the purposes of reducing fixed and/or current expenditure and to concentrate on the Group's core business with a view to enhance operational efficiency.

  For effective operational risk management, the Group's Outsourcing Policy and Procedure are designed in accordance with local regulatory requirements and international leading practices. All outsourced services are subject to rigorous due diligence and risk review.

  Continuous review, monitoring and reporting to the Group Operational Risk Management Committee and Risk Management Committee are carried out to ensure that the integrity and service quality of service providers are not compromised.

- **Anti-Fraud Management**

  The Group aims to ensure that the risks arising from fraud are reduced to the lowest possible level and develop effective fraud management approaches to deal with fraud incidences in a decisive, timely and systematic manner.

  The Group's Anti-Fraud Policy establishes robust and comprehensive anti-fraud programmes and controls for the Group. It serves as the broad principle, strategy and policy for the Group to adopt in relation to fraud management that promotes higher standards of integrity. It also outlines the roles and responsibilities at all levels within the organisation for preventing and responding to fraud.

TREATMENT FOR OPERATIONAL RISK CAPITAL CHARGE

Operational Risk capital charge is calculated using the Basic Indicator Approach ("BIA") as per the BNM Risk Weighted Capital Adequacy Framework.

Maybank Group intends to adopt The Standardised Approach ("TSA") for Operational Risk Capital Charge Calculation. The use of TSA is subject to BNM's approval.

For this purpose, the Group has mapped its business activities into the eight business lines as prescribed by Basel II and the BNM Risk Weighted Capital Adequacy Framework.

The Group has also automated the operational risk capital charge calculation process to produce accurate and reliable Operational Risk capital charge figures across Maybank Group under both the BIA and TSA.

SHARIAH GOVERNANCE

SHARIAH GOVERNANCE FRAMEWORK ("SGF")

Shariah principles are the foundation for the practice of Islamic finance through the observance of the tenets, conditions and principles prescribed by Shariah as resolved by the BNM's and the Securities Commission's Shariah Advisory Council ("SAC") and the Shariah Committee. Comprehensive compliance with Shariah principles will ensure stakeholders' confidence in Islamic Financial Institutions' business activities and operations.

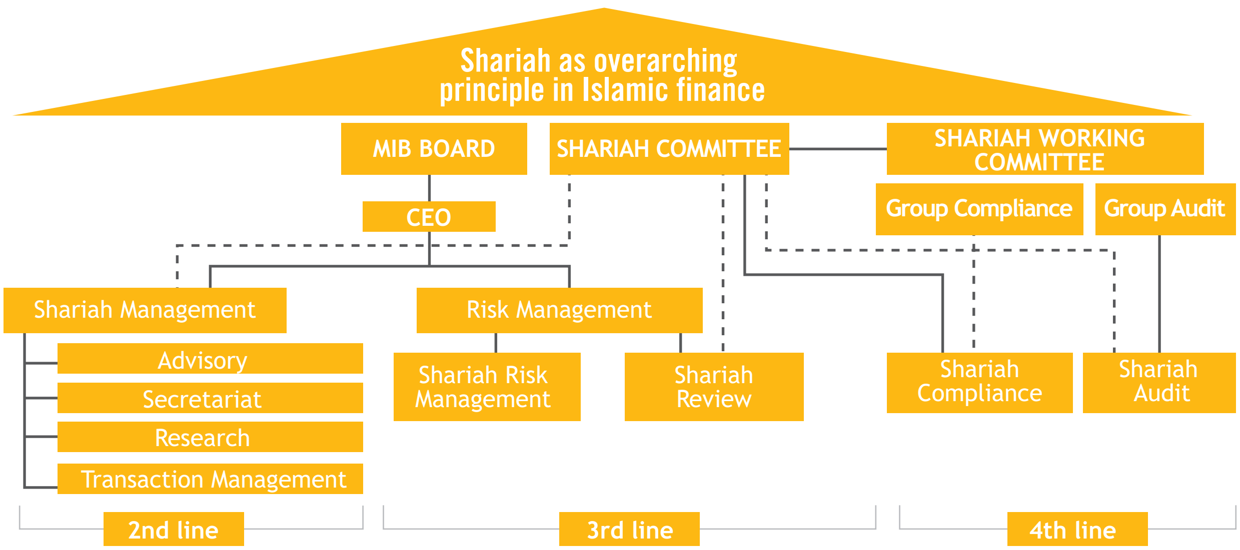
In accordance to BNM's regulatory requirements, Maybank Group has put in place a comprehensive Shariah Governance Framework ("SGF") to ensure effective and efficient oversight by the Board of Directors, the Shariah Committee, the Management and Business Units on business activities and operations carried out by the Group's Islamic banking businesses.

IMPLEMENTATION OF THE SHARIAH GOVERNANCE FRAMEWORK

The implementation of the SGF is through the following approach:

- Broad oversight, accountability and responsibility of the Board of Directors, Shariah Committee and Board Committees; and
- Oversight, guidance and observance by Executive Committees and the Shariah Working Committee;

Shariah Governance Framework Model for the Bank



- Lines of defense as detailed in the table below:

1st Line	**Business Line Management (across the House of Maybank)** Responsible for identifying & managing the risk inherent in the products, services and activities which they are responsible.
2nd Line	**Shariah Management** Ensuring that all structures, terms & conditions, legal documentation and operational process flow & procedures are Shariah compliant.
3rd Line	**Shariah Risk Management and Shariah Review** These parties generally complement the business lines' operational risk management activities (continuous monitoring of the business).
4th Line	**Shariah Audit and Shariah Compliance** The independent periodical checking of risk and compliance.

SHARIAH COMMITTEE

The duties and responsibilities of the Shariah Committee are to advice on the overall Group Islamic Banking business activities and operations in order to ensure compliance with Shariah principles. The roles of the Shariah Committee include:

- To advise the Board on Shariah matters in its business operations.
- To endorse Shariah compliance policies and procedures.
- To endorse and validate relevant documentations.
- To assist related parties on Shariah matters for advice upon request.
- To assess work carried out by Shariah Review, Shariah Compliance and Shariah Audit.
- To advise on matters referred to the Shariah Advisory Council ("SAC").
- To provide written Shariah opinion; and
- To assist the SAC on reference for advice.

Name of Member	Designation
Tan Sri Dato' Seri Dr. Hj. Harussani Hj. Zakaria	Chairman
Dr. Mohammad Deen Mohd Napiah	Member
Dr. Ismail Mohd @ Abu Hassan	Member
Associate Professor Dr. Ahcene Lahsasna	Member
En. Sarip Abdul	Member

RECTIFICATION PROCESS OF SHARIAH NON-COMPLIANT INCOME

The control structure for handling and reporting of Shariah non-compliance and Potential Shariah non-compliance has been emplaced in the Group. Based on the on-going review of the Group's operational activities. MIB has reported that a sum of RM76,386 have been identified and approved by the Shariah Committee during the financial year and has been purified in full to the approved charitable bodies as at 31 December 2012.

FORWARD LOOKING STATEMENTS

This document could or may contain certain forward looking statements that are based on current expectations or beliefs, as well as assumptions or anticipation of future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expects, estimate, plan, goal, believe, will, may, would, could, potentially, intends or other words of similar expressions. Undue reliance should not be placed solely on any of such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Maybank Group's plans and objectives, to differ materially from those expressed or implied in the forward looking statements.

Forward looking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in the light of changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations and dispositions.

The Group undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.