Nurturing Future Leaders

In 2009, Maybank adopted two schools from Penang namely Sekolah Menengah Kebangsaan Sungai Ara and Sekolah Kebangsaan Sungai Duri as part of the PINTAR (Promoting Intelligence, Nurturing Talent and Advocating Responsibility) Foundation programme. Our sponsorship goes beyond financial aid, and Maybank volunteers regularly visit the schools to offer the students guidance and encouragement.

This relationship has resulted in measurable and consistent improvements in the students' academic performance. Maybank will continue to play a part in nurturing and mentoring students, as they are our nation's future leaders.

Cahaya Kasih

Our employee volunteerism programme, Cahaya Kasih, encourages Maybankers to deliver what they perceive to be the most beneficial service to the local community of their choosing. This often involves Maybankers collaborating with various non-governmental organisations (NGOs), adding their energy and dedication to the NGOs' resources and expertise. Thus far, about 1,500 Maybank volunteers have invested 67,000 hours of their own time in projects about which they feel most passionate.

Examples of the Cahaya Kasih initiatives include a coaching programme for children of Rumah Kanak-Kanak Tengku Budriah (RKKTB) in Cheras, visits to the Malaysian Association for the Blind (MAB), contributions of refurbished computer hardware and introductory lessons to single mothers at Rumah Nur, and numerous fund-raising campaigns to aid victims of natural disasters in Malaysia and abroad.

Global CR Day 2011

On 20 November 2010, over 10,000 Maybankers from around the world engaged in our inaugural Global CR Day, simultaneously offering their time and energy to the communities in which they work. The response in 2011 was even more enthusiastic, with over 15,000 employees volunteering for 150 different projects.

In Malaysia, teams cooperated on projects to clean beaches, refurbish animal enclosures at Zoo Negara, organise blood donation drives, promote recycling, and visit refugee centres and various homes for the underprivileged. In symbolic support, Maybank President & Chief Executive Officer (PCEO), Dato' Sri Abdul Wahid Omar, planted trees at Taman Eko-Rimba KL, Bukit Nanas and assisted in the programme at Zoo Negara.

Maybank London employees celebrated Global CR day by presenting a talk on ethical banking practices at the Malaysian Students Department. In the Philippines, volunteers conducted a flu vaccination drive for elementary school students. Staff in Vietnam contributed to the construction of a house for handicapped and homeless students at a vocational school. Maybank Cambodia focused on financial aid for a community development programme to build houses. And in Singapore, the team launched Project ICE (I Care for Earth), a massive collection of recyclable materials.

corporate responsibility

ENVIRONMENT

Biodiversity – Malaysian Conservation Alliance for Tigers (MYCAT)

2011 marks our second year of collaboration with the Malaysian Conservation Alliance for Tigers (MYCAT). Our RM1 million contribution over a two-year period funds research to conserve Malaysia's wild tigers. It has also financed the construction of a flyover and two eco-bridges at critical wildlife crossings in the Sungai Yu Tiger Corridor, located in Taman Negara in Pahang. These 'green' structures will help mitigate the negative impacts of human development on ecological processes, including wildlife movements. During the Sungai Yu Corridor project, researchers also documented the presence of rare species including the Malay weasel, the clouded leopard and the crab-eating mongoose.

Maybank's contribution also funded a series of outreach and public awareness programmes within the project period. These efforts have reached some 14,890 Malaysians to date, sharing the latest research on wildlife preservation.

Our conservation projects have produced other positive results as well. The number of volunteers has increased over the years. Meanwhile, as a result of the 146 reports received by our Wildlife Crime Hotline since 2007, 87 crime-prevention actions have been taken. Enforcement officials have found and destroyed over 100 illegal snares, and Parliament passed the Wildlife Conservation Act 2010 to prosecute illegal possession and trading of protected species, including tigers. For a more detailed summary of our efforts to date, please refer to our Sustainability Report 2011.

WORKPLACE

For information about Maybank's CR policies and initiatives for the workplace, see page 84.

MARKETPLACE

Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Policy

Maybank takes very seriously its obligation to protect financial channels and products from abuse by money-laundering and terrorist organisations. In line with the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 (AMLATFA 2001), our policies prohibit any handling of cash or property derived from illegal activities, and we oppose soliciting, collecting or provisioning of funds with the intention to support terrorist acts or organisations.

Integrity Hotline

In September 2011, the Group rebranded its Fraud Reporting Hotline as the Integrity Hotline to reflect a broader scope. The hotline provides a secure and confidential avenue for all employees to report actual or suspected misconduct including unethical and illegal acts such as dishonesty, malpractice or corruption.

Malaysia Competition Act

The Malaysian Competition Act 2010 came into effect on 1 January 2012, enacting two key prohibitions on anti-competitive agreements and the abuse of dominant position. The Act applies to the entire Group's commercial activity within Malaysia and abroad, should the activity have an effect on market competition in Malaysia. Commitment to fair market practices comes from the very top of our organisation, as the Maybank President & CEO personally chairs our Group Antitrust Steering Committee.

Clean Energy Fund

On 15 November 2011, Mayban Ventures launched a RM1.568 billion, ten-year private equity fund, built on a diversified portfolio of clean energy projects in the Asia-Pacific region. This is the first such fund to be issued in Southeast Asia. Portfolio managers will focus on clean and renewable energy projects, particularly those involving wind, solar, geothermal, small hydro, biomass, and other bio fuels.

Green Technology Financing Scheme

The Malaysian Government introduced the RM1.5 billion Green Technology Financing Scheme (GTFS) in 2010 to promote investments in green technology, particularly in the energy, water and waste management industries. Maybank supports this national initiative to incorporate environmentally-friendly technology into business operations and provides financing for capital expenditures which reduce waste and pollution.

FACILITIES FOR THE DISABLED

In Malaysia, Maybank now has sixteen disabled-friendly branches to meet the special needs of wheelchair-bound customers. These branches offer convenient access to the bank and all its service counters, ATM and deposit machines. Maybank personnel are also on hand to render special assistance. All of our 52 branches in the Philippines have wheelchair access.

E-PROCUREMENT

Conscious of the need to conserve natural resources, we are always seeking ways to reduce our carbon footprint, energy consumption and paper usage. Our e-Procurement on-line system allows Maybank to conduct business with its suppliers with greater efficiency, lower cost and less paper. Quotes, purchase orders, invoices and many other documents are now electronic.

For the second consecutive year, we are producing a standalone Sustainability Report on our Corporate Responsibility initiatives and programmes. Focusing on the four pillars of Community, Environment, Workplace and Marketplace, we will continue to report on an annual basis to keep our stakeholders abreast of our Corporate Responsibility efforts.

investor relations

During the 6-Month Financial Period (FP) ended 31 December 2011, the Investor Relations (IR) team maintained a proactive approach and continued to engage with the investment community. Our stakeholders were updated on a regular basis in regards to our financial performance, business strategies and outlook, and risk mitigation measures in line with the changing financial landscape during the financial period across a range of channels. Among these included quarterly analyst briefings, an international roadshow, in-house meetings and Annual General Meeting. and our corporate website, www.maybank.com.my.

A host of activities that we organised and/or participated in the FP11 were as below:

	DATE
Results Announcement	
Fourth Quarter FY11 (Analysts Briefing)	22 August 2011
First Quarter FP11 (Teleconferences)	14 November 2011
Six-Month Financial Period Result Announcement	23 February 2012
Annual General Meeting (AGM)	
AGM for FY2011	29 September 2011
Conference & Roadshow	
The 18th CLSA Investors' Forum 2011 in Hong Kong	19-23 September 2011
Investor Meetings	**FP11**
Number of companies met (in-house meetings and roadshows)	91
Number of analysts/fund managers met (in-house meetings and roadshows)	115

Moving forward, we will seek to strengthen our platform for engaging with the investment community. This will include greater opportunities for our stakeholders to learn more about our business pillars through our in-house investor day programmes, and greater use of technology to reach out to a larger community.

UPDATES TO SHAREHOLDERS

Key points worth highlighted for FP11 included:

- Profit attributable to equity holders of the bank rose by strong double-digit growth of 20.0% for FP11 compared to the previous corresponding period.
- A 79.9% dividend payout ratio for the final dividend of FP11, exceeding our payout ratio policy of 40%-60%.
- The Dividend Reinvestment Plan (DRP) continued to be well received by our shareholders with a take up rate ranging from 86.1% to 91.1%.
- A final gross dividend of 36 sen per share for the 6-month financial period ended 31 December 2011.
- New appointments with Dato' Khairussaleh Ramli named CEO designate of Bank Internasional Indonesia and Michael Foong appointed as Chief Strategy & Transformation Officer for the Group.
- Change of Financial Year End from 30 June to 31 December
- Launched branding exercises with the refreshed Maybank Group corporate identity, and new corporate identity for Kim Eng to Maybank Kim Eng.
- Medium Term Funding
  - 28 December 2011, issuance of RM1.0 billion of Subordinated Notes under its RM3.0 billion Subordinated Note Programme in two tranches: RM750 million, 10 non-callable 5 basis priced at 3.97% and RM250 million, 12 non-callable 7 basis priced at 4.12%.
  - 10 Feb 2012, issuance of USD400 million Regulation S senior unsecured notes under its USD2.0 billion Multicurrency Medium Term Note Programme, priced at 3.0% and was 5 times oversubscribed.

ANALYST COVERAGE

Maybank was covered by 27 local and foreign research houses.

No.	Research House
1	Affin Securities
2	Alliance Research
3	AmResearch Sdn Bhd
4	BNP Paribas
5	BOA Merrill Lynch
6	CIMB
7	Citigroup
8	CLSA Asia Pacific
9	Credit Suisse
10	Deutsche Bank
11	ECM Libra Avenue
12	Goldman Sachs
13	Hong Leong Investment Bank
14	HSBC
15	HwangDBS Vickers
16	JP Morgan
17	KAF Seagroatt & Campbell
18	Kenanga Investment Bank
19	Macquarie
20	MIDF Research
21	Nomura Securities
22	OSK Research
23	RHB Research Institute
24	Standard and Poor's
25	TA Securities
26	UBS Securities
27	UOB Kay Hian

ANALYST RECOMMENDATIONS

The breakdown in analyst recommendations for Maybank as of December 2011 was 14 Buy, 9 Hold and 4 Sell. Average target price was at RM8.96.

Genuine

Maybank is honest, sincere and up front – what you see is what you get.

board of directors

1 Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor

2 Dato' Mohd Salleh Haji Harun

3 Dato' Sri Abdul Wahid Omar

4 Tan Sri Datuk Dr. Hadenan A. Jalil

5 Dato' Seri Ismail Shahudin

6 Zainal Abidin Jamal

7 Dato' Dr. Tan Tat Wai

8 Cheah Teik Seng

9 Alister Maitland

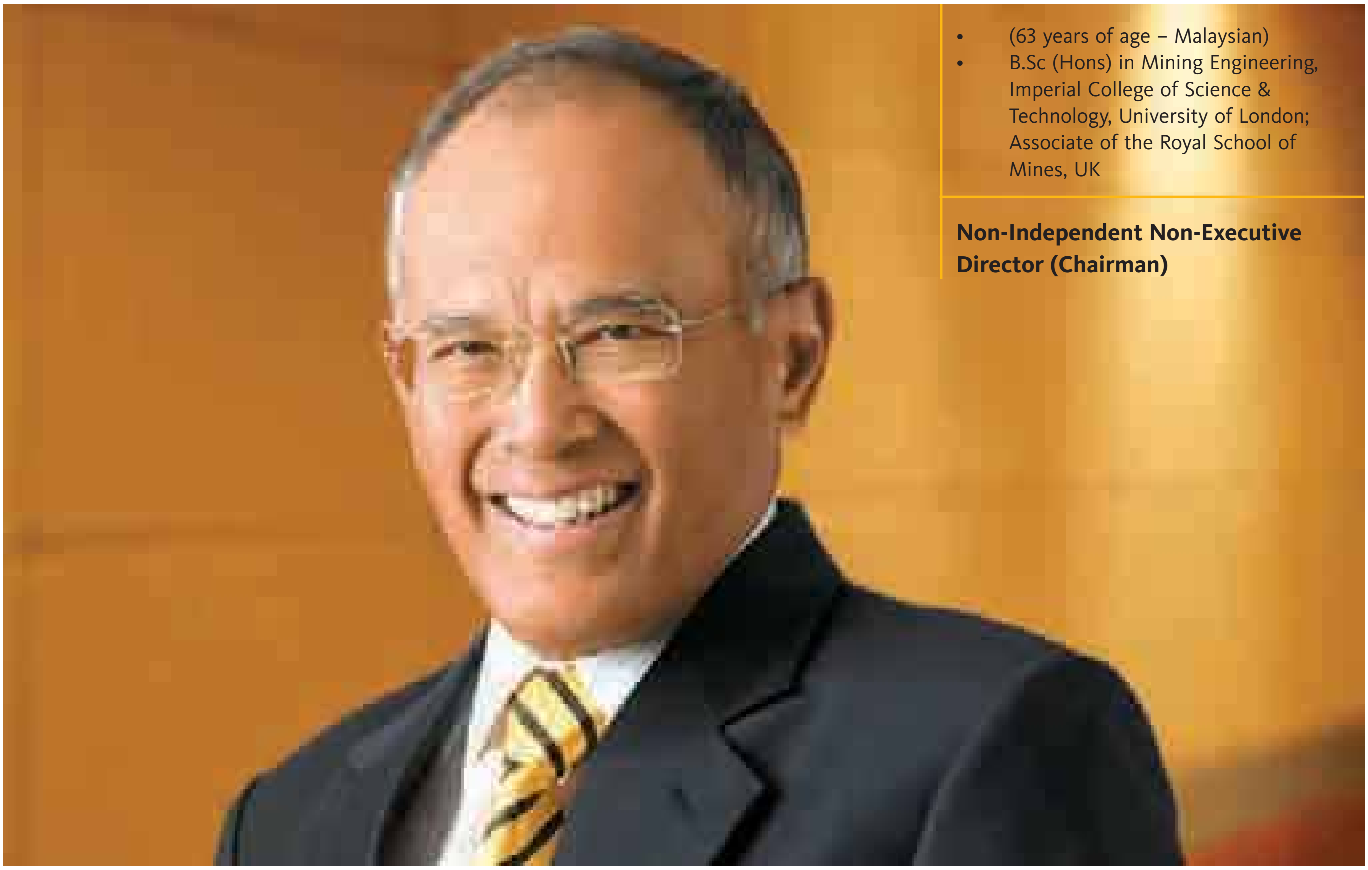
10 Dato' Sreesanthan Eliathamby

11 Datuk Mohaiyani Shamsudin

12 Dato' Johan Ariffin

13 Mohd Nazlan Mohd Ghazali
(General Counsel & Company Secretary)

board of directors profile



- (63 years of age – Malaysian)
- B.Sc (Hons) in Mining Engineering, Imperial College of Science & Technology, University of London; Associate of the Royal School of Mines, UK

Non-Independent Non-Executive Director (Chairman)

TAN SRI DATO ' MEGAT ZAHARUDDIN MEGAT MOHD NOR

Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor was appointed as a Director and Chairman of Maybank on 1 October 2009. He was an Independent Non-Executive Director of Maybank from July 2004 to February 2009.

He built an outstanding career in the oil and gas industry for 31 years with the Royal Dutch Shell Group of Companies and was a Regional Business Chief Executive Officer and Managing Director, Shell Exploration and Production B.V. prior to his retirement in early 2004. He was also the Chairman of Maxis Communications Berhad from January 2004 to November 2007, Etiqa Insurance & Takaful from January 2006 until February 2009, Malaysian Rubber Board from February 2009 to May 2010, Director of Capital Market Development Fund from January 2004 to January 2010 and Director of Woodside Petroleum Ltd, a company listed on the Australian Securities Exchange, from December 2007 to April 2011.

His current directorships in companies within the Maybank Group include being Chairman of Maybank Investment Bank Berhad and President Commissioner of PT Bank Internasional Indonesia Tbk. He is also a Director of the ICLIF Leadership and Governance Centre, Malaysia.

He attended all 10 Board Meetings held in the 6-month financial period ended 31 December 2011.

Tan Sri Dato' Megat Zaharuddin has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

DATO ' MOHD SALLEH HJ HARUN

- (67 years of age – Malaysian)
- Member of the Malaysian Institute of Certified Public Accountants; Fellow of the Institute of Bankers Malaysia

Independent Non-Executive Director (Vice Chairman)

Dato' Salleh was appointed as a Director and Vice Chairman of Maybank on 18 November 2009. He serves as Chairman of the Nomination and Remuneration and Employee Share Scheme Committees of the Board. Prior to that he was Chairman of the Credit Review Committee of the Board.

He started his career as a Senior Accountant with the Treasury between 1971 and 1974 prior to joining the Maybank Group in 1974 as Investment Manager in Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad), before moving to Bank Rakyat for a short stint in 1978. Thereafter, Dato' Salleh returned to the Maybank Group where he served in various senior capacities culminating as Executive Director of Maybank from 1994 to 2000. He was then appointed as a Deputy Governor of Bank Negara Malaysia, a post he held up to 2004. Since then, he had held directorships in the RHB Group including as Chairman of RHB Insurance Berhad until November 2009.

His current directorships in companies within the Maybank Group include being Chairman of Maybank Ageas Holdings Berhad, Etiqa Insurance Berhad, Etiqa Takaful Berhad, Maybank Investment Management Sdn Bhd and Maybank Philippines Inc. He is also a Director of Scicom (MSC) Berhad and Asia Capital Reinsurance Malaysia Sdn Bhd.

He attended 9 out of the 10 Board Meetings held in the 6-month financial period ended 31 December 2011.

Dato' Salleh has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

DATO ' SRI ABDUL WAHID OMAR

- (48 years of age – Malaysian)
- Fellow of the Association of Chartered Certified Accountants (UK); Member of the Malaysian Institute of Accountants

Non-Independent Executive Director

Dato' Sri Abdul Wahid Omar was appointed as the President & CEO and Executive Director of Maybank on 1 May 2008. He serves as Chairman of the Group Executive Committee and as a member of the Credit Review Committee of the Board.

Prior to joining Maybank, he was the Group CEO of Telekom Malaysia Berhad (prior to its demerger with Axiata Group Berhad) from July 2004 to April 2008. He was also formerly the Managing Director/Chief Executive Officer of the UEM Group Berhad and UEM World Berhad as well as the Executive Vice Chairman of PLUS Expressways Berhad. This was preceded by serving at Telekom Malaysia Berhad as the Chief Financial Officer in 2001. He was previously a Director of Group Corporate Services cum Divisional Director, Capital Market & Securities of Amanah Capital Partners Berhad, Chairman of Amanah Short Deposits Berhad as well as a Director of Amanah Merchant Bank Berhad and several other financial services companies.

His current directorships in companies within the Maybank Group include as Director of Maybank Ageas Holdings Berhad, Maybank Investment Bank Berhad and PT Bank Internasional Indonesia Tbk. His directorships in other companies include as Chairman of Malaysia Electronic Payment System Sdn Bhd and as Director of Cagamas Holdings Berhad and ASEAN Finance Corporation Limited.

Dato' Sri Abdul Wahid Omar is also currently the Chairman of the Association of Banks in Malaysia, Vice Chairman of the Institute of Banks Malaysia, and a member of Investment Panel of Lembaga Tabung Haji and Kumpulan Wang Persaraan (KWAP).

He attended all 10 Board Meetings held during the 6-month financial period ended 31 December 2011.

Dato' Sri Abdul Wahid Omar has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

board of directors profile

TAN SRI DATUK DR HADENAN A. JALIL

- (66 years of age – Malaysian)
- PhD, Henley Management College, UK;
  Master of Business Management, Asian Institute of Management, Philippines; Bachelor of Economics, University of Malaya

Independent Non-Executive Director

Tan Sri Datuk Dr Hadenan A. Jalil was appointed as a Director of Maybank on 15 July 2009. He serves as Chairman of the Audit Committee and as a member of the Nomination and Remuneration, and Employee Share Scheme Committees of the Board. Tan Sri Datuk Dr Hadenan A. Jalil was the Auditor General from 2000 to 2006. He served the Government for 36 years in various capacities in the Treasury, the Ministry of International Trade and Industry and the Ministry of Works prior to his appointment as Auditor General.

His current directorship in companies within the Maybank Group includes as Director of Maybank Islamic Berhad. He is also Chairman of ICB Islamic Bank Ltd (Bangladesh), Protasco Berhad and its subsidiary, and PNB Commercial Sdn Bhd and its subsidiaries. In addition, he sits on the boards of THP-Sinar Sdn Bhd, Unilever (Malaysia) Holdings Sdn Bhd and University Tun Abdul Razak Sdn Bhd as well as being a member of the Audit Committee, Johor Corporation.

He attended 9 out of the 10 Board Meetings held in the 6-month financial period ended 31 December 2011.

Tan Sri Datuk Dr Hadenan A. Jalil has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

DATO ' SERI ISMAIL SHAHUDIN

- (61 years of age – Malaysian)
- Bachelor of Economics, University of Malaya

Independent Non-Executive Director

Dato' Seri Ismail Shahudin was appointed as a Director of Maybank on 15 July 2009. He serves as Chairman of the Credit Review Committee of the Board.

He was Chairman of Bank Muamalat Malaysia Berhad from 2004 until his retirement in July 2008. He has held senior positions in Citibank, serving both in Malaysia and New York, United Asian Bank and Maybank where he was appointed Executive Director in 1997. He left Maybank in 2002 to assume the position of Group Chief Executive Officer of MMC Corporation Berhad prior to his appointment to the Board of Bank Muamalat Malaysia Berhad.

His current directorships in companies within the Maybank Group include as Chairman of Maybank Islamic Berhad and as Director of MCB Bank Limited, Pakistan. He is also a director of several public listed companies which include Nadayu Properties Berhad (formerly known as Mutiara Goodyear Development Berhad), SMPC Corporation Berhad, EP Manufacturing Berhad, Opus International Consultants Ltd and Aseana Properties Limited, a company listed on the London Stock Exchange.

He attended all 10 Board Meetings held in the 6-month financial period ended 31 December 2011.

Dato' Seri Ismail Shahudin has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

DATO' DR TAN TAT WAI

- (64 years of age – Malaysian)
- PhD DMPN
  PhD in Economics, Harvard University, USA;
  Master of Economics, University of Wisconsin (Madison), USA;
  Bachelor of Science in Electrical Engineering & Economics,
  Massachusetts Institute of Technology, USA

Independent Non-Executive Director

Dato' Dr Tan Tat Wai was appointed as a Director of Maybank on 15 July 2009. He serves as Chairman of the Risk Management Committee and as a member of the Nomination and Remuneration, and Employee Share Scheme Committees of the Board.

He started his career with Bank Negara Malaysia in 1978, undertaking research in economic policies. Subsequently, he assumed the role of a consultant to Bank Negara Malaysia, World Bank and the United Nations University for several years. He served as the Secretary and a member on the Council of Malaysian Invisible Trade, set up to formulate policies to reduce Malaysia's deficit in service trade. He was a member of the Government appointed Malaysian Business Council, the Corporate Malaysia Roundtable, the Penang Industrial Council, the Industrial Co-ordination Council (ICC) and the National Committee on Business Competitiveness (NCBC) set up by the Ministry of International Trade and Industry. He represented Malaysia as a member of the APEC Business Advisory Council (ABAC) and sat on the Council of Wawasan Open University.

Within the Maybank Group, he is a Director of Maybank Trustees Berhad. He is the Group Managing Director of Southern Steel Berhad, a post he has held since December 1993. He also sits on the Boards of Shangri-La Hotels (M) Bhd, Titan Chemicals Corp Sdn Bhd, Natsteel Ltd, a plc in Singapore and Starglow Investments Ltd, and among several other private limited companies. He is also the President of the not-for-profit Lam Wah Ee Hospital.

He attended all 10 Board Meetings held in the 6-month financial period ended 31 December 2011.

Dato' Dr Tan has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

ZAINAL ABIDIN JAMAL

- (58 years of age - Malaysian)
- LL.B (Honours), University of Singapore

Non-Independent Non-Executive Director

Zainal Abidin Jamal was appointed as a Director of Maybank on 22 July 2009. He serves as a member of the Credit Review, Nomination and Remuneration, and Employee Share Scheme Committees of the Board.

He is a practising corporate and commercial lawyer and established his firm, Zainal Abidin & Co in 1987, where he is the Founder and Senior Partner. He was enrolled as an Advocate & Solicitor of the High Court of Malaya in 1986. Between 1983 and 1986, he served as the Company Secretary of Harrisons Malaysian Plantations Berhad. Prior to that, he had practised in Singapore where he was enrolled in 1980 as an Advocate and Solicitor of the Supreme Court of Singapore and had also served as a First Class Magistrate in Brunei Darussalam.

His current directorships in companies within the Maybank Group include as Chairman of Maybank Trustees Berhad and Director of Etiqa Insurance Berhad, Etiqa Takaful Berhad, Maybank Islamic Berhad, Maybank International (L) Limited, and Mayban International Trust (L) Ltd. He also serves on the Boards of Lam Soon (M) Berhad, Kesas Holdings Berhad, PNB Asset Management (Japan) Co Ltd, PNB International Limited, PNB-SBI ASEAN Gateway Investment Management Limited.

He attended all 10 Board Meetings held in the 6-month financial period ended 31 December 2011.

Zainal Abidin Jamal has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

board of directors profile

ALISTER MAITLAND

- (70 years of age – Australian)
- Degree in Commerce from Victoria University, NZ; AMP Graduate, Harvard Business School, USA

Independent Non-Executive Director

Alister Maitland was appointed as a Director of Maybank on 26 August 2009. He serves as a member of the Nomination and Remuneration, Risk Management and Employee Share Scheme Committees of the Board.

In his career spanning 35 years in Australia, New Zealand and the UK, he has held many key roles within the ANZ Banking Group Ltd including that of Chief Economist and Managing Director of ANZ New Zealand. In his last six years with the ANZ Group, he served on the main board of ANZ Bank as Executive Director International, directly responsible for ANZ Group's operations in 42 countries. His current directorship within the Maybank Group includes as Chairman of Maybank (PNG) Ltd.

He attended all 10 Board Meetings held in the 6-month financial period ended 31 December 2011.

Alister Maitland has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

CHEAH TEIK SENG

- (57 years of age – Malaysian)
- Bachelor of Science, University of Manchester, UK; Fellow of the Institute of Chartered Accountants in England and Wales

Independent Non-Executive Director

Cheah Teik Seng was appointed as a Director of Maybank on 26 August 2009. He serves as a member of the Audit and Risk Management Committees of the Board.

As a federal government Public Services Department scholarship holder, he served in the civil service in the early '80s. After leaving government service, he took on various roles in the banking and financial services industry both locally as well as in London, Hong Kong and Singapore. He held positions in Public Bank, Chase Manhattan Bank, Merrill Lynch, Goldman Sachs, UBS and BNP Paribas holding the position of Managing Director for a tenure of nine years. He was appointed as CEO-designate of ECM Libra Avenue Group in 2006. He is currently a Director and partner of Aktis Capital Singapore Pte Ltd. His current directorships in companies within the Maybank Group include as Chairman of Maybank Ventures Sdn Bhd, Mayban-JAIC Capital Management Sdn Bhd, Maybank Ventures Capital Company Sdn Bhd, Maybank Agro Fund Sdn Bhd, Mayban-JAIC Management Ltd as well as Director of Maybank Investment Bank Berhad and Chairman of Kim Eng Holdings Ltd.

Cheah Teik Seng sits on the boards of Kumpulan Wang Persaraan (KWAP) and of various private equity companies in Hong Kong, China and Malaysia. He is also an Independent Non-Executive Director of two hedge funds.

He attended all 10 Board Meetings held in the 6-month financial period ended 31 December 2011.

Cheah Teik Seng has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

DATO ' JOHAN ARIFFIN

- (53 years of age – Malaysian)
- B.A. Economics, Indiana University, USA;
  MBA, University of Miami, USA

Independent Non-Executive Director

Dato' Johan Ariffin was appointed as Director of Maybank on 26 August 2009. He serves as a member of the Audit and Credit Review Committees of the Board.

He started his career in the real estate division of Citibank. Thereafter, he held various senior positions in several subsidiaries of public listed companies while venturing into his own successful marketing and advertising consultancy and property development business. He then headed Danaharta's Property Division as Senior General Manager before moving on to head TTDI Development Sdn Bhd up to January 2009.

His current directorships in companies within the Maybank Group include as Chairman of Maybank International (L) Limited and Mayban International Trust (L) Ltd as well as Director of Maybank Ageas Holdings Berhad, Etiqa Insurance Berhad and Etiqa Takaful Berhad. He is currently also Chairman of Mitraland Properties Sdn Bhd and Director of Sime Darby Property Berhad, and a National Council member of the Real Estate Housing Developers' Association Malaysia (REHDA).

He attended 9 out of the 10 Board Meetings held in the 6-month financial period ended 31 December 2011.

Dato' Johan Ariffin has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

DATO' SREESANTHAN ELIATHAMBY

- (51 years of age – Malaysian)
- LLB (Hons), University of Malaya; BCL (Postgrad degree in Law), University of Oxford, UK

Non-Independent Non-Executive Director

Dato' Sreesanthan Eliathamby was appointed as a Director of Maybank on 26 August 2009. He serves as a member of the Risk Management and Audit Committees of the Board.

He is an Advocate & Solicitor and a Partner with the legal firm of Messrs Kadir, Andri & Partners. He was formerly a Legal Assistant and later a Partner with the legal firm of Messrs Zain & Co.

Within the Maybank Group, his sits on the boards of Maybank (PNG) Ltd, Maybank Ventures Sdn Bhd, Mayban-JAIC Capital Management Sdn Bhd, Maybank Ventures Capital Company Sdn Bhd, Maybank Agro Fund Sdn Bhd and Mayban-JAIC Management Ltd as well as a member of the Supervisory Committee of An Binh Bank in Vietnam, an associate company of Maybank.

He is also a member of the Investment Committee of Amanah Saham Wawasan 2020 Fund and the Bursa Malaysia Listing Committee. He currently sits on the boards of Scomi Group Berhad, Guinness Anchor Berhad and Sime Darby Berhad.

He attended 9 out of the 10 the Board Meetings held in the 6-month financial period ended 31 December 2011.

Dato' Sreesanthan Eliathamby has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.

board of directors profile

DATUK MOHAIYANI SHAMSUDIN

- (63 years of age – Malaysian)
- MBA (Finance) Cornell University, Ithaca, New York, USA; BA (Economics) Knox College, Galesburg, Illinois, USA

Independent Non-Executive Director

Datuk Mohaiyani was appointed as Director of Maybank on 22 August 2011. She serves as a member of the Credit Review Committee of the Board.

She was with Amanah Chase Merchant Bank Berhad and Seagrott & Campbell Sdn Bhd before starting her own stockbroking company Mohaiyani Securities Sdn Bhd in 1985 and assumed the role of Managing Director. During her active involvement in the stockbroking industry, she was appointed as Deputy Chairman of Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Bhd) and Chairman of Association of Stockbroking Companies Malaysia.

Her currrent directorship in companies within the Maybank Group includes as Director of Maybank Investment Bank Berhad. She had also been appointed as a member of several high level national working groups such as National Economic Action Council (NEAC), National Economic Consultative Council II (MAPENII), National Information Technology Council (NITC) and Ministry of Finance High Level Finance Committee for Corporate Governance. At present, she serves as a director of Capital Market Development Fund. She is also a member of the National Advisory Council for Women, Ministry of Women, Family and Community Development as well being a member and trustee of National Heart Institute Foundation and NUR Foundation.

She attended all 8 Board Meetings held in the 6-month financial period ended 31 December 2011 since her appointment on 22 August 2011.

Datuk Mohaiyani has no family relationship with any director and/or major shareholder of Maybank. She has no conflict of interest with Maybank and has never been charged for any offence.

MOHD NAZLAN MOHD GHAZALI

General Counsel & Company Secretary

Mohd Nazlan is the General Counsel & Company Secretary of Maybank, and is also its Head of Corporate & Legal Services. He graduated with a Bachelor of Arts in Jurisprudence as well as Master of Arts, both from the University of Oxford. He is also a Barrister at Law (Lincoln's Inn) and an Advocate & Solicitor of the High Court of Malaya.

He was a Partner and Head of Equity Capital Markets at Zaid Ibrahim & Co, specialising mainly on corporate, financial services and securities law matters, particularly in respect of corporate transactions such as capital raisings and M&As before joining Maybank in 2005. Prior to that, he was with the Securities Commission of Malaysia (SC) for about 7 years until 2000 and his last position was the General Manager of the Enforcement Division, with overall responsibility over the investigation, prosecution and complaints departments. He had also earlier served the Executive Chairman's Office and the Issues & Investment Division whilst at the SC. Mohd Nazlan started his working career in 1991 at Messrs Shook Lin & Bok, handling corporate, conveyancing and banking law matters.

group executive committee

DATO' SRI ABDUL WAHID OMAR

– Age 48
President & CEO

Dato' Sri Abdul Wahid Omar has helmed Maybank Group as its President & CEO since May 2008.

Experience

Dato' Sri Abdul Wahid has extensive track record in corporate and financial management beginning with Bumiputra Merchant Bankers Berhad from January 1988 to April 1991, Kumpulan FIMA Berhad from April 1991 to August 1994 and Amanah Capital Group from August 1994 to February 2001. He also served as Chief Financial Officer of Telekom Malaysia Berhad from March to September 2001 before his appointment as Managing Director/CEO of UEM Group (and subsequently as Executive Vice Chairman of PLUS Expressways Berhad) from October 2001 to June 2004.

Dato' Sri Wahid returned to Telekom Malaysia as its Group CEO in July 2004 and helmed the Group until its demerger exercise with TM International Berhad (now known as Axiata Group Berhad) in April 2008.

Responsibility

Dato' Sri Abdul Wahid is responsible for driving the overall management and growth of the Group.

Qualification

Fellow of the Association of Chartered Certified Accountants, United Kingdom. Chartered Member of the Malaysian Institute of Accountants.

Committee Membership/ Appointments

Dato' Sri Abdul Wahid is a Board member of Mayban Ageas Holdings Berhad, Maybank Investment Bank Berhad and PT Bank Internasional Indonesia Tbk. He is also the Chairman of the Association of Banks in Malaysia and Malaysian Electronic Payment System Sdn Bhd, as well as a Director of Cagamas Holdings Berhad. In addition to that, he is also the Vice Chairman of Institute of Banks in Malaysia and member of the Investment Panels of Kumpulan Wang Persaraan and Lembaga Tabung Haji.

DATO' KHAIRUSSALEH RAMLI

– Age 44
Deputy President & Group Chief Financial Officer

Khairussaleh Ramli became Group Chief Financial Officer of Maybank Group in November 2008.

Experience

Prior to joining Maybank, Dato' Khairussaleh served Telekom Malaysia Berhad (TM) for about two years. His last position there was as Group Chief Strategy Officer where he was responsible for the overall group strategy, business development and corporate finance, and the strategic management of a portfolio of subsidiaries. He sat on the Boards of VADS Berhad and Measat Global Berhad. He was also the Project Director for the demerger exercise of the TM Group.

Dato' Khairussaleh spent eight years with Bursa Malaysia Berhad from 1998 to 2006, holding various positions before rising to the position of Chief Financial Officer in 2004. He was a key team member in the consolidation of exchanges and clearing houses, the Joint Project Director for the exchange demutualisation exercise and led the IPO and listing of Bursa Malaysia on the exchange. Khairussaleh served the Public Bank Group for seven years from 1990 to 1997, gaining experience in corporate banking, stock broking and research and futures broking. His last position in the group was Executive Director of PB Futures Sdn Bhd.

Dato' Khairussaleh was voted Malaysia's CFO of the Year for two consecutive years in 2010 and 2011 in a poll conducted by Finance Asia.

Responsibility

Dato' Khairussaleh is responsible for the Group's financial, capital and funding management. He oversees Finance & Treasury Operations, Management Reporting & Business Planning, Group Strategy Management, Corporate Finance & Capital Management, Central Funding, Enterprise Information Management, Corporate Remedial Management, Strategic Procurement, and Property, Security & Valuation.

Qualification

Bachelor of Science in Business Administration, Washington University, USA. Advanced Management Program, Harvard Business School, USA.

Committee Membership/ Appointments

Nil.

group executive committee

LIM HONG TAT

– Age 52

Deputy President Head, Community Financial Services

Lim Hong Tat is the Deputy President and Head of Community Financial Services.

Experience

Being a Maybank scholar, he joined the bank upon graduation in 1981. He has 30 years of experience covering all aspects of banking, having managed branches, regional banking, credit cards and international banking operations including holding senior management positions as Director/President and CEO of Maybank Philippines Inc, Head of International Banking and Head of Consumer Banking in Maybank Group.

Responsibility

As Head of Community Financial Services, he is responsible for the overall management and performance of the Bank's SME, Business Banking and Consumer segments as well as sales and distribution. This covers community banking, product innovation and industrialisation, customer segmentation, virtual banking, wealth management and payment services, sales and distribution and business strategy, planning and development.

Qualification

Bachelor of Economics (Business Administration) (Hons), University of Malaya. Diploma in Marketing & Selling Bank Services, International Management Centre.

Committee Membership/ Appointments

He is the Chairman of FPX Gateway Sdn Bhd, a subsidiary of MEPS and a Director of Credit Bureau Malaysia Sdn Bhd.

ABDUL FARID ALIAS

– Age 44

Deputy President & Head, Global Wholesale Banking

Abdul Farid Alias was appointed as Deputy President & Head, Global Wholesale Banking of Maybank Group on 1 July 2010.

Experience

Farid has over 20 years of experience in investment banking and capital markets, having served with various merchant and investment banks such Aseambankers Malaysia Berhad from 1992 to 1994, Schroders from 1994 to 1995, Malaysia International Merchant Bankers Berhad from 1996 to 1997, and JPMorgan from 1997 to 2005. He was attached to Khazanah Nasional Berhad from 2005 to 2008 as Director of Investments. In Khazanah, he sat on the Board of Commissioners/Directors of several publicly listed companies. These include PT Bank Lippo Tbk, PT Excelcomindo Pratama Tbk, UEM World Berhad, PLUS Expressways Berhad and UEM Builders Berhad. He also sat on the Boards of MCB Bank Limited and An Bin Bank as a nominee of Maybank until 2010.

Responsibility

His areas of responsibility comprise of corporate banking, investment banking, transaction banking, client coverage, and global markets, which form the businesses under Global Wholesale Banking. In addition to that he is also responsible for international business.

Qualification

Bachelor of Science in Accounting, Pennsylvania State University, University Park, USA. Masters in Business Administration, Finance, Denver University, USA.

Committee Membership/ Appointments

He is currently a member of the Boards of Directors of Maybank Investment Bank Berhad, Maybank Philippines Incorporated, Maybank International Labuan Limited and Kim Eng Holdings Ltd. He is the Chairperson for the Permanent Committee on ASEAN Inter-Regional Relations, ASEAN Banking Council (ABC) and is a member of the ABA Policy Advocacy Committee of the Asian Bankers Association. Recently, he was appointed as a member of the Malaysia – Pakistan Business Council.

DR . JOHN LEE HIN HOCK

– Age 45
Group Chief Risk Officer

Dr. Lee was appointed as Group Chief Risk Officer of Maybank Group on January 2011.

Experience

Dr. Lee was previously with Amanah Merchant Bank and the Kuala Lumpur Options and Financial Futures Exchange (KLOFFE). Prior to his appointment in Maybank, he served in financial services consulting and advisory, where he was a partner with KPMG Business Advisory for the past 13 years, assisting numerous financial institutions across the Asia Pacific markets. He has in-depth financial industry and risk management expertise with a specialisation in Islamic finance, business strategy, risk management and performance management.

Responsibility

Dr. Lee is responsible for credit and risk management across the Group.

Qualification

Bachelor of Economics, Monash University, Australia. Doctorate of Philosophy in Economics, Monash University, Australia. Fellow Certified Practicing Accountant of the Australian Society of CPAs. Member of the American Finance Association, Econometrics Society and Society of Financial Studies.

Committee Membership/ Appointments

Dr. Lee was the Malaysian representative on the Risk Management Working Group and is currently a member of the Liquidity Risk Management Working Group of the Islamic Financial Services Board (IFSB). Dr. Lee was also recently appointed to the Monash University (Malaysia Branch) School of Business Advisory Board.

GEOFFREY STECYK

– Age 42
Head, Enterprise Transformation Services

Geoff Stecyk is the Head of Enterprise Transformation Services (ETS) since 1 July 2010.

Experience

He joined Maybank in November 2008 as Chief Transformation Officer leading the LEAP30 Performance Improvement Programme. Prior to joining Maybank, he was National Head of Bancassurance with American International Assurance (AIA) China from 2006 to 2008. Prior to that, he was Executive Vice President, Business Integration with Southern Bank Berhad from 2001 to 2004. He was involved in the transformation of the bank which covered all major areas of the retail and SME banking with an emphasis on driving immediate earnings growth to fund the structural transformation over the medium term.

Responsibility

He strategises, directs and drives the enterprise operations of the House of Maybank having created a platform comprising Information Technology, Operations and Service Quality that supports the Group's Transformation and long-term strategic objectives. He is also responsible for the Regional IT Transformation Programme to create the regional IT platform for the Group.

Qualification

Bachelor of Commerce (Marketing/Finance), University of Alberta, Canada.

Committee Membership/ Appointments

Geoff is currently a member of the Financial Institution Steering Committee, Bank Negara Malaysia.

group executive committee

NORA ABD MANAF

– Age 47
Head, Group Human Capital

Nora Abd Manaf has been the Head, Group Human Capital of Maybank Group since September 2008.

Experience

Prior to joining Maybank, she was with the Standard Chartered Group for over nine years, where her last held position was Head of Human Resources, Scope International, a subsidiary of Standard Chartered Group UK Plc. Her other roles in Standard Chartered Group included as EVP, Head Strategic Initiatives, PT Bank Permata in Indonesia prior to returning to Malaysia in 2008, a leadership development head role in London as well as roles in Standard Chartered Bank Malaysia and integration work in Hong Kong post Standard Chartered Bank's acquisition of Chase Retail bank. Prior to Standard Chartered, Nora worked in diverse disciplines and industries ranging from semiconductor and telecommunications through education and consulting as well as finance.

Responsibility

Nora's responsibilities encompass direction setting for Group Human Capital and guiding Maybank's People and Culture Transformation initiatives.

Qualification

Chartered Accountant, registered with Malaysian Institute of Accountants. Bachelor of Accounting, University Institute Technology MARA. Postgraduate Certificate in Human Resource Development from Cornell University, USA. Certified Trainer Gallup Strengths Level II Coach.

Committee Membership/ Appointments

Nora is currently the Chairman of the Malayan Commercial Banks' Association (MCBA) and Chairman of the Human Resource Management and Development Group (HRMDG). She is also a Council Member of the Malaysian Employers Federation (MEF). In 2010, Nora was appointed as Pakar Rujuk – Projek Blueprint (Academic High End Industrial Relations), Ministry of Higher Education. In May 2011, Nora was also appointed into the Mesyuarat Peringkat Tertinggi Malaysia's National Policy on Women (Ministry of Women, Family and Community Development). Most recently, Nora was appointed as a Faculty member for the Top Management Forum 2012 by the Asian Productivity Organization (APO) based in Kyoto, Japan.

TENGKU DATO' ZAFRUL TENGKU ABDUL AZIZ

– Age 38
Chief Executive Officer, Maybank Investment Bank Berhad and Maybank Kim Eng

Tengku Dato' Zafrul Tengku Abdul Aziz was appointed Chief Executive Officer of Maybank Investment Bank in June 2010.

Experience

He has wide investment banking experience, having served in leadership positions in key institutions over the last 14 years. Prior to joining Maybank Investment Bank Bhd, Tengku Dato' Zafrul was the Group Director of K & N Kenanga Holdings Berhad from January 2009 to June 2010, a board member of Kenanga Investment Bank Berhad from October 2009 to June 2010, Kenanga Capital Sdn Bhd from January 2009 to June 2010, and Capital Investment Bank (Labuan) Limited from April 2009 – June 2010. He has also previously served as CEO of Tune Money Sdn Bhd, Head of Investment Banking in Citigroup Malaysia, Group Managing Director of Avenue Capital Resources (now ECM Libra) and CEO of Avenue Securities.

Responsibility

Tengku Dato' Zafrul is responsible for leading Maybank's regional investment banking business to new heights, with its merger with Kim Eng Holdings Limited.

Qualification

BSc (Hons) in Economics and Accounting Bristol University, United Kingdom. Master of Finance & Economics, Exeter University, United Kingdom.

Committee Membership/ Appointments

Tengku Dato' Zafrul is the Deputy President of the Kuala Lumpur Business Club. He is also a council member of the Malaysian Investment Banks Association (MIBA) as well as a member of the Advisory Board to the Faculty of Business and Accounting, University Malaya. Most recently, he has been appointed as the Chairman of SIFE Malaysia, a non-profit organisation aimed at grooming university students into future leaders.

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MUZAFFAR HISHAM

– Age 39
Head Islamic Banking
Chief Executive Officer,
Maybank Islamic Berhad

Muzaffar Hisham was appointed as Chief Executive Officer of Maybank Islamic Berhad and Head of the Group Islamic Banking Division in March 2011.

Experience

Muzaffar, has collectively 17 years of experience in the banking and financial services. He started his career in Asian International Merchant Bankers Berhad in the Corporate Banking Division. He later joined Amanah Merchant Bank Berhad and Amanah Short Deposits Berhad where he was involved extensively in Corporate Debt and Financing businesses from debt syndication to advising on private debt securities. He was also involved in various debt and corporate restructuring exercises during the 1997/1998 financial crisis.

During his tenure in CIMB Investment Bank and HSBC Amanah, he was involved in the investment banking business.

Prior to joining Maybank, Muzaffar was the Deputy Chief Executive Officer of CIMB Islamic Bank Berhad. He was previously a member of the Board of Directors of CIMB Insurance Brokers Sdn Bhd.

Responsibility

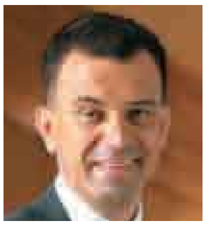
He is responsible in managing and setting the various key strategies for the overall Group Islamic Banking business.

Qualification

Bachelor of Science (Hons) in Economics and Accounting, University of Bristol, United Kingdom.

Committee Membership/ Appointments

Muzaffar is the Chairman, Standards Committee, Association of Islamic Banking Institutions Malaysia (AIBIM).



HANS DE CUYPER

– Age 42
Head, Insurance & Takaful
Chief Executive Officer of
Mayban Ageas Holdings Berhad

Hans De Cuyper was appointed as the Head, Insurance & Takaful and Chief Executive Officer of Mayban Ageas Holdings Berhad (MAHB) on 7 April 2011.

Experience

Hans was previously the Chief Financial Officer of MAHB. With an experience spanning across 20 years in the insurance industry with 7 years in Asia, he has in-depth industry expertise and regional knowledge. Prior to assuming the position at Mayban Ageas Holdings Berhad, he was attached with Ageas in Hong Kong as the Managing Director of Risk & Finance for Asia. He was also with ING Group for more than a decade holding various positions.

Responsibility

He is responsible for the growth of Insurance & Takaful and Asset Management pillar in the House of Maybank.

Qualification

Masters in Mathematics, Catholic University Louvain, Belgium. Masters in Actuarial Science, Catholic University Louvain, Belgium. Executive MBA in Financial Services Industry, Vlerick Management School.

Committee Membership/ Appointments

He is a member of the Board of Directors of Mayban Ageas Holdings Bhd. and its subsidiaries which include Etiqa Insurance Berhad, Etiqa Overseas Investment Pte Ltd, Etiqa Life International (L) Ltd, Sri MLAB Berhad, Peram Ranum Berhad and Etiqa Takaful Berhad.

group executive committee

POLLIE SIM SIO HOONG

– Age 50

Chief Executive Officer, Maybank Singapore

Pollie Sim took the helm of Maybank Singapore in July 2006.

Experience

Pollie has more than 20 years of experience in the banking and financial industry and has held many senior positions within Maybank Group in Consumer Banking & Business Banking, Corporate Planning, Human Resources, Accounts & Finance and IT. She was instrumental in leading and developing Maybank's consumer banking business in Singapore, which today accounts for about 50% of Maybank Singapore's earnings. Prior to Maybank Singapore, Pollie was Chief Executive Officer of Mayban Finance (S) Ltd.

Responsibility

Pollie is responsible for driving the overall profitability and growth of Maybank Singapore.

Qualification

Diploma in Management Studies, Singapore Institute of Management. Master of Business Administration, Brunel University of West London, United Kingdom.

Committee Membership/ Appointments

Her current key appointments include that of Non-Executive Director of Maybank Kim Eng Holdings Ltd, Director of Mayban Nominees (S) Pte Ltd, a subsidiary of Maybank, Director of Singapore Unit Trusts Ltd, Bosbury Pte Ltd, Sorak Financial Holdings Pte Ltd and Heartware Network. She is also a Council Member of the Association of Banks in Singapore and Chairman of the Singapore Unit Trust Investment Committee. Pollie also sits on the Executive Council of Employer Alliance (EA), a network of corporations committed to create an enabling work environment to enhance work life integration and best practices as a business strategy to manage talent and boost productivity.

RAHARDJA ALIMHAMZAH

– Age 45

Acting President Director PT Bank Internasional Indonesia Tbk

Bapak Rahardja Alimhamzah, has been Acting CEO of PT Bank Internasional Indonesia Tbk (BII), a Maybank subsidiary in Indonesia, since early July 2011.

Experience

Rahardja is also BII's Director of Corporate Banking. Prior to joining BII, Rahardja was the Director, Head of Corporate Banking and Investment Banking of PT Bank Rabobank International Indonesia since 2003 where he managed the Corporate Banking business, which includes Corporate Relationship Management, Structured Trade & Commodity Finance, Corporate Finance, Financial Institutions and Food & Agri Strategic Advisory. He was also with Bank Summa, Standard Chartered Bank, American Express Bank as well as Citibank where his last held position was Vice President in Corporate Banking and Remedial Management.

Responsibility

Rahardja is responsible to oversee the banking operations and drive the overall growth of BII.

Qualification

Master of Accounting and Finance, University of Indonesia, Indonesia. Bachelor of Industrial Engineering, University of New South Wales, Australia.

Committee Membership/ Appointments

Nil.

MICHAEL FOONG SEONG YEW

– Age 43
Chief Strategy & Transformation Officer

Michael Foong was appointed as Chief Strategy and Transformation Officer on 3 October 2011.

Experience

Prior to joining Maybank Group, Michael was Managing Director of the management consulting practice in Malaysia of Accenture, where he spent 17 years serving financial services clients throughout ASEAN and Asia-Pacific, primarily banks but also including insurance companies and stock exchanges. His responsibilities included corporate planning, devising group-wide and line-of-business strategies, operating models, business process reengineering, performance management frameworks, and ICT strategies. In the past 9 years he has focused on architecting and implementing large-scale multi-year transformation and change management programs for banks in Malaysia and Singapore.

Michael has also held various other management positions in Accenture. He co-managed Accenture's Asia-Pacific Technology Ventures unit from 2000 to 2002, and after that Accenture's Asia-Pacific Corporate Development office. Michael has worked throughout the Asia Pacific region and spent a number of years seconded to Accenture's international offices in Beijing, Shanghai, Hong Kong, Sydney, Singapore, Tokyo and Jakarta.

Responsibility

He is responsible for managing the Group's transformation program across the region, and developing the group's long-term strategic objectives. He also oversees the Corporate Development office covering merger integration and special projects, as well as the Methods and Systems unit covering business process improvement programs.

Qualification

Master of Arts in Economics and Management Studies from Cambridge University.
Executive MBA (ABMP) from the Kellogg School of Management (1998) at Northwestern University.

Committee Membership/ Appointments

Nil

statement on corporate governance

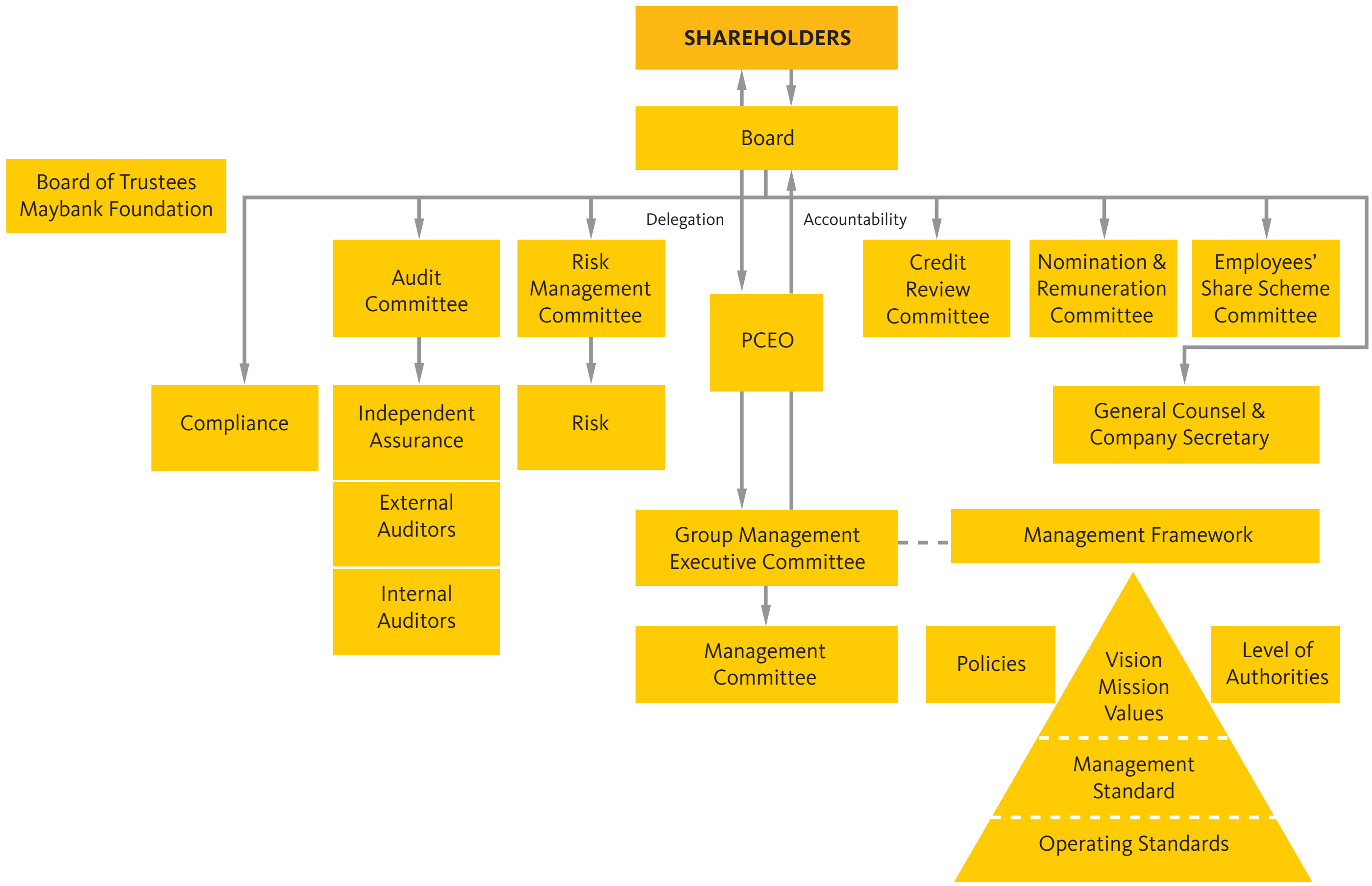
INTRODUCTION

In pursuing the Group's corporate aspiration to be a regional financial services leader in humanising financial services by 2015, the Board is steadfast in maintaining high standards of corporate governance with a view to enhancing stakeholder value, increasing investor confidence, establishing customer trust and building a competitive organisation.

The Corporate Governance Statement aims to provide vital insight to the investors into the corporate governance practices of the Group. Maybank Group's corporate governance model adopts the following requirements and guidelines:-

(i) Revised Malaysian Code on Corporate Governance ("the Code");
(ii) Bank Negara Malaysia ("BNM")'s Revised Guidelines on Corporate Governance for Licensed Institutions ("BNM/GP1")
(iii) Bursa Malaysia Securities Berhad ("Bursa Securities")'s Main Market Listing Requirements ("Listing Requirements");
(iv) "Green Book on Enhancing Board Effectiveness" ("Green Book") by the Putrajaya Committee on Government Linked Companies ("GLCs") High Performance;
(v) Corporate Governance Guide ("CG Guide") by Bursa Malaysia; and
(vi) Minority Shareholders Watchdog Group ("MSWG")'s Corporate Governance Guidelines.

The Board's fundamental approach in this regard is to ensure that the right executive leadership, strategy and internal controls for risk management are well in place. Additionally, the Board is committed to achieving the highest standards of business integrity, ethics and professionalism across all of the Group's activities.



Maybank also monitors developments in corporate governance standards of leading and reputable organisations and institutions in the region and around the world to ensure its approach in Malaysia and in countries the Group has presence is in line with the latest international best practices.

The Board continuously reviews its governance model to ensure its relevance and ability to meet the challenges of the future.

The Board informs the shareholders on the application of its corporate governance model and the Code for the 6-month financial period ended 31 December 2011, as set out hereunder.

THE BOARD OF DIRECTORS

Board Charter

The Board is guided by the Board Manual ("Manual") which provides reference for directors in relation to the Board's role, powers, duties and functions. Apart from reflecting the current best practices and the applicable rules and regulations, the Manual outlines processes and procedures to ensure the Group's boards' and their committees' effectiveness and efficiency. It is a dynamic document to be updated from time to time to reflect changes to the Bank's policies, procedures and processes as well as amended relevant rules and regulations, or to be reviewed at least once in two years, whichever is earlier.

The Group's subsidiaries and associates' boards are encouraged to adopt similar manuals for their respective corporate entities.

The Manual comprises, amongst others, well defined terms of reference as well as authority limits for the Board and its committees, and the various relevant internal policies.

Roles and responsibilities of the Board

It is the responsibility of the Board to periodically review and approve the overall strategies, business, organisation and significant policies of the Bank and the Group. The Board also sets the Group's core values and adopts proper standards to ensure that the Bank operates with integrity and complies with the relevant rules and regulations.

The Board has a formal schedule of matters reserved for its decision which include, amongst others, the following:-

- Reviewing and approving the strategic business plans for the Bank and Group;
- Identifying and managing principal risks affecting the Group;
- Reviewing the adequacy and integrity of the Group's internal control systems;
- Overseeing the conduct and the performance of the Group's businesses;
- Approving the appointment and compensation of senior management staff;
- Approving new policies pertaining to staff salary and benefits;
- Approving changes to the corporate organisation structure;
- Approving the appointment of Directors and Directors' emoluments and benefits in accordance with relevant statutes; and
- Approving policies relating to corporate branding, public relations, investor relations and shareholder communication programmes.

Other than as specifically reserved to the Board in the Board's Terms of Reference, the responsibility of managing Maybank's business activities is delegated to the President & Chief Executive Officer ("PCEO") of the Bank, who is accountable to the Board.

Board composition and balance

There are twelve Directors currently on the Board of Maybank, of whom eight are Independent Non-Executive Directors, three are Non-Independent Non-Executive Directors (nominees of Permodalan Nasional Berhad ("PNB")) and one Non-Independent Executive Director (the PCEO).

The present composition of the Board is in compliance with Chapter 15.02 of the Listing Requirements as more than half of its members are Independent Directors.

The Board is committed to ensure diversity and inclusiveness in its deliberations.

Given the Board's diverse background, the Directors provide a wealth of knowledge, experience and skills in the key areas of accountancy, law, securities, international business operations and development, finance and risk management, amongst others. A brief profile of each member of the Board is presented on pages 102 to 108 of this Annual Report.

The selection of Directors, as affirmed by the Board, is based on merit, and guided by the criteria outlined in the Group's Policy on Fit and Proper Criteria for Appointment as Chairman, Directors and Chief Executive Officers of Licensed Institutions in Maybank Group ("Fit and Proper Policy") as duly assessed by the Nomination and Remuneration Committee ("NRC").

statement on corporate governance

Director independence and Independent Non-Executive Directors

The high proportion of Independent Non-Executive Directors within the current Board composition helps the Board to ensure and provide strong and effective oversight over management. The composition also reflects the interest of the Bank's majority shareholder which is adequately represented by the appointment of its nominee directors, balancing the interest of the minority shareholders. The Non-Executive Directors do not participate in the day-to-day management of the Bank and do not engage in any business dealing or other relationships with the Bank (other than in situations permitted by the applicable regulations) in order to ensure that they remain truly capable of exercising independent judgement and act in the best interests of the Group and its shareholders. Further, the Board is satisfied and assured that no individual or group of Directors has unfettered powers of decision that could create a potential conflict of interest.

Currently, all of the Bank's Independent Non-Executive Directors comply with BNM/GP1's requirement that an Independent Non-Executive Director, amongst others, shall not have more than 5% equity interest in the licensed institution or in its related companies, or be connected to a substantial shareholder of the licensed institution.

Additionally, the Board ensures that all Independent Non-Executive Directors possess the following qualities:-

- Ability to challenge the assumptions, beliefs or viewpoints of others with intelligent questioning, constructive and rigorous debating, and dispassionate decision making in the interest of the Bank;
- Willingness to stand up and defend his own views, beliefs and opinions for the ultimate good of the Bank; and
- A good understanding of the Bank's business activities in order to appropriately provide responses on the various strategic and technical issues confronted by the Board.

The Board views that the eight Independent Non-Executive Directors ("NEDs"), namely Dato' Mohd Salleh bin Hj Harun, Tan Sri Datuk Dr Hadenan bin A. Jalil, Dato' Seri Ismail bin Shahudin, Dato' Dr Tan Tat Wai, Dato' Johan bin Ariffin, Mr Cheah Teik Seng, Mr Alister Maitland and Datuk Mohaiyani binti Shamsudin; meet the said requirements.

Senior Independent Non-Executive Director

In accordance with the best practices on corporate governance, Tan Sri Datuk Dr Hadenan bin A. Jalil continues to play his role as the Senior Independent Director ("SID") of the Board to whom concerns of shareholders and stakeholders may be conveyed. He is responsible for addressing concerns that may be raised by the shareholders.

He can be contacted at his email address: adenan.aj@maybank.com.my.

Board appointment process

The appointment of new Directors to the Board is set out in a formal and transparent procedure, the primary responsibility of which has been delegated to the Nomination and Remuneration Committee ("NRC"). This procedure is in line with the Group's Fit and Proper Policy (which has been implemented since August 2006) and BNM/GP1. Under this procedure, the NRC recommends to the Board suitable candidates for directorships and appointment of key senior management of the Bank and relevant subsidiaries. The NRC also ensures candidates satisfy the requisite skills and core competencies to be deemed fit and proper, and to be appointed as Director in accordance with the Fit and Proper Policy, the Listing Requirements and the Corporate Governance Blueprint 2011 issued by the Securities Commission.

In accordance with the Fit and Proper Policy, the attributes and qualifications required of a candidate to determine his/her suitability, include amongst others, in respect of his/her management and leadership experience, which has to be at the most senior level in a reputable local or international financial services group, public corporation or professional firm/body. In respect of the candidate's skills, expertise and background, the candidate should ideally and to the extent available, possess a diverse range of skills, including in particular, business, legal and financial expertise, professional knowledge and financial industry experience, as well as experience in regional and international markets.

The Board, assisted by the NRC, considers the following aspects in making the selection:-

(i) Probity, personal integrity and reputation – the person must have key qualities such as honesty, integrity, diligence, independence of mind and fairness.
(ii) Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role.
(iii) Financial integrity – the person must manage his debts or financial affairs prudently.

Being a guiding mechanism, the Fit and Proper Policy is crucial to identify the gaps in skills in the composition of the Board. The Fit and Proper Policy outlines the requirement for Non-Executive Directors of Maybank who have reached the age of 70 and above, and those who have served the Board for 12 years or more to submit their resignation letters annually to the NRC six months before the Annual General Meeting ("AGM"), for appropriate recommendations to be made to the Board. The Board acknowledges the view of the Minority Shareholders Watchdog Group, among others, that an appropriate term for Independent Non-Executive Directors should not be more than nine years and may consider this in the next review of the Fit and Proper Policy. One director, Mr Alister Maitland, attained 70 years of age during the period under review and has been recommended by the NRC and the Board to be re-appointed based on the need for his continued invaluable contribution to the Board and the Group, in light of his wide international experience as a former banker.

A clear and transparent nomination process is provided in the policy on the Nomination Process for the Appointment of Chairman, Director and CEO of Licensed Institutions in the Group ("Policy on Nomination Process"). The nomination process involves the following five stages:-

Identification of candidates → Evaluation of suitability of candidates → Meeting up with candidates → Final deliberation by NRC → Recommendation to Board

The application for the appointment of such candidates would thereafter be submitted to BNM for the requisite approval under the Banking and Financial Institutions Act, 1989 ("BAFIA"), Insurance Act 1996 and Takaful Act 1984, as the case may be, upon the approval by the relevant boards in the Group.

Based on the expectation of the roles and capabilities described and required by the Board, the appointment process for Executive Directors would in essence include the identification process of potential candidates by a special committee of the Board. This is subsequently followed by a submission to the NRC for deliberation to be followed by the final recommendation to the Board for endorsement, and ultimately submission to BNM for approval.

Subsequent to the appointment process, the Bank also conducts periodic assessment on the suitability of the Directors to continuously occupy their strategic leadership position in accordance with the Group's Policy on Fit & Proper for Key Responsible Persons ("KRPs") in line with BNM/GP1. The fit and proper assessment for KRPs involves independent checks on the self-declarations made by the Directors as well as any of their business interests connected to the Bank in compliance with section 64 of BAFIA and BNM/GP1 for the purpose of ensuring the Directors are suitable to continue as directors of the Bank.

Directors' retirement and re-election

All directors of the Bank, including the PCEO, are subject to re-election by the shareholders at their first opportunity after their appointment, and are subject to re-election at least once every three years in accordance with the Bank's Articles of Association. Board support for a Director's re-election is not automatic and is subject to satisfactory assessment of performance.

The NRC will first assess the Directors who are due for re-election at the AGM, which will then submit its recommendation to the Board for deliberation and approval. Upon obtaining the Board's endorsement, the relevant submission including the justifications for such re-appointment is thereafter made to BNM for approval if the relevant Director's BNM's term of appointment is expiring.

The four Directors who are due for re-election and re-appointment at the forthcoming AGM, as evaluated by the NRC and approved by the Board, have met the Board's expectations and continued to perform in an exemplary manner as demonstrated by inter alia their contribution to the Board's deliberations.

Board and Individual Director's effectiveness

Upon the completion of every financial year, the NRC undertakes a formal and transparent process, to assess the effectiveness of individual Directors, the Board as a whole and its committees, as well as the performance of the PCEO in respect of their respective skills and experience, pursuant to the Board and Peer Annual Assessment exercise.

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The Board and Peer Annual Assessment exercise is primarily based on answers to a detailed questionnaire prepared internally by Corporate & Legal Services of Maybank. The assessment questionnaire is distributed to all the respective Board members and covers topics which include, amongst others, the responsibilities of the Board in relation to strategic planning, risk management, performance management, financial reporting, audit and internal process, human capital management, corporate social responsibility, communication, corporate governance, and shareholders' interest and value. Other areas being assessed include Board composition and size, the contribution of each and every member of the Board at meetings, the Board's decision-making and output, information and support rendered to the Board as well as meeting arrangements.

Once the results of the Board and committee assessment are reviewed by the NRC and the Board, actionable improvement programmes will be identified, which may include training needs of individual Directors, to be reviewed quarterly thereafter. The Chairman would discuss with individual members on the peer assessment results whilst the Chairman of the NRC would discuss with the Chairman of the Board on the latter's assessment results.

The Board is satisfied with its composition to ensure an efficient and effective conduct of board deliberation pursuant to BNM/GP1. The current Board size enables the Board to discharge its function in a professional manner in consideration of the size, breadth and complexity of the Group's business activities, domestically as well as internationally. Future changes to the Board may be made to enhance complementarity of skills at the same time enable proper succession planning.

Role and responsibilities of the Chairman and the President & Chief Executive Officer

The roles and responsibilities of the Chairman and the PCEO are separated and documented as approved by the Board in accordance with best practices and to ensure appropriate supervision of the management. The clear hierarchical structure with its focused approach and attendant authority limits also facilitates efficiency and expedites informed decision-making.

Chairman

Tan Sri Dato Megat Zaharuddin Megat Mohd Nor is the Chairman of the Board of Maybank since October 2009.

He continuously works together with the rest of the Board in setting the policy framework and strategies to align the business activities driven by the senior management with the Group's objectives and aspirations, and monitors its implementation.

He ensures orderly conduct and proceedings of the Board, where healthy debate on issues being deliberated is encouraged to reflect an appropriate level of scepticism and independence.

He takes the lead to ensure the appropriateness and effectiveness of the succession-planning programme for the Board and senior management levels. He also promotes a healthy working relationship with the PCEO and provides the necessary support and advice as appropriate. He continues to demonstrate the highest standards of corporate governance practices and ensures that these practices are regularly communicated to the stakeholders.

The President & CEO

Dato' Sri Abdul Wahid bin Omar has been the PCEO and Executive Director of Maybank since May 2008.

He is primarily accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Group as well as carrying out certain responsibility delegated by the Board. Furthermore, he is responsible for mapping the medium to longer term plans for Board approval, and is accountable for implementing the policies and decisions of the Board, as well as coordinating the development and implementation of business and corporate strategies, specifically by making sure that they are carried through to their desired outcomes, especially in the institution of remedial measures to address identified shortcomings. He is also responsible for developing and translating the strategies into a set of manageable goals and priorities, and setting the overall strategic policy and direction of the business operations, investment and other activities based on effective risk management controls.

The duty of the PCEO also ensures that the financial management practice is performed at the highest level of integrity and transparency for the benefit of the shareholders and that the business and affairs of the Bank are carried out in an ethical manner and in full compliance with the relevant laws and regulations. His other responsibilities include ensuring that whilst the ultimate objective is maximising total shareholders return, corporate social responsibility is not neglected, and also developing and maintaining strong communication programmes and dialogues with the shareholders, investors, analysts as well as employees, and providing the effective leadership to the organisation. He is also responsible for ensuring high management competency as well as the emplacement of an effective management succession plan to sustain continuity of operations. The PCEO, by virtue of his position as a Board member, also functions as the intermediary between the Board and senior management.

Board meetings

The Board meets every month with additional meetings convened as and when urgent issues and/or important decisions are required to be taken between the scheduled meetings. During the 6-month financial period ended 31 December 2011, the Board met 10 times to deliberate and consider a variety of significant matters that required its guidance and approval.

All Directors have complied with the requirement that Directors must attend at least 75% of Board meetings held in the financial period in accordance with BNM/GP1, and attended at least 50% of Board meetings held in the 6-month financial period ended 31 December 2011 pursuant to the Listing Requirements.

The current practice is to appoint Board members to sit on subsidiary boards, in particular the key overseas subsidiaries, to maintain oversight and ensure the operations of the respective subsidiaries are aligned with the Group's strategies and objectives.

Details of attendance of each Director on the Board and respective Board Committees during the 6-month financial period ended 31 December 2011 are as follows:-

Name of Directors	Board Number of Meetings			CRC Number of Meetings			ACB Number of Meetings		
	Held	Attended *	%	Held	Attended *	%	Held	Attended *	%
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	10	10	100	–	–	–	–	–	–
Dato' Mohd Salleh bin Hj Harun	10	9	90	–	–	–	–	–	–
Dato' Sri Abdul Wahid bin Omar	10	10	100	26	20	77	–	–	–
Tan Sri Dr Hadenan bin A. Jalil	10	9	90	–	–	–	8	8	100
Dato' Seri Ismail bin Shahudin[1]	10	10	100	26	19	73	–	–	–
Dato' Dr Tan Tat Wai	10	10	100	–	–	–	–	–	–
Encik Zainal Abidin bin Jamal	10	10	100	26	22	85	–	–	–
Mr Alister Maitland	10	10	100	–	–	–	–	–	–
Mr Cheah Teik Seng	10	10	100	–	–	–	8	7	88
Dato' Johan bin Ariffin	10	9	90	26	20	77	8	8	100
Dato' Sreesanthan Eliathamby	10	9	90	–	–	–	8	7	88
Datuk Mohaiyani binti Shamsudin[2]	8	8	100	–	–	–	–	–	–

Name of Directors	RMC Number of Meetings			NRC Number of Meetings			ESS Committee Number of Meetings		
	Held	Attended *	%	Held	Attended *	%	Held	Attended *	%
Dato' Mohd Salleh bin Hj Harun[3]	–	–	–	6	6	100	4	4	100
Tan Sri Dr Hadenan bin A. Jalil	–	–	–	6	6	100	4	4	100
Dato' Dr Tan Tat Wai	4	4	100	6	6	100	4	4	100
Encik Zainal Abidin bin Jamal	–	–	–	6	6	100	4	4	100
Mr Alister Maitland	4	4	100	6	6	100	4	4	100
Mr Cheah Teik Seng	4	3	75	–	–	–	–	–	–
Dato' Sreesanthan Eliathamby	4	3	75	–	–	–	–	–	–

Notes:-

* All Board and Board Committee members had met the minimum percentage required for meeting attendance. For the CRC, the requirement is a minimum of 60% attendance during any financial period.

[1] Currently a member of the CRC and appointed as the Chairman of the CRC with effect from 1 July 2011.

[2] Appointed as a member of the Board of Director with effect from 22 August 2011.

[3] Appointed as the Chairman of the NRC with effect from 1 July 2011.

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Directors' Remuneration

The level of directors' remuneration is generally set to be competitive to attract and retain Directors of such calibre to provide the necessary skills and experience as required and commensurate with the responsibilities for the effective management and operations of the Group.

In respect of the Executive Director, the component parts of remuneration are structured so as to link short and long-term rewards to corporate and individual performance. A significant portion of the Executive Director's compensation package has been made variable in nature depending on the Group's performance during the period, which is determined based on the individual Key Performance Indicators in a scorecard aligned with the corporate objectives, and approved by the Board.

As for Non-Executive Directors ("NEDs"), the level of responsibilities undertaken generally determine the level of remuneration. The determination of remuneration packages for NEDs including the non-executive Chairman, is a matter for the Board as a whole following the relevant recommendation made by the NRC after independent benchmarking with relevant external peers.

The current remuneration policy of the Directors comprises the following:-

(a) Basic salary
Basic salary of the Executive Director is based on the recommendation of the NRC, after independent benchmarking with relevant external peers.

(b) Director's fees and meeting allowances (effective 1 July 2010)
For the Board of Directors, RM300,000 per annum for the Chairman, RM285,000 per annum for the Vice Chairman and RM190,000 per annum for each NED. The meeting allowance for the Board is RM1,500 per meeting.

For the Board Committees, RM45,000 per annum for the Board Committee Chairman and RM30,000 per annum for each Committee member. The meeting allowance for Board Committees is RM1,000 per meeting.

(c) Benefits-in-kind and emoluments
Benefits for NEDs include medical coverage, insurance coverage (Group Personal Accident, Group Term Life and Directors & Officers' Liability), travel benefits, mobile electronic devices and use of Maybank holiday apartments/bungalows.

The Chairman is also paid monthly other emoluments which commensurate with responsibilities befitting his position, for example in representing the Group and facilitating organisation capability building.

At the Extraordinary General Meeting of Maybank held on 13 June 2011, its shareholders had approved the Employees' Share Scheme ("ESS") which provides for the offer and grant of options to eligible employees. The EGM also approved the allocation of options and/or grant of shares to the PCEO, to subscribe up to a maximum of 5,000,000 Maybank Shares. The number of shares to be offered to the PCEO, being an eligible employee, under the ESS will be based on the Bank's as well as his performance achievement at the end of the financial period, as specified in the Group/PCEO Balanced Score Card.

The NEDs are not eligible to participate in the current ESS.

A summary of the total remuneration of the Directors, distinguishing between Executive and Non-Executive Directors, in aggregate with categorisation into appropriate components for the 6-month financial period ended 31 December 2011 is as follows:-

	Salary (RM)	Bonus (RM)	Directors' Fees (RM)	Other Emoluments (RM)	Benefits in kind (RM)	ESS (RM)	Total (RM)
Executive Director							
Dato' Sri Abdul Wahid bin Omar	768,000	768,000	–	352,893	21,341	668,000	**2,578,234**
TOTAL	768,000	768,000	–	352,893	21,341	668,000	**2,578,234**
Non-Executive Directors							
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	–	–	150,000	325,000	19,755	–	**494,755**
Dato' Mohd Salleh bin Hj Harun	–	–	187,500	23,500	17,036	–	**228,036**
Tan Sri Dr Hadenan bin A. Jalil	–	–	147,500	31,500	1,336	–	**180,336**
Dato' Seri Ismail bin Shahudin	–	–	117,500	33,000	325	–	**150,825**
Dato' Dr Tan Tat Wai	–	–	147,500	29,000	150	–	**176,650**
Mr Zainal Abidin bin Jamal	–	–	140,000	46,000	1,279	–	**187,279**
Mr Alister Maitland	–	–	140,000	29,000	–	–	**169,000**
Mr Cheah Teik Seng	–	–	125,000	25,000	1,486	–	**151,486**
Dato' Johan bin Ariffin	–	–	125,000	40,500	1,547	–	**167,047**
Dato' Sreesanthan Eliathamby	–	–	125,000	23,500	1,461	–	**149,961**
Datuk Mohaiyani binti Shamsudin	–	–	67,889	12,000	150	–	**80,039**
TOTAL	–	–	1,472,889	618,000	44,525	–	**2,135,414**
GRAND TOTAL	**768,000**	**768,000**	**1,472,889**	**970,893**	**65,866**	**668,000**	**4,713,648**

Note:
Executive Director's Other Emoluments include allowance and reimbursements.

Quality and supply of information to the Board

In discharging its duties, the Board has full and unrestricted access to all information pertaining to the Group's businesses and affairs as well as to the advice and services of the senior management of the Group. In addition to formal Board meetings, the Chairman maintains regular contact with the PCEO to discuss specific matters, and the latter assisted by the Company Secretary ensures that frequent and timely communication between the senior management and the Board is maintained at all times as appropriate.

Regular and latest updates are provided to the Directors on any regulations and guidelines, as well as any amendments thereto issued by Bank Negara Malaysia, Bursa Malaysia Securities Berhad, Securities Commission, the Companies Commission of Malaysia and other relevant regulatory authorities including recommendations on corporate law reform in respect of Malaysian as well as relevant foreign jurisdictions, particularly the effects of such new or amended regulations and guidelines on directors specifically, and the Bank and the Group generally.

The mechanism of the Annual Board Outline Agenda aims to highlight to the Board and relevant Board Committees as well as the senior management subject matters other than 'routine' for the period to facilitate better planning and for greater time effectiveness for various parties. It also gives a greater sense of discipline on the part of senior management to commit to the said outline. At the same time, such focus allows the Board to deliberate on and contribute towards achieving a higher level of value-added discussions on such identified issues and other relevant matters.

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An agenda together with appropriate papers for each agenda item to be discussed is forwarded to each Director at least five clear days before the scheduled meeting to enable the Directors to obtain further clarification or explanation, where necessary, in order to be adequately apprised before the meeting.

In line with the recommendations of the Code, the Bank's minutes of meetings of the Board and various Board Committees incorporate the discussions of the members at the meetings in arriving at decisions and are concise and accurate. The draft minutes of the meeting are circulated within one week of the meetings to the Board for early feedback and suggestions prior to tabling at the subsequent meetings for formal confirmation.

Senior management members are invited to attend Board meetings to report on matters relating to their areas of responsibility, and also to brief and present details to the Directors on recommendations submitted for the Board's consideration. Additional information or clarification may be required to be furnished, particularly in respect of complex and technical issues tabled to the Board.

Company Secretary

The General Counsel and Company Secretary, in his function as the Company Secretary, is responsible for advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance. He is also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving the Bank, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

All Directors have access to the advice and services of the Company Secretary.

Independent professional advice

Independent professional advice can be obtained by any individual Director, at the Bank's expense where necessary, in the furtherance of their duties in accordance with the Bank's Policy and Procedure on Access to Independent Professional Advice, Senior Management and Company Secretary by Directors of Maybank Group. Copies of any reports, advice and recommendations provided by the independent professional adviser to the relevant Director, would be forwarded by the said Director to the Company Secretary, who will, where appropriate, circulate them to other Directors to ensure that they are kept informed of pertinent issues, which may have an impact on the Group's interest growth and performance.

In the 6-month financial period ended 31 December 2011, none of the Directors had invoked this process for independent professional advice.

Structured Training Programme for Directors

Through a Structured Training Programme for Directors ("STPD"), each Director shall attend at least one training programme, which is to be specifically developed by the organisation for its Directors during the 6-month financial period ended 31 December 2011.

For the period under review, all the Board members have complied with the aforesaid internal policy by attending various training programmes and workshops on issues relevant to the Group, which were organised internally, as well as in collaboration with external training providers. During the year 2011, Board members had also attended a key training programme for Directors of financial institutions, namely the Financial Institutions Directors' Education ("FIDE").

Corporate & Legal Services coordinates a comprehensive induction programme for new Directors in order to provide new Directors with the necessary information and overview to assist them in understanding the Group's operations and appreciating the challenges and issues the Group faces in achieving its objectives. The programme covers subject matters, amongst others, concerning the Group's business and strategy, work processes and Board Committees, and the duties and responsibilities of Directors of licensed institutions.

The key areas of focus for training programmes attended by the Directors for the 6-month financial period ended 31 December 2011 are as follows:-

Board Effectiveness:-

– MINDA Director's Forum 2011: "Innovation and People: Making it Happen"
– MINDA Talk: "Board Composition and Diversity: Strategies, Lessons and Looking Forward"

Corporate Governance:-

– "Scrutinising Financial Statement Fraud and Detection of Red Flags for Directors and Officers of PLC's and Government Regulatory Agencies" organised by Malaysian Institute of Corporate Governance

Risk Management:-

– "Annual Risk Workshop for Board of Directors and Risk Management Committees": Black Swans in the Horizon (facilitated by KPMG)

As at the end of the 6-month financial period ended 31 December 2011, all Directors are in adherence to the Mandatory Accreditation Programme in compliance with the Listing Requirements.

BOARD PROFESSIONALISM

Directorships in other Companies

Each member of the Board holds less than 10 directorships in public listed companies and less than 15 directorships in non-public listed companies in accordance with the Listing Requirements. Furthermore, the Directors also comply with the best practices recommendation of the Green Book which states that directors should not sit on the boards of more than five listed companies to ensure that their commitment, resources and time are more focused to enable them to discharge their duties effectively.

Further, although the Independent Non-Executive Directors hold directorships in several companies in the Maybank Group, the NRC assesses the independence of the said Directors pursuant to a declaration made that they are not taking instructions from any person including Maybank. In this respect, all the Independent Non-Executive Directors of Maybank complied with the relevant requirements of BNM/GP1. In addition, the respective key subsidiaries within the Group also appoint other Independent Non-Executive Directors who are not members of the Maybank Board to ensure an optimal balance between board members in terms of independent internal and external directors.

Conflict of Interest

It has been the practice of Maybank, in line with various statutory requirements on the disclosure of director's interest, that members of the Board make a declaration to that effect at the Board meeting in the event they have interests in proposals being considered by the Board, including where such interest arises through close family members. Any interested Directors would then abstain from deliberations and decisions of the Board on the subject proposal and, where appropriate, excuse themselves from being present in the deliberations.

Insider trading

The Directors, key management personnel and principal officers of the Maybank Group are prohibited from trading in securities or any kind of property based on price sensitive information and knowledge which have not been publicly announced in accordance with the Listing Requirements and the relevant provisions of the Capital Markets & Services Act 2007. Notices on the closed period for trading in Maybank's securities are circulated to Directors, key management personnel and principal officers who are deemed to be privy to any price sensitive information and knowledge, in advance of whenever the closed period is applicable.

BOARD COMMITTEES

The Board delegates certain of its governance responsibilities to the following Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain key and operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

Audit Committee

The Audit Committee is authorised by the Board to investigate any activities within its Terms of Reference and has unrestricted access to both the internal and external auditors and members of the senior management of the Group. The activities carried out by the Audit Committee, which met 8 times during the period under review, are summarised in the Audit Committee Report and its Terms of Reference as stated on pages 134 of this Annual Report. Members of the Audit Committee are as indicated on page 136 of this Annual Report.

Credit Review Committee

The responsibilities of the Credit Review Committee include, amongst others, the following:-

(i) To review/veto loans exceeding Group Management Credit Committee's ("GMCC") discretionary power;
(ii) To review/veto, with power to object or support, all proposals recommended by the GMCC to the Board for approval/affirmation, including but not limited to statute and policy loans;
(iii) To affirm new and existing group exposure; and
(iv) To carry out such other responsibilities as may be delegated to it by the Board from time to time.

The Committee meets weekly and during the 6-month financial period ended 31 December 2011, the Committee had met 26 times. Members of the Credit Review Committee and details of meeting attendance by members are stated on page 121 of this Annual Report.

Nomination and Remuneration Committee ("NRC")

The NRC comprises exclusively Non-Executive Directors.

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The responsibilities of the NRC include, amongst others, the following:-

(i) To recommend to the Maybank Board, the appointment, promotion and remuneration as well as compensation policies for executives in key management positions;
(ii) To recommend to the Maybank Board, a Leadership Development framework for the Group;
(iii) To oversee the general composition of the Maybank Board (size, skill and balance between Executive Directors and Non-Executive Directors);
(iv) To recommend to the Maybank Board, a policy and framework of remuneration for Directors, covering fees, allowances and benefits-in-kind in their work as Directors of all boards and committees and for the PCEO and key senior management officers;
(v) To recommend to the Maybank Board a policy regarding the period of service for the Executive and Non-Executive Directors;
(vi) To assess the performance and effectiveness of individuals and collective members of the Boards and Board Committees of the Group and its subsidiaries, as well as the procedure for the assessment;
(vii) To recommend measures to upgrade the effectiveness of the Boards and Board Committees;
(viii) To recommend to the Maybank Board, a performance management framework/model, including the setting of the appropriate performance target parameters and benchmark for the PCEO's Group Balanced Scorecard at the start of each financial period;
(ix) To oversee the succession planning, talent management and performance evaluation of executives in key management positions;
(x) To consider and recommend solutions on issues of conflict of interest affecting Directors; and
(xi) To assess annually that Directors and key senior management executives are not disqualified under section 56 of the BAFIA.

The NRC held six meetings during the 6-month financial period ended 31 December 2011. Members of NRC and details of meeting attendance by members are stated on page 121 of this Annual Report.

Risk Management Committee ("RMC")

The responsibilities of the Risk Management Committee for risk oversight include, amongst others, the following:

(i) To develop and foster a risk aware culture within the Bank;
(ii) To review and approve risk management strategies, risk frameworks, policies, risk tolerance and risk appetite limits, adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which they operate effectively;
(iii) To ensure infrastructure, resources and systems are in place for risk management, i.e. that the staff responsible for implementing risk management systems perform those duties independently of the financial institution's risk taking activities;
(iv) To review and assess the appropriate levels of capital for the Bank, vis-à-vis its risk profile;
(v) To review and recommend strategic actions to be taken by the Bank for Board's approval;
(vi) To review and approve new products and ensure compliance with the prevailing guidelines issued by BNM or other relevant regulatory body;
(vii) To oversee the resolution of BNM Composite Risk Rating findings for Maybank Group;
(viii) To oversee the specific risk management concerns in the business units that leverage on the Embedded Risk Units in the business units; and
(ix) To review and approve model risk management and validation framework.

The RMC usually convenes nine meetings in every financial year with additional meetings convened to attend to urgent matters that require its deliberation. During the 6-month financial period ended 31 December 2011, four meetings were held. The Chairman and a majority of the Committee's members are Independent Non-Executive Directors. Members of the RMC and details of attendance by members are stated on pages 121 of this Annual Report.

Employees' Share Scheme Committee ("ESS Committee")

The Employees' Share Scheme ("ESS") was established to serve as a long-term incentive plan as well as to align the interests of employees with the objectives of Maybank Group to create sustainable value enhancement for the organisation and the shareholders. The first offer under the ESS was made on 23 June 2011 to all eligible employees.

The Board had delegated to the ESS Committee the responsibility of determining all questions of policy and expediency arising from the administration of ESS and to generally undertake the necessary to promote the Bank's best interest.

The broad responsibilities of the ESS Committee as outlined in its Terms of Reference include to administer the ESS and to recommend the financial and performance targets/criteria to the Board for approval prior to implementation and such other conditions as it may deem fit.

All members of the ESS Committee are Non-Executive Directors. Meetings are held as and when the ESS Committee is required to deliberate on urgent matters.

Four meetings of the ESS Committee were held during the 6-month financial period ended 31 December 2011 under review.

Members of the ESS Committee and details of meeting attendance by members are stated on page 121 of this Annual Report.

EXECUTIVE LEVEL MANAGEMENT COMMITTEES ("ELC")

The PCEO, with the Board's support, has established various ELCs and delegated some of his authority to assist and support the relevant Board Committees in the operations of the Bank. The key ELCs, which are mostly chaired by the PCEO or the Group Chief Financial Officer, are as follows:-

- Group Executive Committee
- Group Management Credit Committee
- Internal Audit Committee
- Executive Risk Committee
- Asset and Liability Management Committee
- Group Staff Committee
- Group Procurement Committee
- Group IT Steering Committee

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

Investor Relations ("IR") is an important part of Maybank's corporate governance framework to ensure that shareholders, stakeholders, investors and the investment community, both local and international, are provided with relevant, timely and comprehensive information about the Group. Maybank's dedicated IR unit is committed to providing effective and open communication in order to improve disclosure and transparency.

Maybank is guided by its Investor Relations Policy which provides a framework of procedures and processes upon which Maybank can successfully implement its Investor Relations programme. An Investor Relations programme provides a planned sequence of activities throughout the year to communicate financial results and material developments to Bursa Malaysia Securities Berhad, analysts, investors, shareholders and other stakeholders.

Quarterly Results

For its quarterly financial results, the Group convenes media and analyst briefings and/or conference calls. Presentation slides are made publicly available and can be downloaded via the corporate website at www.maybank.com to provide stakeholders with a better understanding of Maybank's performance.

Conferences and Roadshow

Conferences and roadshow are conducted locally and overseas whereby senior management will communicate the Group's strategy, progress of its various initiatives and updates for stakeholders to understand Maybank's operations performance better.

Website

Maybank's corporate website, at www.maybank.com, houses information on the Group including corporate profile, senior management, investor information, financial results, corporate news and Maybank's subsidiaries. Visitors can also get the latest updates on Maybank by email and RSS. Bursa Link is another source of information to the stakeholders which is available on Bursa Malaysia website at www.bursamalaysia.com.

Annual Report

Maybank's Annual Report provides a comprehensive report on the Group's direction and financial performance, providing full disclosure and complying with the relevant regulation. The annual reports are also printed in summary form together with a CD ROM. An online version of the Annual Report is also available at Maybank's corporate website.

Media Coverage

Media coverage on the Group and senior management is also initiated proactively at regular intervals to provide wider publicity and improve general understanding of the Group's business among investors and the public.

Credit Rating

Maybank maintains its credit ratings by rating agencies Standard and Poor's, Fitch Ratings and Moody's Investors Services, RAM Ratings and MARC as part of providing an independent flow of information to stakeholders as well as to the general public.

For more information on the investor relations activities conducted during the period, please refer to page 96.

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Contact Details of IR Spokespersons

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GENERAL MEETINGS

The Group's EGMs and AGMs represent the primary platforms for direct two-way interaction between the shareholders, Board and management of the Group. In deference to shareholder democracy and the transparency policy adopted by the Group, shareholders' approval is required on all material issues including, but not limited to, the election and appointment of Directors, material mergers, acquisitions and divestments exercises, as well as the appointment of auditors and final dividend payments.

During the last AGM held on 29 September 2011, the attendance of the shareholders was very encouraging as evidenced by the presence of 1,879 shareholders.

In addition to the AGMs and EGMs, shareholders and market observers are also welcomed to raise queries at any time through the Corporate Affairs and Group Strategy Management Divisions.

ACCOUNTABILITY AND AUDIT

Financial Reporting and Disclosure

The Board has a fiduciary responsibility and takes it upon itself to present to the shareholders and the public at large, a clear, balanced and meaningful evaluation of the Group's financial position, performance and prospects. In order to meet the fiduciary responsibility expected of the Board, the Board with the assistance of the Audit Committee oversees the financial reporting process and the quality of the Group's financial statements to ensure that the reports present a true and fair view of the Group's performance.

The Board also ensures that the financial treatment of the consolidated accounts under the Group is based on the more stringent requirements and that the financial statements of Maybank are in compliance with the Malaysian Accounting Standards Board ("MASB")'s requirements, which in turn are in accordance with the International Accounting Standards ("IAS").

The scope of the disclosure includes a review of the main sources of revenue by business activity and geography, past year performance analysis and financial adequacy, together with detailed explanation of the changes in the statement of financial position and statement of comprehensive income, to facilitate better understanding of the Group's operations. In addition to the Audited Report, the Group also releases its unaudited quarterly financial results on a timely basis. These are accessible on Maybank and Bursa Malaysia's website.

Internal Controls

The Board has overall responsibility for maintaining sound internal control systems that cover financial controls, operational and compliance controls and risk management to ensure shareholders' investments, customers' interests and the Group's assets are safeguarded.

The systems of internal controls are continuously reviewed to ensure that they are working via the ongoing review through internal audit process. The Audit Committee ("AC") regularly evaluates the effectiveness and adequacy of the Group's internal control systems by reviewing the actions taken on internal control issues identified in reports prepared by Group Internal Audit during its monthly meetings. The AC also reviews audit recommendations and management's responses to these recommendations.

The Statement on Internal Control is furnished on page 131 of this Annual Report and this provides an overview of the state of internal controls within the Group.

Whistleblowing Policy

The Board is satisfied that an adequate framework on whistleblowing, known as the Integrity Hotline (formerly Fraud Reporting Hotline) is in place, which has been implemented since 2004. All employees can raise their concerns regarding any misconduct or wrongdoing such as fraud, criminal activities, dishonesty and malpractice committed by another employee or any person who has dealings with the Group via the following channels:

- Toll-Free Message Recording Line at 1-800-38-8833 or for Overseas at 603-20268112
- Protected Email Address at integrity@maybank.com.my
- Secured P.O. Box Mail Address at P.O. Box 11635, 50752 Kuala Lumpur, Malaysia

The above mechanism protects employees who contemplate to "blow the whistle" against victimisation and harassment. Confidentiality of all matters raised and the identity of the whistleblower are protected under the Whistleblowing Policy. Concerns raised anonymously will also be considered provided they are clear and specific. Further details of the Policy are set out on page 513 of this Annual Report.

Relationship with the Auditors

Internal Auditors

The Group Internal Audit reports functionally to the Audit Committee ("AC") of the Bank and has unrestricted access to the AC. Its function is independent of the activities or operations of other operating units. The Group Internal Audit regularly audits the risk management, operating effectiveness of internal controls, compliance with internal and regulatory requirements across the Bank and the Group. The audit reports which provide the results of the audit conducted along with audit recommendations and management's responses to these recommendations are tabled to the AC on monthly basis. The Chief Audit Executive is invited to attend the AC meetings to facilitate the deliberation of the audit reports. The minutes of the AC meetings are subsequently tabled to the Board for information and serve as useful references especially if there are pertinent issues that the AC members wish to highlight to the full Board.

External Auditors

The AC and the Board place great emphasis on the objectivity and independence of the Bank's Auditors, namely Messrs. Ernst & Young, in providing the relevant and transparent reports to the shareholders. As a measure of ensuring full disclosure of matters, the Bank's Auditors are regularly invited to attend the AC meetings (as well as the Annual General Meetings), apart from the twice yearly discussions with the AC without the presence of the senior management.

A full report of the AC outlining its role in relation to the internal and external auditors is set out on pages 134 to 138 of this Annual Report.

Maybank Group's Code of Ethics and Conduct

In addition to the Directors' Code of Ethics as set out in the BNM/GP7-Part 1 Code of Ethics: Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry, and the Company Directors' Code of Ethics established by the Companies Commission of Malaysia, the Group also has a Code of Ethics and Conduct that sets out the sound principles and standards of good practice in the financial services industry, which are observed by the Directors and employees. Both Directors and employees are required to uphold the highest integrity in discharging their duties and in dealings with stakeholders, customers, fellow employees and regulators. This is in line with the Group's Core Values which give emphasis on behavioural ethics when dealing with third parties and fellow employees.

Corporate Integrity Pledge

Maybank Group reinforces its commitment to a high level of accountability and transparency by being the first financial institution in Malaysia to sign to the Malaysian Corporate Integrity Pledge in August 2011.

The Pledge is as a result of collaboration among:-

- Bursa Malaysia Berhad;
- Companies Commission of Malaysia;
- Malaysian Institute of Integrity;
- Malaysian Anti-Corruption Commission & NKRA Corruption Monitoring & Coordination Division;
- Securities Commission Malaysia; and
- Transparency International Malaysia and the Performance Management and Delivery Unit (PEMANDU), Prime Minister's Office.

This declaration signifies to the public that the Group supports and upholds Anti-Corruption Principles for Corporations in Malaysia as well as work towards creating a business environment that is free from corruption in the conduct of its business and in its interactions with its business partners and the Government.

Corporate Responsibility

The Board is satisfied that a good balance has been achieved between value creation and corporate responsibility. Details of the Group's corporate responsibility initiatives are set out on pages 92 to 95 of this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION AS AT 31 DECEMBER 2011

1. Utilisation of Proceeds

(a) RM2.0 billion Tier 2 Capital Subordinated Notes – issued on 15 August 2011.
The proceeds raised from the RM Subordinated Notes is for the purpose of funding Maybank's working capital and other corporate purposes.

(b) RM750 million Tier 2 Capital Subordinated Notes – issued on 28 December 2011.

statement on corporate governance

The proceeds raised from the RM Subordinated Notes is for the purpose of funding Maybank's working capital and other corporate purposes.

(c) RM250 million Tier 2 Capital Subordinated Notes – issued on 28 December 2011.

The proceeds raised from the RM Subordinated Notes is for the purpose of funding Maybank's working capital and other corporate purposes.

(d) Dividend Reinvestment Plan ("DRP") – Ongoing.

The net proceeds from the DRP (after deducting estimated expenses for the DRP) is for the purpose of funding the continuing growth and expansion of the Maybank Group.

2. Share Buy-back

Maybank did not make any proposal for share buy-back during the 6-month financial period ended 31 December 2011.

3. Options, warrants or convertible securities

Maybank did not issue any options, warrants or convertible securities during the 6-month financial period ended 31 December 2011, save and except for the options issued pursuant to the Employees' Share Scheme.

4. Imposition of sanctions and/or penalties

There were no sanctions and/or penalties imposed on Maybank and its subsidiaries, directors or management by the relevant regulatory bodies, which were made public during the 6-month financial period ended 31 December 2011.

5. Non-audit fees

Non-audit fees payable to the external auditors, Ernst & Young, for the period amounted to RM5,561,000 for the Group and RM1,516,000 for the Bank.

6. Variation in results

There was no profit forecast issued by Maybank and its subsidiary companies during the 6-month financial period ended 31 December 2011.

7. Profit guarantee

There was no profit guarantee issued by Maybank and its subsidiary companies during the 6-month financial period ended 31 December 2011.

8. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders, either still subsisting at the end of the six-month financial period ended 31 December 2011 or entered into since the end of the previous financial period.

9. Valuation Policy

The Company does not re-value its landed properties classified as Property and Equipment. The revaluation policy on landed properties classified as Investment Properties are disclosed in Note 3.3 (x) of the financial statements.

10. Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")

The Company did not seek any mandate from its shareholders nor enter into RRPT, which are necessary for its day-to-day operation on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders for the 6-month financial period ended 31 December 2011.

This statement is made in accordance with a resolution of the Board dated 19 January 2012.

TAN SRI DATO' MEGAT ZAHARUDDIN MEGAT MOHD NOR
Chairman of the Board

statement on internal control

(6 months financial period ended 31 December 2011)

RESPONSIBILITY

The Board of Directors (the Board) acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard the shareholders' interest and the Group's assets. The Board is of the view that the Group's system of internal control is designed to identify, manage and control the Group's risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable, rather than absolute assurance of effectiveness against material misstatement of management and financial information or against financial losses and fraud.

The Board has established appropriate control structures and processes for identifying, evaluating, managing, and monitoring significant risks that may affect the achievement of business objectives. The control structure and process which has been instituted throughout the Group is updated and reviewed from time to time to suit the changes in the business environment and this on-going process has been in place for the 6 months financial period under review.

The role of Management includes identifying and evaluating the risks faced by the Group, formulating related policies and procedures to manage these risks, designing, operating and monitoring a suitable system of internal control, and implementing the policies approved by the Board.

Internal Control Structure

The key processes that the Board have established in reviewing the adequacy and integrity of the Group's internal control systems include the following:-

Risk Management Framework

- Establishment of an organisation structure with clearly defined lines of responsibility, authority limits and accountability aligned to business and operations requirements which support the maintenance of a strong control environment. It has extended the responsibilities of the Audit Committee of the Board ("ACB") to include the assessment of internal controls, through the Internal Audit function.

- Delegation of responsibility to the Risk Management Committee (RMC) to review the effectiveness of risk management. The Group Risk Management function meanwhile facilitates to institutionalise the continuous monitoring and evaluating of the Bank's risk management system. Any approved policy and framework formulated to identify, measure and monitor various risk components would be reviewed and recommended by the RMC to the Board. Additionally, the RMC reviews and assesses the adequacy of these risks management policies and ensures infrastructure, resources and systems are emplaced for risk management.

- Streamlining of the risk management frameworks, policies, procedures and organisation structures across business units, overseas units and subsidiaries of the Group in order to embed and enhance the risk management culture across the Group given the company's regional growth plans.

- Regular updating of risk management principles, policies, procedures and practices to ensure relevance and compliance with current/applicable laws and regulations. The Group also adopted a whistle blowing policy, providing an avenue for employees to report actual or suspected malpractice, misconduct or violations of the Group's policies and regulations in a safe and confidential manner.

- Implementation of Management Control Policy (MCP) and Internal Control Policy (ICP). The MCP outlines the specific responsibilities of Management, the Internal Audit Committee ("IAC") and the ACB pertaining to internal control for the Group. The ICP is to create awareness among all employees on the internal control components and the basic control policy of the Group.

- Implementation of Anti-Fraud Framework which provides broad principles, strategy and policy for the Group to promote high standard of integrity. The Framework establishes robust and comprehensive programmes and controls for the Group as well as highlights the roles and responsibilities at every level for preventing and responding to fraud.

statement on internal control

(6 months financial period ended 31 December 2011)

- Establishment of the three (3) lines of Defence Concept – risk taking units, risk control units and internal audit. The risk taking units manage the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting the risk management framework and developing tools and methodologies. Complementing this is internal audit, which provides independent assurance of the effectiveness of the risk management approach.

Internal Audit Function

- The Internal Audit function includes undertaking regular reviews of the Group's operations, the systems of internal control by performing regular reviews of the business processes to examine and evaluate the adequacy and efficiency of financial and operating controls and highlights significant risks and non compliance impacting the Group. Where applicable, they provide recommendations to improve on the effectiveness of risk management, control and governance process. Management will follow up and review the status of actions on recommendations made by the internal and external auditors. Audits are carried out on units that are identified premised on a risk based approach, in cognisance with the Group's objectives and policies in the context of its evolving business and regulatory environment.

- The IAC is a management committee chaired by the GCFO and comprises senior level representatives from various business and support units of the Bank. The IAC meets on a scheduled basis to deliberate on the findings of all signed audit and investigation reports and decide on the appropriate action required to resolve audit issues covering all aspects of the Bank's business and operations. Where required, representatives from the parties being audited are requested to attend the IAC meeting to enable more detailed deliberation and timely resolution of the matter at hand. The IAC also follows up on the actions required by the ACB. The IAC held 10 meetings during the 6 months financial period ended 31 December 2011.

- The ACB meets on a scheduled basis to review any internal control exceptions or non-compliance identified in reports prepared by Internal Audit, the external auditors, regulatory authorities and further evaluates the effectiveness and adequacy of the Group's internal control system. The ACB has active oversight on the internal audit's independence, scope of work and resources. It also reviews the Internal Audit function, particularly the scope of the annual audit plan and frequency of the internal audit activities. The minutes of the ACB are tabled to the Board on a monthly basis. The ACB held 8 meetings during the 6 months financial period ended 31 December 2011.

Other key elements of internal control

The other key elements of the procedures established by the Board that provides effective internal control include:-

- An annual business plan and budget is submitted to the Board for approval. Actual performances are reviewed against the targeted results on a monthly basis allowing timely responses and corrective actions to be taken to mitigate risks. The Board reviews regular reports from the Management on progress of strategies and the key operating statistics, as well as legal and regulatory matters. The Board determines and approves any changes or amendments to the Group's policies.

- Several Board Committees are set up to assist the Board to perform its oversight function namely Credit Review Committee, Nomination and Remuneration Committee and Employee Share Scheme Committee. Specific responsibilities have been delegated to these Board Committees with clear terms of reference. These Committees have the authority to examine all matters within their scope and report to the Board with their recommendations. For more details on the various Board Committees, please refer to page 125.

- Various Executive Level Management Committees (ELC) are also established by Management to assist and support the various Board Committees to oversee the core areas of business operations. These ELCs include the Group Executive Committee, Group Management Credit Committee, Executive Risk Committee, Asset & Liability Management Committee, Group Procurement Committee, Group IT Steering Committee, Group Staff Committee and Human Resource Disciplinary Committee.

- Recruitment and promotion policies/guidelines within the Group are established to ensure appropriate persons of calibre are selected to fill available positions. Formal training programmes either face-to-face or through e-learning, semi and annual performance appraisals and other relevant procedures are in place to ensure that staff are competent and adequately trained to enable them to discharge their duties and responsibilities effectively. Proper guidelines are also drawn up for termination of staff.

- A clearly defined framework with appropriate empowerment and authority limits has been approved by the Board for acquisitions and disposals of assets, awarding tenders, writing off operational and credit items, donations, as well as approving general and operational expenses.

- There are policies and procedures in place to ensure compliance with internal control and the prescribed laws and regulations which are set out in the Group's Standard Practice Instruction and are updated periodically in tandem with changes to the business environment or regulatory guidelines.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Internal Control for inclusion in the annual report for the 6 months financial period ended 31 December 2011.

Based on their review in accordance with the "Recommended Practice Guide 5: Guidance for Auditors on the Review of Directors' Statement on Internal Control" ("RPG 5") issued by the Malaysian Institute of Accountants, the external auditors have reported to the Board that nothing had come to their attention that causes them to believe that the Statement on Internal Control is inconsistent with their understanding of the processes the Board have adopted in the review of the adequacy and integrity of the internal control of the Group.

audit committee report

Tan Sri Hadenan A. Jalil
(Chairman)

Cheah Teik Seng
(Member)

Dato' Johan Ariffin
(Member)

Dato' Sreesanthan Eliathamby
(Member)

A. COMPOSITION AND TERMS OF REFERENCE

Composition

1. The Committee shall be appointed by the Board of Directors from amongst its non-executive directors and shall consist of at least (3) three members. The Chairman and the majority of the Audit Committee members must be independent directors and at least one (1) member of the committee must be:-
    - a member of the Malaysian Institute of Accountants (MIA); or
    - if he is not a member of the MIA, he must have at least three (3) years working experience; and
        i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
        ii he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.

2. Where the Chairman is unable to attend the meeting, the members shall elect a person among themselves as Chairman.

3. Review of membership is undertaken once every three (3) years. This review pertains to the terms of office and performance of the members.

Meetings

1. Meetings shall be held at least once a month or at a frequency to be decided by the Committee and the Committee may invite any person to be in attendance to assist in its deliberations. At least once a year, the Committee shall meet with the external auditor without the presence of Management.

2. The Committee will regulate its own procedure particularly with regard to the calling of meetings, the notice to be given of such meetings, the voting and proceedings of such meetings, the keeping of minutes, and, the custody, production and inspection of such minutes.

3. Upon the request of the external auditor, a meeting is to be convened to consider any matter that the auditor believes should be brought to the attention of the directors and shareholders.

Quorum

The quorum shall be two (2), both of whom are to be independent directors.

Secretary

The General Counsel & Company Secretary, En. Mohd Nazlan bin Mohd Ghazali is the Secretary to the ACB.

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Authority

The Committee is authorised by the Board to:

1. Investigate any activity or matter within its terms of reference.

2. Promptly report to Bursa Malaysia Securities Berhad ("Bursa Securities") matters which have not been resolved satisfactorily, thus, resulting in a breach of the Bursa Securities Listing Requirements.

3. Obtain external independent professional advice, legal or otherwise deemed necessary.

4. Maintain direct communication channels with external auditors, person(s) carrying out the internal audit function or activity, and with senior management of the Bank and its subsidiaries.

5. Convene meetings with internal and external auditors, without the attendance of the management, whenever deemed necessary.

In discharging the above functions, the ACB has also been empowered by the Board to have:-

- Necessary resources which are required to perform its duties.
- Full and unrestricted access to any information and documents relevant to its activities.

B. DUTIES & RESPONSIBILITIES

The primary duties and responsibilities of the ACB with regards to the Maybank Group's Internal Audit function, external auditors, financial reporting, related party transactions, annual reporting and investigation are as follows:-

1. Internal Audit

- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function, Internal Audit Charter and that it has the necessary authority to carry out its work.
- Review the internal audit reports and to ensure that appropriate and prompt remedial action is taken by Management on lapses in controls or procedures that are identified by internal audit.
- Approve the appointment or termination of the Chief Audit Executive and Heads of Department of Internal Audit.
- Assess the performance of the internal auditor; determine/approve the remuneration and annual increment of the internal auditor.
- Take cognisance of resignation of internal audit staff and the reason for resigning.

2. External Audit

- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board.

- Assess the qualification, expertise, resources and effectiveness of the external auditors.

- Monitor the effectiveness of the external auditors' performance and their independence and objectivity.

- Review the external auditors' audit scope and plan, including any changes to the planned scope of the audit plan.

- Review major audit findings raised by the external auditors and Management's responses, including the status of previous audit recommendations.

- Review the assistance given by the Group's officers to the external auditors and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.

- Approve non audit services provided by the external auditors.

3. Financial Reporting

Review the quarterly and year-end financial statements focusing on:-

- any changes in accounting policy and practices.
- significant and unusual events and
- compliance with applicable Financial Reporting Standards and other legal and regulatory requirements.

4. Related Party Transactions

Review any related party transactions and conflict of interest situations that may arise within the Bank or Maybank Group including transactions, procedures or courses of conducts that may raise questions of Management's integrity.

audit committee report

5. Annual Report
Report the Audit Committee's activities for the financial year.

6. Investigation
Instruct the conduct of investigation into any activity or matter within its terms of reference.

7. Other Matters
Other matters as the Committee considers appropriate or as authorised by the Board of Directors.

C. ACTIVITIES OF THE AUDIT COMMITTEE DURING THE 6 MONTHS PERIOD

During the year under review, the Audit Committee in the discharge of its duties and functions carried out the following activities:

Attendance of meetings

A total of eight (8) meetings were held during the six months financial period ended 31 December 2011. The details of attendance of each of the member at the Committee meetings held during the year are as follows:-

	Composition and name of committee member	No. of meetings attended during the period under review
1	Tan Sri Datuk Dr Hadenan A. Jalil (Chairman) – Appointed on 15/7/2009 – Independent Non-Executive Director	8/8
2	En Cheah Teik Seng (member) – Appointed on 26/8/2009 – Independent Non-Executive Director	7/8
3	Dato' Johan Ariffin (member) – Appointed on 26/8/2009 – Independent Non-Executive Director	8/8
4	Dato' Sreesanthan Eliathamby (member) – Appointed on 27/10/2010 – Non-Independent Non-Executive Director	7/8

The Audit Committee consists of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. One of the members (En Cheah Teik Seng) is a Fellow of the Institute of Chartered Accountants in England and Wales.

This meets the requirement of the Bursa Securities Listing Requirements which requires at least one qualified accountant as a member of the Audit Committee.

The Audit Committee meets on a scheduled basis. The Group Chief Financial Officer (GCFO) and the Chief Audit Executive (CAE) are invited to attend the meetings. The External Auditors are also invited to discuss their management letters, Audit Planning Memorandum and other matters deemed relevant.

In addition to the scheduled meetings, the members of the Audit Committee also had one (1) one-to-one session with the External Auditors without the presence of the Management as required.

The Audit Committee also meets to discuss and review the quarterly unaudited financial results and the annual audited financial statements of the Bank and the Maybank Group. The President & Chief Executive Officer (PCEO) and the Group Chief Financial Officer (GCFO) are invited to attend these meetings, together with the External Auditors.

Internal Audit (IA)

1. Reviewed the annual internal audit plan for the financial year 2011/2012 to ensure adequate scope, coverage over the activities of the Bank and the Group and the resource requirements of internal audit to carry out its functions.

2. Reviewed the internal audit reports, audit recommendations and management's responses to these recommendations.

3. Reviewed the status report on Management's efforts to rectify the outstanding audit issues to ensure control lapses are addressed.

4. Reviewed the monthly audit performance reports to ensure the adequacy, performance, progress, achievement, coverage of the internal audit functions and noted the reasons for the resignation of audit staff.

5. Reviewed the audit reports issued by regulatory authorities, Management's responses to the Regulators' recommendations and the remedial actions taken to rectify the weaknesses detected.

6. Reviewed the minutes of meetings of the subsidiary companies' ACB for an overview of the risk management and internal control systems of those subsidiary companies.

7. Provided independent evaluation on the performance and remuneration package of audit staff in accordance with the regulatory requirements.

8. Instructed the conduct of investigation into any activity or matter within its terms of reference.

9. Reviewed the Audit Committee Report and Statement on Internal Control.

10. Reviewed the minutes of meetings of the Internal Audit Committee for an overview of the deliberation and remedial actions taken by Management on the control lapses raised by internal auditors.

Financial Reporting

11. Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Bank and the Maybank Group to ensure that the financial reporting and disclosure requirements are in compliance with accounting standards, with special focus placed on changes in accounting policy, as well as significant and unusual events/ transactions.

External Audit

12. Reviewed with the external auditors:-
    - The Audit Planning Memorandum and scope of work for the year.
    - The results of the audit, the relevant audit reports and Management Letters together with Management's responses/comments to the findings.

13. Approved the non-audit services provided by the external auditors.

14. Evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment.

Directors' Training

15. The training attended by the Committees is reported under the Statement on Corporate Governance in pages 116 to 130.

E. INTERNAL AUDIT FUNCTION

The Group has a well established in-house Internal Audit (IA) to assist the Board of Directors to oversee that Management has in place a sound risk management, internal control and governance system. The total costs incurred for maintaining the IA function for 6 months financial period ended 31 December 2011 was approximately RM17.0 million, comprising mainly salaries, travelling and accommodation expenses and subsistence allowances for audit assignments.

The internal audit function is guided by its Audit Charter and reports functionally to the ACB of the Bank and administratively to the President & Chief Executive Officer, and is independent of the activities or operations of other operating units. The principal responsibility of IA is to undertake regular and systematic reviews of the systems of internal control, so as to provide reasonable assurance that such systems continue to operate efficiently and effectively. The scope of coverage of IA encompasses all units and operations of the Bank, including the subsidiaries. The selection of the units to be audited from the audit universe leading to the formulation of the audit plan is premised on a risk based approach and it is the responsibility of the IA to provide the ACB with an independent and objective report on the state of affairs of the risk management, internal control and governance processes.

The internal audit function for Maybank operations and its subsidiary companies in Malaysia and Papua New Guinea is organised on a Group basis within Maybank. Technical support in the areas of credit risk, market risk, information technology systems and developmental initiatives are centrally driven to ensure consistency of standards and applications. When approving the Annual Audit Plan, the ACB reviews Maybank IA's human resource requirements to ensure that the function is adequately and appropriately resourced. The internal audit functions for the respective subsidiary companies in Philippines, Indonesia, Singapore and Thailand are organised and supported by the respective resident internal audit teams with direct accountability to the respective Board Audit Committees of these subsidiary companies.

The audit reports which provide the results of the audit conducted in terms of the risk management of the unit, operating effectiveness of internal controls, compliance with internal and regulatory requirements and overall management of the unit are submitted to the respective ACB for their review. Key control issues, significant risks and recommendations are highlighted, along with Management's responses and action plans for improvement and/or rectification, where applicable. This enables the ACB to execute its oversight function by forming an opinion on the adequacy of measures undertaken by Management.

The International Professional Practices Framework (IPPF) issued by The Institute of Internal Auditors (IIA), the Practice Advisories issued by the IIA, the Guidelines on Internal Audit Functions, Bank Negara Malaysia's Guidelines on Internal Audit Function of Licensed Institutions and Guidelines on Management of IT Environment are used where relevant as authoritative guides for internal auditing procedures.

audit committee report

During the period under review, the following activities were carried out by IA:-

1. Executed independent assurance role through programmed reviews of units and operations identified on a risk based audit approach in the annual audit plan, to evaluate and improve the effectiveness of risk management, internal control and governance processes.

2. Reviewed the adequacy and appropriateness of the internal controls and risk exposures in the new products/financing packages.

3. Ascertained the extent of compliance with established policies and procedures and statutory requirements.

4. Besides the risk assurance activities, IA also conducts audits on computer hardware, operating and application systems as well as the information communication technology (ICT) network of Maybank Group.

5. Carried out ad hoc assignments and special reviews as instructed by the ACB.

6. Recommended improvements and enhancements to the existing system of internal control and work procedures/ processes.

7. Developed an annual audit plan premised on a risk based approach and in cognisance with the Group's objectives and policies in the context of its evolving business environment, taking into consideration input from Senior Management and the ACB.

8. Carried out audit investigation into activities or matters as instructed by the ACB and Senior Management.

9. Witnessed the tender opening process for procurement of services.

10. Preparation of Audit Committee Report and Statement on Internal Control for the Company's Annual Report for six months financial period ended 31 December 2011.

risk management

"We continue to build on our existing capabilities to enhance and embed a right risk culture across the Group so that we can better optimise our risk-return tradeoffs to enhance our shareholders value and to serve our customers more effectively."

Highlights

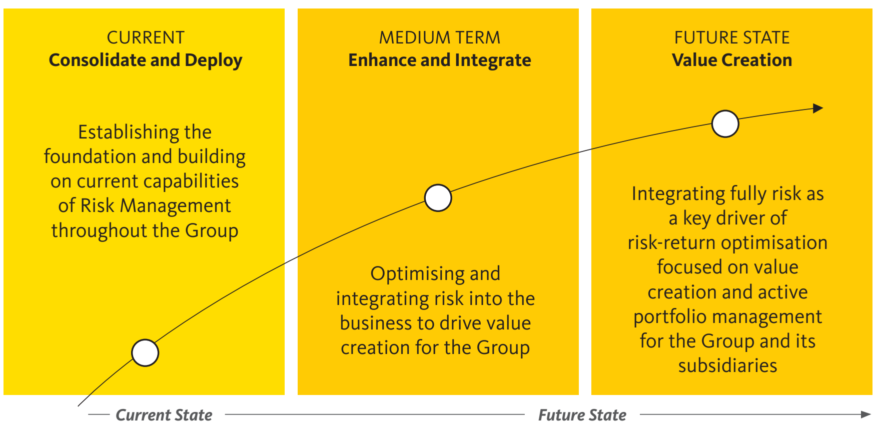
- Articulated our risk appetite to better link our business strategies with our risk taking capacities and optimise our risk-return tradeoffs;
- Strengthened our risk governance to embed and enhance our risk management and risk culture across the Group, given our regional growth plans;
- Streamlined our risk reporting to have more effective risk oversight of our risks across the Group, given the increasing complexity and uncertainties of our market place and our expansion plans; and
- Developed a risk competency framework to allow us to continue to develop and up-skill our risk professionals.

Amidst the various risk factors impacting the Group's business operations, which include changing regulatory landscape, external competitive environment and economic landscape, the Group continues to plan, monitor and respond to these internal and external risk factors in an anticipative manner. This was further accomplished through the implementation of a Risk Transformation Programme ("RTP").

The key objective of the RTP is to redesign the current state risk architecture of the Group to align the capabilities of the Group risk function to the strategic aspirations of the Group. The RTP is aimed at enhancing our overall risk management processes globally, increase our ability to manage risks in all markets that we operate in, improve business responsiveness, optimise our risk-return capabilities, and be a market leader and thought leader in risk management in the region.

OVERVIEW

During the financial period ended 31 December 2011, the Maybank Group continues to take proactive measures to manage various risks posed by the rapidly changing business environment. These risks, which include credit risk, market risk, liquidity risk, reputational risk, business risk, strategic risk and operational risk, are systematically managed within the Group's risk management framework.



Highlights of key risk achievements and measures undertaken by the Group for the period, some of which are resultant from the RTP initiatives, are as follows:

- Risk Weighted Assets (RWAs) Optimisation – Embarked on various initiatives ranging from development of new rating models, rigorous model reviews, managing stale ratings, re-classification of assets, enhancement of collateral management, etc, to optimise risk weighted assets, which in turn would enhance our capital management and utilisation.
- Improve Credit Decisioning – Re-engineered end to end credit processes, from marketing (first contact with customer) up to loan disbursement for different business segments namely, Global Wholesale Banking (GWB), SME Banking and Business Banking, to turn-around our credit decisions faster without necessarily compromising our risks.
- Risk Reports Rationalisation & Standardisation – Assessed the current inventory of risk reports produced to identify consolidation cum streamlining opportunities to standardise our risk reporting across the Group.
- Risk Competency Framework – Developed a comprehensive risk talent blueprint to clearly articulate core risk competencies required by Maybank's risk professionals, defined the training curriculum to build the required risk capabilities and support the management of career progression pathways and succession planning.
- Credit Policy Architecture – Developed Credit Policy Architecture across the Group to improve the governance and streamline credit risk management.
- Risk Appetite Statement & Framework – Articulated our risk appetite to better link our business strategies with our risk taking capacities and to optimise our risk-return tradeoffs.
- Enhanced Risk Governance – Enhanced our risk governance over the Embedded Risk Units, Overseas Units and Group subsidiaries to improve our risk oversight and management across the Group.
- IT Risk Infrastructure – Reviewed our IT Risk infrastructure in order to consolidate the infrastructure to promote (i) business process efficiency, (ii) alignment with enterprise-wide infrastructure architecture, and (iii) single system of truth, thus reducing IT infrastructure cost.
- Intitutionalise Operational Risk Management – Continued efforts to institutionalise Operational Risk Management for the Group by empowering business in driving operational risk ownership and transforming the corporate culture to be "ORM Aware".
- Treasury Risk Management System (TRMS) – Implemented TRMS with target benefits to be derived from the complete implementation at all centres as follows:
    - Ensure robust risk oversight capabilities;
    - Embed leading risk practices;
    - Promote greater synergy & facilitates holistic overview; and
    - Enhance special capabilities & skill sets via global deployment.
- Benchmarking Exercises – Conducted risk practices benchmarking against leading practices to produce the best in house practices and stay ahead of the curve.

Risk Governance Structures

Board of Directors

The Board of Directors is Maybank Group's "ultimate governing body" who has overall risk oversight responsibility. It approves the Group's risk management framework, risk appetite, plans and performance targets for the Group and its principal operating subsidiaries, the appointment of senior officers, the delegation of authorities for credit and other risks and the establishment of effective control procedures.

Board Level Committees

Risk Management Committee (RMC)

The RMC is a dedicated Board Committee responsible for the risk oversight function within the Group. It is principally responsible to review and approve key risk frameworks and policies for the various risks.

Credit Review Committee (CRC)

The Credit Review Committee (CRC) is tasked by the Board to review fresh or additional loan applications subject to pre-determined authority limits and credit risk ratings as may be recommended by the GMCC.

Executive Level Committees

Executive Risk Committee (ERC)	Group Operational Risk Mgt. Committee (GORMC)	Asset & Liability Mgt. Committee (ALCO)	Group Management Credit Committee (GMCC)

The ERC, GORMC, ALCO and GMCC are Executive Level Committees responsible for the management of all material risks within the Bank. The scope of ERC encompasses all risks type, whilst the GORMC caters specifically to operational risk matters. The ALCO is primarily responsible for the development and implementation of broad strategies and policies for managing the consolidated balance sheet and associated risks. The GMCC is empowered as the centralised loans approval committee for the Group.

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To further enhance governance over the Embedded Risk Units, Overseas Units and Group subsidiaries, an enhanced risk governance was implemented with the following objectives:

- To align risk management practices across the Group.
- To align the implementation of Group's risk frameworks and policies.
- To enhance risk oversight by 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.
- To improve scalability and repeatability of risk management functions in supporting the Group's regional growth.

Enterprise Risk Management

Enterprise Risk Management Tools employed include the following:

Risk Reporting

The various reports produced enable the Group to have an oversight of the risks faced in the Group:

- Risk Heat Map highlights the key risks facing the Group and the trend of these risks. This is reported to the Board on a quarterly basis.
- Enterprise Risk Dashboard tracks the key enterprise risk metrics/indicators, which are levers that impact capital adequacy, efficiency of capital usage, profitability, asset quality and reputation, of the Group. It also provides on exception basis, the major Group entities' key risk concerns. This is reported to the RMC and ERC on a monthly basis.
- ICAAP reports analyse all material risks faced by the Group and assess the adequacy of our capital to support them.
- Stress test reports serve as a forward-looking risk and capital management tool to understand our risk profile under extreme but plausible conditions. Stress testing is conducted at least on a half-yearly basis, and as and when there is a trigger event.
- Industry research reports provide an assessment of industry risk and guide credit originators on risk avoidance or lending opportunities based on the outlook of the industry under review.
- Business continuity plans aim in ensuring business continuity and people safety in event of disruption and disaster.
- Regulatory examination reports highlight regulatory issues from our home and host regulatory authorities so as to ensure that all risk gaps as highlighted by the regulators are addressed appropriately.

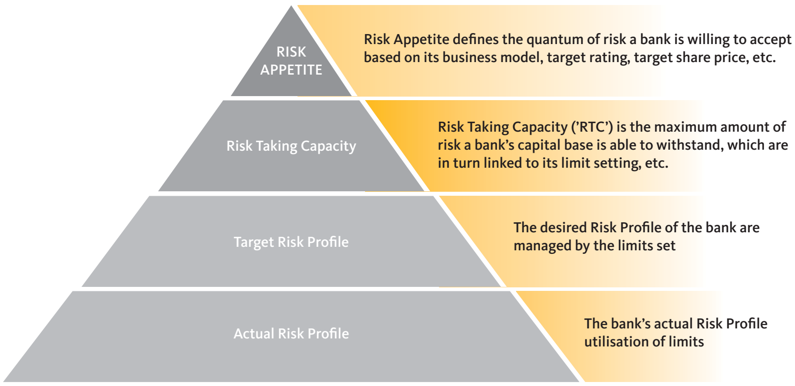
Risk Measurement Tools

Risk measurement tools help the Group understand, quantify and manage the potential impact of the risks faced. Some of these risk measurement techniques employed by the Group are as follows:

- Value-at-risk measures the potential loss of future value resulting from adverse movement in market factors over a specified period of time within a specified confidence level, under a normal business situation.
- Economic value-at-risk focuses on how the economic value of assets, liabilities and off-balance sheet instruments changes with movement in interest rates.
- Probability of default (PD) measures the likelihood that a borrower will default over a given time horizon, exposure-at-default (EAD) measures the amount of facility that is likely to be drawn if a default occurs, and loss given default (LGD) measures the proportion of exposure lost if a default occurs. All these elements when multiplied together generate the result of the expected loss (EL).
- The rest of the measurement tools form the basis for risk adjusted performance management, and with these elements emplaced would improve the overall risk culture, enhance qualitative standards and elevate quantitative measures within the Group.

RISK REPORTING	RISK MEASUREMENT TOOLS	RISK MANAGEMENT SYSTEMS
• Risk Heat Map • Enterprise Risk Dashboard • ICAAP Reports • Group Stress Test Reports • Industry Research Reports • Business Continuity Reports • Regulatory Examination Reports	• Value-at-Risk • Economic Value-at-Risk • Earnings-at-Risk • PD, EAD, LGD • Risk Ratios • Risk-adjusted Return on Capital, Performance Measurement Framework • Return on RWAs	• TRMS Thomson Reuters • SAP Bank Analyzer • Group Exposure Management System • Algo Ops Risk System • Group Collateral Management System • Credit Risk Rating Systems

risk management



Risk Management Systems

The Group has invested extensively on various risk management systems to further enhance its risk management capabilities. These systems include:

- Treasury Risk Management System (TRMS) implemented to ensure more robust risk oversight capabilities over treasury related risks.
- SAP Bank Analyzer, which is a Basel II compliant risk weighted assets (RWA) calculation tool, measures the RWA on an aggregated basis of the various asset classes in the Group.
- Group exposure management system managed the exposure limits at Group level and provides a platform to manage concentration of exposure to single borrowers.
- Algo Operational risk system managed the operational risks of the Group.
- Group Collateral Management system is a central collateral management system, which provides the framework for meeting specific operational and monitoring requirements under Basel II for the use of credit risk mitigation techniques.
- Credit risk rating systems allow the Group to assess and measure borrowers' credit risk based on internal rating models.

Maybank Group's Risk Appetite

The Group's risk appetite statements were articulated and approved by the Board to better link our business strategies with our risk taking capacities and optimize our risk-return tradeoffs. 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.

Effective Capital Management Strategies

The Maybank Capital Management Framework demonstrates top-down and bottom-up steps required to ensure a comprehensive approach to capital management.

Please refer to page 412 to 413 for a more detailed write-up on Capital Management and the ICAAP process.

Please refer to "Basel II Pillar 3 Disclosures" for detailed disclosures and write-ups on Risk Management.

anti-money laundering/counter financing of terrorism policy

Maybank Group is at the forefront of the Government and Bank Negara Malaysia's continuous initiatives and efforts in the prevention of the use of the banking system for illicit, laundering and terrorism financing activities.

The Group demonstrates its full commitment and support to high standards of compliance with the Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) requirements by establishing robust and comprehensive policy, procedures, processes and systems for the prevention and detection of money laundering and terrorist financing activities.

The enterprise-wide AML/CFT programme is subject to periodic reviews to ensure that it remains robust and complies with the requirements of the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 (AMLATFA 2001), the Financial Action Task Force (FATF) Recommendations as well as International best practices.

Key measures undertaken in Maybank Group include having in place the following:

- Policy and procedures which outline the roles and responsibilities as well as establish clear accountability of all employees within the Group;
- Customer Due Diligence measures which emphasise the importance of ascertaining customer's identity and establishing the ultimate economic beneficiary via documentary and/or non documentary mechanisms;
- Sophisticated filtering and effective detection system to scrutinise customers' transactions for reporting of suspicious activities to the Financial Intelligence Unit, Bank Negara Malaysia on timely basis;
- Provision of full and timely disclosure of suspicious transactions/circumstances to the relevant authorities as provided under all applicable laws/respective jurisdictions;
- Record keeping of all identification/transaction details obtained for the purpose of customer identification as well as of all documents in accordance with statutory requirements; and
- Regular communication, supplemented with latest updates on AML/CFT and training programs through various channels were undertaken to raise staff awareness at all levels within the Group.

The extensive infrastructure and resources invested reaffirms the Group's full commitment and strong support to international efforts in combating money laundering, the financing of terrorism and other criminal activities.

Entities within the Group, regardless of geographic locations, are strongly committed in ensuring compliance with the Group-wide AML/CFT Policy as well as applicable AML/CFT legislations within the jurisdiction they operate in adopting the most rigorous standards.

The Group fully co-operates with the enforcement agencies and competent authority in the investigation of money laundering and/or financial crime.

Financial Statements

statement of directors' responsibility

In Respect of the Audited Financial Statements

The directors are required by the Companies Act, 1965 and the Bursa Malaysia's Listing Requirements to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Bank at the end of the financial period and of their results and cash flows for the financial period then ended.

In preparing the 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 have the responsibility for ensuring that the Group and the Bank keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Bank which will enable them to ensure that the financial statements comply with the Companies Act, 1965 and the Bursa Malaysia's Listing Requirements.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Bank and to prevent and detect fraud and other irregularities.

analysis of financial statements

ANALYSIS OF STATEMENTS OF FINANCIAL POSITION

RM billion	Dec 11	Jun 11	Growth
Cash and short-term funds	49.1	38.8	26.5%
Deposits with financial institutions	6.5	10.3	-37.3%
Securities purchased under resale agreements	1.4	-	-
Securities portfolio	68.1	61.0	11.5%
Loans, advances and financing	274.4	254.0	8.1%
Life, general takaful and family takaful fund assets	19.9	19.2	3.7%
Other assets	32.0	28.7	11.6%
Total Assets	**451.3**	**412.0**	**9.5%**
Deposits from customers	313.7	282.0	11.3%
Deposits and placements of banks and Financial Institutions	36.8	33.3	10.4%
Borrowings	7.2	5.4	31.9%
Subordinated debts	14.2	10.8	31.1%
Capital Securities	6.1	6.1	-0.1%
Insurance & Takaful liabilities & policyholders' funds	19.9	19.2	3.7%
Other liabilities	18.8	22.6	-17.1%
Total Liabilities	**416.6**	**379.5**	**9.8%**
Shareholders Funds	33.4	31.5	6.3%
Non-controlling interest	1.2	1.0	22.0%
Total Liabilities & Equity	**451.3**	**412.0**	**9.5%**
Loan-to-deposit Ratio	**87.5%**	**90.1%**	

Total Assets

For the 6-month period ended 31 December 2011, the Group's total assets grew by 9.5% or RM39.3 billion to RM451.3 billion. At the Bank level the total assets rose by 10.3% or RM30.2 billion. The Group's total assets growth was contributed mainly by growth in net loans and advances of RM20.5 billion or 8.1% followed by growth in cash and short-term funds of RM10.3 billion or 26.5% and securities portfolio of RM7.0 billion or 11.5%.

Securities Portfolio

The Group's securities portfolio increased by RM7.0 billion or 11.5% mainly due to increase in money market instruments. 71.3% of the securities portfolio comprised securities available-for-sale, followed by 14.5% of securities held-to-maturity and 14.2% of securities held-for-trading.

Deposits and Placements with Financial Institutions

The Group's deposits and placements with financial institutions declined by RM3.84 billion to RM6.5 billion or a decline of 37.3%.

Life, General Takaful and Family Takaful Fund Assets

This balance sheet item grew by 3.7% to RM19.9 billion as at 31 December 2011, in line with the growing insurance and takaful business of the Group.

Loans, Advances and Financing

The Group's net loans, advances and financing for the 6-month period ended 31 December 2011 grew 8.1% to RM274.4 billion. The Group's gross loans growth came mainly from its overseas operations which recorded a growth of 13.3% compared to domestic loans which grew at 4.7% (please refer to page 55 for details on Group gross loans).

Asset quality continued to improve with net impaired loan ratio improving to 1.86% as at 31 December 2011, compared to 2.25% as at 30 June 2011.

Total Liabilities

Total liabilities of the Group grew by 9.8% or RM37.1 billion to RM416.6 billion for the 6-month period ended 30 June 2011. The bulk of the overall increase was attributed to a growth in deposits from customers.

Deposits from Customers

The Group's customer deposits grew 11.3% or RM31.7 billion to RM313.7 billion while at the Bank level it rose by 10.6% or RM21.4 billion to RM222.9 billion.

The Group's overall deposit funding mix continued to show a shift to a higher reliance on the Group's 'higher cost' fixed deposits which saw an increase to 58.2% from 54.2% of total customer deposits from June 2011. The lower cost fund consisting of savings and demand deposits as a proportion of total customer deposits dipped to 33.5% from 36.1% in June 2011.

Deposits and Placements of Banks and Financial Institutions

This item increased by 10.4% or RM3.5 billion due to the need to access the interbank market to fund the strong loans growth.

Shareholders' Equity

The Group's shareholders' equity rose by 6.3% or RM2.0 billion to RM33.4 billion from 30 June 2011 mainly due to increase in share premium and share capital due to shares issued pursuant to the Dividend Reinvestment Plans.

analysis of financial statements

ANALYSIS OF INCOME STATEMENT

	6 Months		
RM million	6-Month FP11 31 Dec 11	6-Month FY11 31 Dec 10**	YoY Change
Net interest income	4,026.3	3,587.8	12.2%
Net Fund based income (Islamic Banking)	865.5	623.8	38.7%
Total net fund based income	4,891.8	4,211.6	16.2%
Net income from insurance business*	418.8	127.8	227.8%
Non-interest income	2,374.2	1,989.2	19.4%
Fee based income (Islamic Banking)	142.5	107.2	32.9%
Total fee-based income	2,935.5	2,224.2	32.0%
Net income	7,827.3	6,435.8	21.6%
Overhead expenses	(3,941.8)	(3,136.1)	25.7%
Operating Profit before allowances for losses on loans	3,885.5	3,299.7	17.8%
Allowance for losses on loans	(329.1)	(382.2)	-13.9%
Impairment losses on securities, net	(67.2)	(20.2)	232.5%
Operating Profit	3,489.2	2,897.2	20.4%
Share of profits in associates	74.2	69.2	7.3%
Profit before taxation and zakat	3,563.4	2,966.4	20.1%
Taxation & Zakat	(887.1)	(786.1)	12.8%
Non-controlling interest	(93.3)	(26.9)	246.5%
Profit attributable to equity holders of the Bank	**2,583.1**	**2,153.4**	**20.0%**
EPS (sen)	34.42	30.25	13.8%

* net of insurance claims
** unaudited

Net Income
The Group's revenue (net income) registered a growth of 21.6% to RM7.8 billion in the 6 month period ended 31 December 2011 compared to RM6.4 billion in the corresponding period ended 31 December 2010.

Net Fund Based Income
Net Fund Based income for the Group rose significantly by RM680.2 million or 16.2% when compared to the previous corresponding period ended 31 December 2010 as a result of stronger loan growth.

Net Income from Insurance, Takaful & Asset Management business
Net income from insurance, takaful & asset management business for the 6-month period ended 31 December 2011 increased by RM291.0 million or 227.8% to RM418.8 million due to the transfer of actuarial surplus (Note: Nil in the previous corresponding period) and a one-off net surplus adjustment arising from the adoption of new Valuation Guidelines issued by Bank Negara Malaysia with effect from 1 July 2011.

Non-Interest Income and Fee Based Income (Islamic Banking)
Non-interest income and fee income from Islamic Operations increased by RM385.0 million or 19.4% and by RM35.3 million or 32.9% respectively compared to the previous corresponding period ended 31 December 2011. The increase was mainly due to the overall increase in fee income activities and the contribution by Maybank Kim Eng Holdings Ltd ("Kim Eng Group") where in the previous corresponding period, Kim Eng Group's financial result were not consolidated as it was acquired in May 2011.

Overhead Expenses
Overhead expenses of the Group increased by RM805.7 million or 25.7% with the inclusion of overhead expenses of Kim Eng Group (Note: Nil in the previous corresponding period). When compared to the previous corresponding period, overhead expenses excluding Kim Eng Group would amount to a 13.8% increase only. Higher overhead expenses was mainly contributed by personnel cost which grew by 25.5% to RM2,096.7 million. Other expenses component included IT expenses which rose 16.9%, marketing expenses by 13.9% and administration and general expenses by 29.1%.

Loan and Financing Loss and Provisions
Allowance for losses on loans, advances and financing decreased by RM53.2 billion or 13.9% to RM329.1 million. The decline was mainly due to higher recoveries and lower allowances in the domestic banking operations as a result of lower individual allowance.

Profit Attributable to Equity Holders of the Bank
The Group's Profit Attributable to Equity Holders of the Bank for six month financial period ended 31 December 2011 rose 20.0% to RM2.583.1 billion contributed by 21.6% growth in net income and 13.9% decline in allowance for losses on loans. This resulted in higher earnings per share of 34.4 sen compared to 30.2sen in the corresponding period ended 31 December 2011.

Taxation
The effective tax rate of the Group is 24.9% which is lower than the statutory tax rate of 25%.

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 six-month financial period ended 31 December 2011.

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 55.

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

RESULTS

	Group RM'000	Bank RM'000
Profit before taxation and zakat	3,563,401	2,670,185
Taxation and zakat	(887,071)	(604,900)
Profit for the period	2,676,330	2,065,285
Attributable to:		
Equity holders of the Bank	2,583,069	2,065,285
Non-controlling interests	93,261	–
	2,676,330	2,065,285

There were no material transfers to or from reserves or provisions during the financial period other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and the Bank during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature other than the changes in accounting policies and disclosures as disclosed in Note 3.2 to the financial statements.

DIVIDENDS

The amount of dividends paid by the Bank since 30 June 2011 were as follows:

	RM'000
In respect of the financial year ended 30 June 2011 as reported in the directors' report of that year:	
Final dividend of 32 sen less 25% taxation consist 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 7,478,216,067 ordinary shares, declared on 29 September 2011 and paid on 28 December 2011	1,794,772

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial period ended 31 December 2011 of 36 sen less 25% taxation on 7,639,437,483 ordinary shares, amounting to a net dividend payable of RM2,062,648,120 (net 27 sen per ordinary share) will be proposed for the shareholders' approval.

The proposed gross dividend consists of cash portion of 4 sen (net 3 sen) per ordinary share to be paid in cash amounting to RM229,183,124 and an electable portion of 32 sen (net 24 sen) per ordinary share amounting to RM1,833,464,996 which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan as disclosed in Note 29(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 period 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 2012.

directors' report

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 in force for a maximum period of seven (7) years from the effective date. 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").

A separate cash-settled performance-based scheme ("CESOS") 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 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.

The CESOS award is a cash plan and may be awarded from time to time up to five (5) tranches. The award will be subject to fulfilling the performance targets, performance period, service period and other vesting conditions as stipulated in the CESOS Guidelines, save for the first CESOS tranche whereby no performance targets shall be applicable.

The amount payable for each CESOS 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 date of each CESOS tranche. The Bank has granted a total of 715,900 CESOS to overseas branches in previous financial year ended 30 June 2011. There was no granted share options under CESOS that have vested during the current financial period ended 31 December 2011.

On 23 June 2011, the Bank granted five (5) tranches under the ESOS amounting to 405,308,500 options based on the assumption that the eligible employees met average performance targets. The first tranche of ESOS amounting to 80,871,000 options have been vested and exercisable for the financial year ended 30 June 2011, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period. Each option has an exercise price of RM8.82 and will expire on 23 June 2016. However, on 15 December 2011, the ESS Committee approved the reduction of the ESOS exercise price to RM8.78 from RM8.82 following the issuance of 161,221,416 new ordinary shares of RM1 each pursuant to the implementation of the third Dividend Reinvestment Plan ("DRP") at a discount of approximately 7.83% to the Ex-Dividend Volume Weighted Average Market Price ("VWAMP") of RM7.92. The reduction in the exercise price is effective from 29 December 2011 onwards. There was no granted share options under the ESOS that have vested during the current financial period ended 31 December 2011.

For the current financial period ended 31 December 2011, 9,000 share options under the ESOS have been exercised, as disclosed in Note 29(d).

The Bank also granted a total of 3,590,000 RSU in the previous financial year ended 30 June 2011. The RSU will be vested and awarded upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period. The RSU will expire on 23 June 2018. There was no RSU granted or vested during the current financial period ended 31 December 2011.

The maximum number of ordinary shares of RM1 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 disclosed in Note 29(c) to the financial statements.

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 200,000 ordinary shares of RM1 each during the financial period. There were no share options granted or vested during the current financial period ended 31 December 2011.

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

The names of option holders who were granted options which have been vested to subscribe for at least 200,000 ordinary shares of RM1 each in the last financial year are as follows:

	Number of share options		
Name	**1.7.2011**	**Exercised**	**31.12.2011**
	'000	**'000**	**'000**
Dato' Sri Abdul Wahid bin Omar	500	–	**500**
Lim Hong Tat	200	–	**200**
John Chong Eng Chuan	200	–	**200**
Hans de Cuyper	200	–	**200**
Dato' Khairussaleh bin Ramli	200	–	**200**
Abdul Farid bin Alias	200	–	**200**

All the options were granted on 23.6.2011 at an exercise price of RM8.82 which has been revised to RM8.78 on 29 December 2011 as disclosed above, which can then be exercised within a period of five (5) years. Further details on the ESS is disclosed in Note 29(c) to the financial statements.

ISSUE OF SHARE CAPITAL

During the current financial period, the Bank increased its issued and paid up capital from RM7,478,206,067 to RM7,639,437,483 via:

(a) issuance of 10,000 new ordinary shares of RM1 each for cash, to eligible persons who exercised their options under the ESS, as disclosed in Note 29(d)(ii) to the financial statements; and

(b) issuance of 161,221,416 new ordinary shares of RM1 each arising from the Dividend Reinvestment Plan ("DRP") relating to electable portion of the final dividend of 21 sen (net) in respect of financial year ended 30 June 2011, as disclosed in Note 43(b) to the financial statements.

The new ordinary shares issued during the financial period 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' Sreesanthan Eliathamby
Dato' Johan bin Ariffin
Mr Cheah Teik Seng
Mr Alister Maitland
Datuk Mohaiyani binti Shamsudin

DIRECTORS' BENEFITS

Neither at the end of the financial period, nor at any time during that period, 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 as may arise from the share options and the RSU pursuant to the ESS.

Since the end of the previous financial year, 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 37 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' report

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial period in shares, share options and RSU of the Bank during the financial period were as follows:

	Number of ordinary shares of RM1 each			
Direct interest	**1.7.2011**	**Acquired**	**Issued pursuant to DRP**	**31.12.2011**
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	39,032	–	1,122	**40,154**
Dato' Mohd Salleh bin Hj Harun	305,981	–	8,801	**314,782**
Dato' Seri Ismail bin Shahudin	22,593	–	649	**23,242**
Dato' Sreesanthan Eliathamby	51,948	–	1,494	**53,442**
Dato' Johan bin Ariffin	122,805	–	3,532	**126,337**
Indirect interest				
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor *	25,942	–	746	**26,688**
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor **	30,832	–	886	**31,718**
Dato' Dr Tan Tat Wai *	5,315	–	152	**5,467**

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

		Number of options over ordinary shares of RM1 each				
	Original Exercise Price (RM)	**Granted on 23.6.2011**	**1.7.2011**	**Vested**	**Exercised**	**31.12.2011**
Dato' Sri Abdul Wahid bin Omar	8.82#	2,500,000	500,000	–	–	**500,000**

\# Revised to RM8.78 on 29 December 2011 as disclosed above in the section for ESS.

	Number of Restricted Share Units ("RSU") of ordinary shares of RM1 each				
	Granted on 23.6.2011	**1.7.2011**	**Vested**	**Awarded**	**31.12.2011**
Dato' Sri Abdul Wahid bin Omar	200,000	–	–	–	**–**

The remaining options and RSU which were granted to the director on 23 June 2011 have not been vested as at 31 December 2011. The remaining ESOS and the RSU will be vested and exercisable or awarded upon fulfillment 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 period had any interest in shares in the Bank or its related corporations during the financial period.

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	4 October 2011	Long-term Foreign Currency Bank Deposit/Outlook	A3/Stable
		Short-term Foreign Currency Bank Deposit	P-1/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
		Jr Subordinate	Baa2/Stable
Standard & Poor's ("S&P")	20 December 2011	Long-term counterparty	A-
		Short-term counterparty	A-2
		Certificate of Deposit	A-/A-2
		Preferred Stock (1 Issue)	BBB-
		Subordinated (2 Issues)	BBB+
		Senior Unsecured (1 Issue)	cnAA
		Outlook	Stable
Fitch Ratings	19 April 2011	Foreign Long-term Issuer Default Rating	A-/Stable
		Local Long-term Issuer Default Rating	A-/Stable
		Individual Rating	B/C
		Support Rating	2
		Support Rating Floor	BBB
		USD Sub Debt	BBB+
		SGD Tier 1 Capital Securities	BBB
RAM Ratings Services Bhd ("RAM")	December 2011	Long-term Financial Institution Ratings	AAA
		Short-term Financial Institution Ratings	P1
		Tier-1 Capital Securities	AA2
		Subordinated Bonds	AA1
		Outlook (Long-term)	Stable
Malaysian Rating Corporation Bhd	23 March 2011	Long-term Financial Institution Ratings	AAA
		Short-term Financial Institution Ratings	MARC-1
		Outlook	Stable

directors' report

BUSINESS OUTLOOK

2012 Global GDP is expected to grow 3.0%, a decline from a forecast growth of 3.3% in 2011 as the current negative global economic environment persists. The Eurozone is expected to fall into a recession as it continues to struggle with huge debt problems. The US is expected to grow at a lower rate and China will see slower economic growth in 2012.

Despite this challenging time globally, the Group expects to see reasonable growth in its business for the financial year ending December 2012. In the three home markets that Maybank Group operates, namely Malaysia, Singapore and Indonesia, which collectively contributes 95.3% and 94.3% of the Group's income and profit respectively, the 2012 GDP is expected to grow 3.5%-4.0%, 3.0% and 6.3% respectively, albeit more moderately from 2011. Domestic investment, led by the implementation of various projects under the Economic Transformation Programme ("ETP") will be the key drivers for growth in Malaysia where the Overnight Policy Rate ("OPR") is expected to remain at 3.0% throughout 2012 which will help accommodate growth.

In Indonesia, strong domestic demand, coupled with the relatively under-penetrated banking loans to the overall economy will generate one of the strongest economic growth rates in ASEAN. Singapore being an expert-oriented economy will see a slower growth from 5.1% experienced in 2011.

With the greater downside risk, the Group will adopt a strategy of responsible growth with equal focus on managing asset quality and liquidity through sound risk management practices.

In 2012, regionalisation continues to be a major theme for the Group, particularly in building a truly regional organisation and governance structure across all functions, in building physical infrastructure such as IT (for example branch front end and cash management system) and in delivering value (for example investment banking and global wholesale banking, credit cards, global markets, payments). This year will also see the Group's focus on further raising customer service quality, embedding the right risk culture, and driving greater effectiveness and efficiency to improve the cost structure.

Bank Negara Malaysia ("BNM") has recently announced the implementation of Basel III Capital Rules which were essentially in accordance with globally agreed standards. BNM is expected to release the capital computation method in April 2012 and the Bank will be able to comply with BNM requirements when they become effective from January 2013.

Notwithstanding the global challenges, the Group expects to maintain a satisfactory financial performance for the next financial year ending 31 December 2012 in view of expected growth in key ASEAN markets that the Group operates.
The Group has set two key performance indicators ("KPIs") for the next financial year ending 31 December 2012 of Return on Equity of 15.6% on an enlarged capital base (actual financial period ended 31 December 2011: 16.2% annualised) and growth in loans and debt securities of 15.2% (actual financial period ended 31 December 2011: 16.3% annualised).

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.

OTHER STATUTORY INFORMATION (CONT'D.)

(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 period 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 period 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 period 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 period 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 period 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 52 to the financial statements. There is no significant adjusting event after the statements of financial positions date up to the date when the financial statements are authorised for issue.

CHANGE OF FINANCIAL YEAR-END

The Bank and its subsidiaries have changed their financial year-end from 30 June to 31 December during the financial period.

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

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 23 February 2012.

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor

Dato' Sri Abdul Wahid bin Omar

Kuala Lumpur, Malaysia

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 155 to 404 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2011 and of the results and the cash flows of the Group and of the Bank for the six-month period then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 February 2012.

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor

Dato' Sri Abdul Wahid bin Omar

Kuala Lumpur, Malaysia

statutory declaration

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

I, Dato' Khairussaleh bin Ramli, 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 155 to 404 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 Dato' Khairussaleh bin Ramli
at Kuala Lumpur in the Federal
Territory on 23 February 2012

Dato' Khairussaleh bin Ramli

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 2011 of the Group and of the Bank, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 159 to 407.

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 Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines, and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are 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 have been properly drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2011 and of their financial performances and cash flows for the six-month period then ended.

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 55(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.

independent auditors' report

to the members of Malayan Banking Berhad (Incorporated in Malaysia) (cont'd.)

Other matters

The supplementary information set out in Note 58 on page 408 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. 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.

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
23 February 2012

statements of financial position

as at 31 December 2011

		Group		Bank	
	Note	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Assets					
Cash and short-term funds	5	**49,089,088**	38,803,519	**35,966,579**	25,803,796
Deposits and placements with financial institutions	6	**6,452,978**	10,291,513	**6,246,093**	7,644,471
Securities purchased under resale agreements	7(a)	**1,397,235**	–	**1,397,235**	–
Securities held-for-trading	8	**9,665,997**	4,141,978	**7,325,466**	2,884,895
Securities available-for-sale	9	**48,504,468**	47,258,558	**39,618,975**	40,262,042
Securities held-to-maturity	10	**9,880,899**	9,638,714	**8,804,797**	8,339,494
Loans, advances and financing	11	**274,430,691**	253,976,426	**194,174,085**	181,572,844
Derivative assets	12	**1,954,476**	1,652,182	**1,949,344**	1,626,415
Other assets	13	**6,661,305**	6,735,522	**2,240,433**	1,420,365
Investment properties	14	**62,007**	45,051	**–**	–
Statutory deposits with Central Banks	15	**10,577,416**	7,698,425	**6,095,129**	4,313,116
Investment in subsidiaries	16	**–**	–	**17,230,202**	17,070,392
Interest in associates	17	**2,406,462**	2,439,654	**456,512**	454,412
Property, plant and equipment	18	**2,372,534**	2,168,986	**1,298,891**	1,170,183
Intangible assets	19	**6,507,949**	6,509,048	**173,933**	177,270
Deferred tax assets	25	**1,421,934**	1,402,705	**867,163**	920,837
Life, general takaful and family takaful fund assets	53	**19,903,312**	19,196,413	**–**	–
Total assets		**451,288,751**	411,958,694	**323,844,837**	293,660,532

statements of financial position

as at 31 December 2011 (cont'd.)

		Group		Bank	
	Note	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Liabilities					
Deposits from customers	20	**313,709,780**	281,976,379	**222,895,293**	201,465,408
Deposits and placements of banks and other financial institutions	21	**36,760,978**	33,303,655	**35,555,592**	31,441,675
Obligations on securities sold under repurchase agreements	7(b)	**267,652**	373,562	**267,652**	373,562
Bills and acceptances payable		**4,472,872**	8,513,401	**3,610,141**	7,115,673
Derivative liabilities	12	**2,162,709**	1,533,935	**2,072,731**	1,446,311
Other liabilities	22	**10,576,494**	11,311,854	**6,351,178**	4,240,156
Recourse obligation on loans sold to Cagamas	23	**715,603**	528,285	**715,603**	528,285
Provision for taxation and zakat	24	**320,212**	134,620	**–**	–
Deferred tax liabilities	25	**263,605**	247,892	**–**	–
Borrowings	26	**7,185,230**	5,447,120	**4,208,282**	3,420,499
Subordinated obligations	27	**14,160,553**	10,800,539	**12,574,919**	9,509,786
Capital securities	28	**6,113,761**	6,120,774	**6,113,761**	6,120,774
Life, general takaful and family takaful fund liabilities	53	**2,886,104**	5,408,600	**–**	–
Life, general takaful and family takaful policy holders' funds	53	**17,017,208**	13,787,813	**–**	–
Total liabilities		**416,612,761**	379,488,429	**294,365,152**	265,662,129
Equity attributable to equity holders of the Bank					
Share capital	29	**7,639,437**	7,478,206	**7,639,437**	7,478,206
Reserves	30	**25,805,990**	23,983,293	**21,840,248**	20,520,197
		33,445,427	31,461,499	**29,479,685**	27,998,403
Non-controlling interests		**1,230,563**	1,008,766	**–**	–
		34,675,990	32,470,265	**29,479,685**	27,998,403
Total liabilities and shareholders' equity		**451,288,751**	411,958,694	**323,844,837**	293,660,532
Commitments and contingencies	44	**370,709,695**	292,201,755	**336,480,160**	265,846,025

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

income statements

for the period ended 31 December 2011

		Group		Bank	
	Note	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Operating revenue	32	**12,884,511**	21,039,643	**8,175,188**	13,588,308
Interest income	33	**7,004,319**	12,037,987	**5,359,581**	9,194,938
Interest expense	34	**(2,978,041)**	(4,852,057)	**(2,253,712)**	(3,654,518)
Net interest income		**4,026,278**	7,185,930	**3,105,869**	5,540,420
Income from Islamic Banking Scheme operations					
Gross operating income		**1,008,037**	1,653,190	**–**	–
Profit equalisation reserves		**–**	(91,317)	**–**	–
	54	**1,008,037**	1,561,873	**–**	–
		5,034,315	8,747,803	**3,105,869**	5,540,420
Net income from insurance business					
Income from insurance business		**826,031**	883,153	**–**	–
Claims incurred and expense liability		**(407,203)**	(325,847)	**–**	–
		418,828	557,306	**–**	–
		5,453,143	9,305,109	**3,105,869**	5,540,420
Dividends from subsidiaries and associates		**–**	–	**363,257**	357,604
Other operating income		**2,374,180**	4,114,655	**1,497,952**	2,709,297
Total non-interest income	35	**2,374,180**	4,114,655	**1,861,209**	3,066,901
Net income		**7,827,323**	13,419,764	**4,967,078**	8,607,321
Overhead expenses	36	**(3,941,839)**	(6,652,184)	**(2,072,888)**	(3,933,798)
		3,885,484	6,767,580	**2,894,190**	4,673,523
Allowances for losses on loans, advances and financing, net	38	**(329,080)**	(502,166)	**(166,141)**	(2,196)
Impairment losses on securities, net	39	**(67,237)**	(129,955)	**(57,864)**	(109,898)
Operating profit		**3,489,167**	6,135,459	**2,670,185**	4,561,429
Share of profits of associates		**74,234**	135,008	**–**	–
Profit before taxation and zakat		**3,563,401**	6,270,467	**2,670,185**	4,561,429
Taxation and zakat	40	**(887,071)**	(1,650,709)	**(604,900)**	(1,202,730)
Profit for the period/year		**2,676,330**	4,619,758	**2,065,285**	3,358,699
Attributable to:					
Equity holders of the Bank		**2,583,069**	4,450,278	**2,065,285**	3,358,699
Non-controlling interests		**93,261**	169,480	**–**	–
		2,676,330	4,619,758	**2,065,285**	3,358,699
Earnings per share attributable to equity holders of the Bank					
Basic (sen)	42	**34.4**	61.4		
Diluted (sen)	42	**34.4**	61.4		
Net dividends per ordinary share held by equity holders of the Bank in respect of financial period/year (sen)					
Paid – First Interim	43			**–**	21.00
Paid – Final	43			**24.00**	33.00
Proposed – Final	43			**27.00**	24.00

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

statements of comprehensive income

for the period ended 31 December 2011

	Note	Group 1.7.2011 to 31.12.2011 RM'000	Group 1.7.2010 to 30.6.2011 RM'000	Bank 1.7.2011 to 31.12.2011 RM'000	Bank 1.7.2010 to 30.6.2011 RM'000
Profit for the period/year		**2,676,330**	4,619,758	**2,065,285**	3,358,699
Other comprehensive income:					
Net (loss)/gain on available-for-sale financial assets		**(68,851)**	175,030	**(22,114)**	67,162
Income tax relating to components of other comprehensive income	25	**(1,060)**	(43,297)	**5,688**	(16,950)
Foreign currency translation		**55,160**	(74,171)	**(11,489)**	251,756
Changes in other reserves		**(220)**	–	**–**	–
Other comprehensive income for the period/year, net of tax		**(14,971)**	57,562	**(27,915)**	301,968
Total comprehensive income for the period/year		**2,661,359**	4,677,320	**2,037,370**	3,660,667
Other comprehensive income attributable to:					
Equity holders of the Bank		**(27,709)**	65,507	**(27,915)**	301,968
Non-controlling interests		**12,738**	(7,945)	**–**	–
		(14,971)	57,562	**(27,915)**	301,968
Total comprehensive income for the period/year attributable to:					
Equity holders of the Bank		**2,555,360**	4,515,785	**2,037,370**	3,660,667
Non-controlling interests		**105,999**	161,535	**–**	–
		2,661,359	4,677,320	**2,037,370**	3,660,667

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

consolidated statement of changes in equity

for the period ended 31 December 2011

Group	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unrealised Holding Reserve/ (Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000	ESS Reserve RM'000	Profit Equalisation Reserve RM'000	Distributable Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	<----------	----------	----------	----------	Non-distributable	----------	----------	----------	---------->				
At 1 July 2011	7,478,206	8,583,711	6,409,922	15,250	417,065	(1,007,977)	9,057	65,000	–	9,491,265	31,461,499	1,008,766	32,470,265
Profit for the period	–	–	–	–	–	–	–	–	–	2,583,069	2,583,069	93,261	2,676,330
Other comprehensive income	–	–	20	–	(66,084)	38,595	(240)	–	–	–	(27,709)	12,738	(14,971)
Total comprehensive income for the period	–	–	20	–	(66,084)	38,595	(240)	–	–	2,583,069	2,555,360	105,999	2,661,359
Effect of adopting BNM's Revised Guidelines for Profit Equalisation Reserve ("PER")	–	–	–	–	–	–	–	–	–	34,456	34,456	–	34,456
Net transfer for the period	–	–	–	–	–	–	–	–	34,456	(34,456)	–	–	–
Share-based payment under Employees' Share Scheme ("ESS") (Note 29(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 (Note 29(a)(i))	10	84	–	–	–	–	–	(6)	–	–	88	–	88
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note 29)	161,221	1,015,052	–	–	–	–	–	–	–	–	1,176,273	–	1,176,273
Dividends (Note 43)	–	–	–	–	–	–	–	–	–	(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	350,981	(969,382)	8,817	127,317	34,456	9,713,321	33,445,427	1,230,563	34,675,990

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

consolidated statement of changes in equity

for the period ended 31 December 2011 (cont'd.)

Group		<------	------	------	Non-distributable	------	------	------	------>				
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unrealised Holding Reserve/ (Deficit) RM'000	Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000	ESS Reserve RM'000	Profit Equali-sation Reserve RM'000	Distri-butable Retained Profits RM'000	Total Share-holders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 1 July 2010	7,077,983	5,903,497	5,553,999	15,250	293,015	(949,434)	9,057	–	–	9,755,600	27,658,967	782,785	28,441,752
Profit for the year	–	–	–	–	–	–	–	–	–	4,450,278	4,450,278	169,480	4,619,758
Other comprehensive income	–	–	–	–	124,050	(58,543)	–	–	–	–	65,507	(7,945)	57,562
Total comprehensive income for the year	–	–	–	–	124,050	(58,543)	–	–	–	4,450,278	4,515,785	161,535	4,677,320
Share-based payment under ESS (Note 29(c))	–	–	–	–	–	–	–	65,000	–	–	65,000	–	65,000
Effect of net acquisition/disposal to non-controlling interests	–	–	–	–	–	–	–	–	–	14,714	14,714	3,415	18,129
Effect of acquisition of subsidiaries (Note 16)	–	–	–	–	–	–	–	–	–	–	–	112,741	112,741
Effect of Redemption on Redeemable Convertible Preference Shares ("RCPS")	–	–	–	–	–	–	–	–	–	–	–	(46,500)	(46,500)
Transfer to statutory reserves	–	–	855,923	–	–	–	–	–	–	(855,923)	–	–	–
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note 29)	400,223	2,680,214	–	–	–	–	–	–	–	–	3,080,437	–	3,080,437
Dividends (Note 43)	–	–	–	–	–	–	–	–	–	(3,873,404)	(3,873,404)	(5,210)	(3,878,614)
Total transactions with shareholders	400,223	2,680,214	855,923	–	–	–	–	65,000	–	(4,714,613)	(713,253)	64,446	(648,807)
At 30 June 2011	7,478,206	8,583,711	6,409,922	15,250	417,065	(1,007,977)	9,057	65,000	–	9,491,265	31,461,499	1,008,766	32,470,265

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

statement of changes in equity

for the period ended 31 December 2011

Bank	<------	------	------	Non-distributable	------	------>		
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Unrealised Holding Reserve/ (Deficit) RM'000	Exchange Fluctuation Reserve RM'000	ESS Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
At 1 July 2011	**7,478,206**	**8,583,711**	**6,212,460**	**278,860**	**239,261**	**65,000**	**5,140,905**	**27,998,403**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**2,065,285**	**2,065,285**
Other comprehensive income	**–**	**–**	**–**	**(16,426)**	**(11,489)**	**–**	**–**	**(27,915)**
Total comprehensive income for the period	**–**	**–**	**–**	**(16,426)**	**(11,489)**	**–**	**2,065,285**	**2,037,370**
Share-based payment under Employees' Share Scheme ("ESS") (Note 29(c))	**–**	**–**	**–**	**–**	**–**	**62,323**	**–**	**62,323**
Transfer to statutory reserve	**–**	**–**	**516,406**	**–**	**–**	**–**	**(516,406)**	**–**
Issue of shares pursuant to ESS (Note 29)	**10**	**84**	**–**	**–**	**–**	**(6)**	**–**	**88**
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note 29)	**161,221**	**1,015,052**	**–**	**–**	**–**	**–**	**–**	**1,176,273**
Dividends (Note 43)	**–**	**–**	**–**	**–**	**–**	**–**	**(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**	**262,434**	**227,772**	**127,317**	**4,895,012**	**29,479,685**
At 1 July 2010	7,077,983	5,903,497	5,372,770	228,648	(12,495)	–	6,495,300	25,065,703
Profit for the year	–	–	–	–	–	–	3,358,699	3,358,699
Other comprehensive income	–	–	–	50,212	251,756	–	–	301,968
Total comprehensive income for the year	–	–	–	50,212	251,756	–	3,358,699	3,660,667
Share-based payment under ESS (Note 29(c))	–	–	–	–	–	65,000	–	65,000
Transfer to statutory reserve	–	–	839,690	–	–	–	(839,690)	–
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note 29)	400,223	2,680,214	–	–	–	–	–	3,080,437
Dividends (Note 43)	–	–	–	–	–	–	(3,873,404)	(3,873,404)
Total transactions with shareholders	400,223	2,680,214	839,690	–	–	65,000	(4,713,094)	(727,967)
At 30 June 2011	7,478,206	8,583,711	6,212,460	278,860	239,261	65,000	5,140,905	27,998,403

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

statements of cash flows

for the period ended 31 December 2011

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	**3,563,401**	6,270,467	**2,670,185**	4,561,429
Adjustments for:				
Share of profits of associates	**(74,234)**	(135,008)	**–**	–
Depreciation and amortisation of property, plant and equipment (Note 36)	**104,363**	173,213	**56,642**	117,638
Amortisation of computer software (Note 36)	**29,265**	61,389	**21,136**	48,773
Amortisation of customer relationship (Note 36)	**16,196**	–	**–**	–
Amortisation of agency force (Note 36)	**9,848**	–	**–**	–
Amortisation of Core Deposit Intangibles (Note 36)	**22,801**	53,526	**–**	–
Gain on disposal of property, plant and equipment (Note 35)	**(4,998)**	(16,631)	**(5,348)**	(14,414)
Gain on disposal of foreclosed properties (Note 35)	**(782)**	(3,926)	**–**	(93)
Gain on disposal of subsidiaries (Note 35)	**(2,052)**	–	**(210)**	(595)
Gain on disposal of associate company (Note 35)	**(30,274)**	–	**–**	–
Net gain on disposal of held-for-trading securities (Note 35)	**(17,858)**	(1,784)	**(23,872)**	(11,019)
Net gain on disposal of available-for-sale securities (Note 35)	**(271,636)**	(341,934)	**(249,361)**	(276,304)
Net gain on redemption of held-to-maturity securities (Note 35)	**(132)**	(439)	**(132)**	(439)
Amortisation of premiums less accretion of discounts, net (Note 33)	**6,366**	(16,111)	**3,746**	(20,980)
Unrealised loss/(gain) on revaluation of securities held-for-trading and derivatives (Note 35)	**293,973**	(235,524)	**174,627**	(245,982)
Impairment losses on securities, net (Note 39)	**67,237**	129,955	**57,864**	109,898
Allowances for losses on loans, advances and financing net (Note 38)	**777,490**	1,167,775	**491,411**	407,400
Allowance for other debts (Note 38)	**14,928**	36,858	**1,707**	11,793
Dividend income (Note 35)	**(19,780)**	(31,205)	**(372,368)**	(373,545)
Share options granted under ESS (Note 36)	**56,848**	65,000	**41,765**	65,000
Property, plant and equipment written off (Note 36)	**3,040**	6,631	**294**	340
Profit equalisation reserves	**–**	91,317	**–**	–
Impairment of property, plant and equipment	**–**	19	**–**	–
Expense related to acquisition of subsidiaries	**–**	35,000	**–**	–
Goodwill written off	**(15,708)**	–	**–**	–
Transfer of life, general takaful and family takaful fund surplus	**(503,053)**	(321,208)	**–**	–

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	**1.7.2010 to 30.6.2011 RM'000**	**1.7.2011 to 31.12.2011 RM'000**	**1.7.2010 to 30.6.2011 RM'000**
Cash flows from operating activities (Cont'd.)				
Operating profit before working capital changes	**4,025,249**	6,987,380	**2,868,086**	4,378,900
Change in securities purchased under resale agreements	**(1,397,235)**	371,237	**(1,397,235)**	371,237
Change in deposits and placements with banks and other financial institutions	**2,937,600**	(1,288,798)	**1,206,938**	(626,455)
Change in securities portfolio	**(6,892,328)**	(5,795,415)	**(4,010,580)**	(3,785,576)
Change in loans, advances and financing	**(21,231,755)**	(48,163,251)	**(13,092,652)**	(30,240,402)
Change in other assets	**521,241**	808,212	**(734,939)**	2,411,836
Change in statutory deposits with Central Banks	**(2,878,991)**	(3,227,043)	**(1,782,013)**	(2,380,135)
Change in deposits from customers	**31,733,401**	45,066,591	**21,429,885**	26,085,667
Change in deposits and placements of banks and other financial institutions	**3,457,323**	10,045,787	**4,113,917**	8,511,853
Change in obligations on securities sold under repurchase agreements	**(105,910)**	(33,494)	**(105,910)**	373,562
Change in bills and acceptances payable	**(4,040,529)**	5,451,815	**(3,505,532)**	4,216,676
Change in other liabilities	**(367,075)**	(3,269,149)	**2,163,299**	790,381
Change in life, general takaful and family takaful fund assets	**(202,575)**	(915,146)	**–**	–
Change in life, general takaful and family takaful fund liabilities and policy holders' funds	**706,898**	1,236,355	**–**	–
Exchange fluctuation	**(82,621)**	458,466	**(368,609)**	361,739
Cash generated from operations	**6,182,693**	7,733,547	**6,784,655**	10,469,283
Taxes and zakat paid	**(732,707)**	(2,166,363)	**(544,631)**	(1,666,114)
Net cash generated from operating activities	**5,449,986**	5,567,184	**6,240,024**	8,803,169
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 18)	**(323,398)**	(318,320)	**(200,439)**	(184,401)
Purchase of intangible assets (Note 19)	**(24,066)**	(17,521)	**(5,653)**	(2,633)
Proceeds from transactions with non-controlling interest	**72,514**	18,129	**–**	–
Proceeds from disposal of subsidiaries	**(1,132)**	–	**–**	–
Purchase of additional ordinary shares in new and existing subsidiaries	**(401,155)**	–	**(159,600)**	(4,524,920)
Acquisition of subsidiaries	**13,335**	(2,155,896)	**–**	–
Subscription to additional ordinary shares and private debt securities in associates	**(3,562)**	(37,819)	**(2,100)**	(35,712)
Redemption of preference shares held by non-controlling interest and the Bank by a subsidiary	**–**	(46,500)	**–**	108,500
Proceeds from disposal of property, plant and equipment	**35,685**	25,395	**8,684**	25,313
Dividends received				
– From securities	**19,780**	31,205	**9,111**	15,942
– From associates	**37,120**	65,560	**5,231**	5,913
– From subsidiaries	**–**	–	**358,026**	351,690

statements of cash flows

for the period ended 31 December 2011 (cont'd.)

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Net cash (used in)/generated from investing activities	**(574,879)**	(2,435,767)	**13,260**	(4,240,308)
Cash flows from financing activities				
Proceeds from issuance of shares	**1,176,361**	3,080,437	**1,176,361**	3,080,437
Drawdown of borrowings	**1,395,812**	2,754,015	**610,675**	1,460,957
Issuance of subordinated obligations	**3,306,484**	2,814,142	**3,000,322**	1,540,649
Loans sold to Cagamas, net	**187,318**	(121,692)	**187,318**	(121,692)
Dividends paid	**(1,794,772)**	(3,873,404)	**(1,794,772)**	(3,873,404)
Dividends paid to non-controlling interest	**(3,332)**	(5,210)	**–**	–
Net cash generated from financing activities	**4,267,871**	4,648,288	**3,179,904**	2,086,947
Net increase in cash and cash equivalents	**9,142,978**	7,779,705	**9,433,188**	6,649,808
Cash and cash equivalents at beginning of period/year *	**37,431,229**	29,119,951	**26,998,352**	19,810,389
Cash and cash equivalents at end of period/year	**46,574,207**	36,899,656	**36,431,540**	26,460,197
Cash and short-term funds (Note 5)	**49,089,088**	38,803,519	**35,966,579**	25,803,796
Deposits with financial institutions maturing within 1 month (Note 45(d)(4))	**53,663**	954,598	**464,961**	656,401
	49,142,751	39,758,117	**36,431,540**	26,460,197
Less: Monies held in trusts (Notes 5 and 6)	**(2,568,544)**	(2,858,461)	**–**	–
	46,547,207	36,899,656	**36,431,540**	26,460,197
* Cash and cash equivalents at beginning of period/year:				
– As previously reported	**36,899,656**	29,274,871	**26,460,197**	20,140,199
– Effects of foreign exchange rate changes	**531,573**	(154,920)	**538,155**	(329,810)
	37,431,229	29,119,951	**26,998,352**	19,810,389

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

notes to the financial statements

– 31 December 2011

1. CORPORATE INFORMATION

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 55.

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

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

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2012.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRSs") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines.

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

3. ACCOUNTING POLICIES

3.1 Basis of accounting

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies below.

The financial statements incorporate all activities relating to the Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities under the Shariah principles.

3.2 Changes in accounting policies and disclosures

The accounting policies adopted by the Group and the Bank are consistent with those of the previous financial year except for the adoption on 1 July 2011 of the following new, revised and/or amendments to:

- Financial Reporting Standards ("FRSs");
- Issues Committee Interpretation ("IC Interpretations");
- Technical Release ("TR"); and
- Bank Negara Malaysia ("BNM") Guidelines.

(a) Amendments to FRSs, new IC Interpretations and TR effective from financial period commencing 1 July 2011

- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards, Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters, Additional Exemptions for First-time Adopters
- Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 3: Business Combinations
- Amendments to FRS 7: Financial Instruments: Disclosures, Improving Disclosures about Financial Instruments
- Amendments to FRS 101: Presentation of Financial Statements
- Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates
- Amendments to FRS 128: Investments in Associates
- Amendments to FRS 131: Interests in Joint Ventures

notes to the financial statements

– 31 December 2011

3. ACCOUNTING POLICIES (CONT'D.)

3.2 Changes in accounting policies and disclosures (cont'd.)

(a) Amendments to FRSs, new IC Interpretations and TR effective from financial period commencing 1 July 2011 (cont'd.)

- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 134: Interim Financial Reporting
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement
- IC Interpretation 4: Determining Whether an Arrangement contains a Lease
- IC Interpretation 18: Transfers of Assets from Customers
- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 13: Customer Loyalty Programmes
- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
- TR 3: Guidance on Disclosures of Transition to IFRSs
- TR *i*-4: Shariah Compliant Sale Contracts

The adoption of the above new/amendments to FRSs, IC Interpretations and TR did not have any material impact on the accounting policies, financial position or performance of the Group and the Bank, except for the following:

Amendments to FRS 7: Financial Instruments: Disclosures, Improving Disclosures about Financial Instruments

The adoption of amendments to FRS 7 which resulted in removal of some disclosures as well as additional disclosures in the financial statements, but did not affect profit or loss, retained earnings and other reserves of the Group and of the Bank for the period ended 31 December 2011.

Amendments to FRS 7 introduces changes to credit risk disclosures as well as enhanced disclosures on fair value measurement and liquidity risk.

The adoption is effected prospectively for annual periods beginning on or after 1 January 2011 except for credit risk disclosures whereby the changes in the disclosures are effected retrospectively. The disclosure details are mainly disclosed in Note 45 and Note 46.

(b) New/revised Bank Negara Malaysia ("BNM") Guidelines effective from financial period commencing 1 July 2011

The Group has adopted the BNM's Revised Guidelines on Profit Equalisation Reserve ("PER Guidelines") issued in May 2011. The adoption is effected prospectively from 1 July 2011 and the effects of adopting this PER Guidelines are disclosed in Note 54(s) and affect mainly Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank.

In addition, Etiqa Takaful Berhad ("ETB"), a 69.05% indirect subsidiary of the Bank, had also adopted the new Takaful Guidelines issued by BNM ("Takaful Guidelines"). All takaful operators licensed under the Takaful Act 1984 are required to adopt the Takaful Guidelines from financial periods beginning on or after 1 July 2011 which are as follows:

- Guidelines on Financial Reporting for Takaful Operator;
- Guidelines on Valuation Basis for Liabilities of General Takaful Business; and
- Guidelines on Valuation Basis for Liabilities of Family Takaful Business.

The Valuation Guidelines above provide guidance on the valuation bases for liabilities of general and family takaful business (collectively known as "Valuation Guidelines"). The Valuation Guidelines require takaful operators to recognise expense liabilities pertaining to the shareholder's fund and a change in the methodology for the estimation of the actuarial liabilities of the family takaful fund. The management of ETB has determined that the adoption of these new practices and methodologies shall be treated as changes in accounting policies as defined under FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors and accordingly requires a retrospective adjustment to be applied.

3. ACCOUNTING POLICIES (CONT'D.)

3.2 Changes in accounting policies and disclosures (cont'd.)

(b) New/revised Bank Negara Malaysia ("BNM") Guidelines effective from financial period commencing 1 July 2011 (cont'd.)

However, the Group has recognised the financial effect arising from the adoption of the Valuation Guidelines as an adjustment to current year's profit or loss, in particular, as an increase in net income from insurance business of approximately RM98.3 million, as the application of the Valuation Guidelines did not have a material impact on the financial results of the Group.

3.3 Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

If the business combination is achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the income statement.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the present ownership instruments' proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in the income statement on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control effectively ceases.

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;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the income statement; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income.

The accounting policies for business combination and goodwill are disclosed in Note 3.3(iii)(a).

(a) Subsidiaries

Subsidiaries are entities over which the Group 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 Group has such power over another entity.

notes to the financial statements

– 31 December 2011

3. ACCOUNTING POLICIES (CONT'D.)

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

(i) Basis of consolidation (cont'd.)

(a) Subsidiaries (cont'd.)

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 3.3(xv) below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in the income statement.

(b) Transactions with non-controlling interests ("NCI")

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not held directly or indirectly by the Group. NCI are presented separately in the income statement and statements of comprehensive income of the Group and within equity in the statements of financial position, separately from parent shareholders' equity.

All total comprehensive income is proportionately allocated to NCI, even if this results in the NCI having a deficit balance.

A change in the ownership interest of a subsidiary (without loss of control), is accounted for as a transaction with owners in their capacity as owners.

(ii) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in 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.

Interest in associates are accounted for in the consolidated financial statements using the equity method. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to the significant influence over the associate. Under the equity method, the interest in associate is carried in the statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

Goodwill relating to an associate is included in the carrying amount of the investment is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

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 investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3. ACCOUNTING POLICIES (CONT'D.)

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

(ii) Associates (cont'd.)

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 associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, 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 retaining 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.

In the Bank's separate financial statements, investments in associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.3(xv) below. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(iii) Goodwill and Intangible assets

(a) Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities including contingent liabilities but excluding future restructuring liabilities of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets (net fair value of identifiable assets, liabilities and contingent liabilities) acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement in the year of acquisition.

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. Following 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 Bank 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 3.3(xxix) and Note 51.

notes to the financial statements

– 31 December 2011

3. ACCOUNTING POLICIES (CONT'D.)

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

(iii) Goodwill and Intangible assets (cont'd.)

(a) Business Combination and Goodwill (cont'd.)

Where goodwill forms part of 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.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the income statement.

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 in accordance with accounting policy set out in Note 3.3(xviii).

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.

(b) Other intangible assets

Other intangible assets include core deposit intangibles, customer relationship and agency force acquired in business combination and value of computer software.

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.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful economic life. 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 statement in the expense category consistent with the function of the intangible asset.

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

Computer software	3 – 5 years
Core deposit intangibles	8 years
Customer relationship and agency force	3 – 11 years

(iv) 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 provision of the instruments.

3. ACCOUNTING POLICIES (CONT'D.)

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

(iv) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement

The Group and the Bank determine the classification of financial assets at initial recognition and the categories include Financial Assets at Fair Value Through Profit and Loss ("FVTPL"), loans and receivables, held-to-maturity ("HTM") and available-for-sale securities ("AFS") in which the details are disclosed below.

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial assets were acquired and their characteristics. When financial assets are recognised initially, they are measured at fair value for FVTPL and fair value plus directly attributable transaction costs for financial assets other than FVTPL.

Included in financial assets are the following:

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

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

Subsequent to initial recognition, financial assets HFT are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit and 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 and loans, advances and financing. 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 Assets Held-to-Maturity ("HTM")

Financial assets with fixed or determinable payments and fixed maturity are classified as financial asset HTM when the Group and the Bank have the intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets HTM are measured at amortised cost using effective interest method. Amortisation of premium, accretion of discount, impairment and gain or loss arising from derecognition of securities HTM are recognised in the income statement.

(4) Financial Assets Available-for-Sale ("AFS")

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

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

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3. ACCOUNTING POLICIES (CONT'D.)

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

(iv) Financial assets (cont'd.)

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

(4) Financial Assets Available-for-Sale ("AFS") (cont'd.)

After initial recognition, AFS financial assets are measured at fair value. Any gain or loss arising from a change in fair value after applying amortised cost method are recognised directly in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary financial assets and interest income calculated using the effective interest method are recognised in the income statement. When the Group and the Bank derecognise AFS financial assets, the cumulative gain or loss previously recognised in equity is recognised in the income statement in "non-interest income". Dividends on an AFS financial assets are recognised in the income statement when the Group's and the Bank's right to receive payment is established.

(c) Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the financial asset have expired;
- The Group and the Bank have transferred its rights to receive cash flows from the financial asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:
  - the Group and the Bank have transferred substantially all the risks and rewards of the financial asset, or
  - the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the financial asset, but has 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 has entered into a pass through arrangement and has 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.

(d) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that financial assets, including security or group of securities (other than financial assets HFT) 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.

3. ACCOUNTING POLICIES (CONT'D.)

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

(iv) Financial assets (cont'd.)

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

(1) Loans and receivables

Classification of loans, advances and financing as impaired

Loans are classified as impaired when:

- principal or interest/profit or both are past due for three (3) months or more; or
- where loans in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for; or
- where an impaired loan has been rescheduled or restructured, the loan 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 exist 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 loan's carrying amount and the present value of the estimated future cash flows discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Impairment Process – Collective assessment

Loans which are not individually significant and loans that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These loans are grouped within similar credit risk characteristics for collective assessment, whereby data from the loan 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 financial assets 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.

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3. ACCOUNTING POLICIES (CONT'D.)

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

(iv) Financial assets (cont'd.)

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

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

Impairment Process – Written off accounts

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

(2) Available-for-Sale ("AFS")

For AFS securities, 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 AFS, the Group and the Bank assess individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future 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.

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

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

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

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

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

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

3. ACCOUNTING POLICIES (CONT'D.)

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

(iv) Financial assets (cont'd.)

(e) Reclassification of financial assets

The Group and the Bank may choose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and the Bank may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories 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. Any fair value gains or losses previously recognised in the income statement are not reversed.

(f) Determination of fair value

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

For all other financial instruments, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models and option pricing models, and based on observable data in respect of similar financial instruments and using inputs (such as yield curves) existing as at 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.

(v) 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.

(b) Initial recognition and subsequent measurement

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

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

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

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

notes to the financial statements

– 31 December 2011

3. ACCOUNTING POLICIES (CONT'D.)

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

(v) Financial liabilities (cont'd.)

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

(1) Financial liabilities at fair value through profit or loss (cont'd.)

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

The Group and the Bank have not designated any financial liabilities as at fair value through profit or loss.

(2) Other financial liabilities

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

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

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

(2) *Debt securities*

Debt securities issued are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The 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 statement over the period of the borrowings on an effective interest method.

(3) Payables

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

(4) 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.

(5) Other liabilities

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

3. ACCOUNTING POLICIES (CONT'D.)

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

(v) Financial liabilities (cont'd.)

(c) Derecognition

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

(vi) Derivative instruments and hedge accounting

(a) Derivative instruments

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

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

(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 objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

(1) *Fair value hedge*

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

If the hedging instrument 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 statement.

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3. ACCOUNTING POLICIES (CONT'D.)

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

(vi) 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.

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

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

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

The Group and the Bank did not apply cash flow hedge as at the financial period 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 statement.

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 statement.

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

(vii) Embedded derivatives

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

(viii) 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 statement of financial position.

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 statement of financial position.

3. ACCOUNTING POLICIES (CONT'D.)

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

(ix) 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 cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures 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 recognises such parts as individual assets with specific useful lives and depreciation, respectively. 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 income statement as incurred.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

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 6 to 906 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 income statement.

notes to the financial statements

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3. ACCOUNTING POLICIES (CONT'D.)

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

(x) 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 reflects 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.

Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement 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.

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 3.3 (ix) up to the date of change in use.

(xi) 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.

(xii) 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.

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.

(xiii) 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.

(xiv) Cash and cash equivalents

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

3. ACCOUNTING POLICIES (CONT'D.)

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

(xv) Impairment of non-financial assets

The carrying amounts of assets, other than securities portfolio, goodwill, intangible assets with indefinite useful life, investment properties and deferred tax, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

(xvi) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Bank have a present obligation 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.

(xvii) Profit equalisation reserves ("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 Bank Negara Malaysia's "The Framework of the Rate of Return" (BNM/GP2-i). 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's 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 statement. 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.

(xviii) 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.

notes to the financial statements

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3. ACCOUNTING POLICIES (CONT'D.)

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

(xviii) Foreign currencies (cont'd.)

(b) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statement 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. The foreign currency translation reserve is reclassified from equity to the income statement of the Group on disposal of the foreign operation.

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

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.

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3. ACCOUNTING POLICIES (CONT'D.)

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

(xviii) Foreign currencies (cont'd.)

(c) Foreign operations (cont'd.)

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. 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.

(xix) Income tax and zakat

(a) Income tax

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

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

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 income statement 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.

(xx) Leases

(a) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. 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

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3. ACCOUNTING POLICIES (CONT'D.)

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

(xx) Leases (cont'd.)

(a) Classification (cont'd.)

- 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.

(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 statement 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 3.3(ix).

(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.

(xxi) Insurance

(a) Life funds

The Life funds consist of long-term liabilities to policyholders, 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.

(b) Takaful funds

The Group's Takaful funds are operated 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.

3. ACCOUNTING POLICIES (CONT'D.)

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

(xxi) Insurance (cont'd.)

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

(1) Premium/contribution liabilities

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

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

Contribution liabilities for general takaful business are reported at the higher of the aggregate of the unearned contribution reserves for all line of business or the total fund's unexpired risk reserves at 75% confidence level at the end of the financial period.

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

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

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

(3) Unexpired risk reserves ("URR")

The URR is the prospective estimate of the expected future payments arising from future events insured under certificates in force as at the end of the financial period and also includes allowance for expenses, including overheads and cost of retakaful, expected to be incurred during the unexpired period in administering these certificates and settling the relevant claims, and expected future contribution refunds.

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3. ACCOUNTING POLICIES (CONT'D.)

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

(xxi) Insurance (cont'd.)

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

(3) Unexpired risk reserves ("URR") (cont'd.)

In determining the best estimate URR, the resulting best estimate ultimate claims ratio from the latest accident year is applied to the corresponding UCR as the prospective assessment of the amount that needs to be set aside in order to provide for claims and allocated claims costs that will result out of unexpired future periods of cover. In order to arrive at URR at 75% confidence level, the best estimate URR is added with PRAD for each line of business.

(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 respective takaful subsidiary.

(f) Claims liabilities/provision for outstanding claims

For general insurance and general takaful businesses, a liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. Claims liability 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 being the cost of claims incurred and reported to the Insurer as well as a reserve for claims incurred but not reported ("IBNR") and a PRAD calculated at 99.5% confidence level for insurer and takaful operator at the overall subsidiaries level. The claims liabilities are determined based upon the analysis performed by the Qualified Actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns.

Liabilities of life insurance and family takaful businesses are determined in accordance with BNM's Risk-Based Capital ("RBC") Framework for insurers/takaful operators. 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 valuation method.

Family takaful certificate liabilities are recognised when certificate 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.

3. ACCOUNTING POLICIES (CONT'D.)

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

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

For all financial instruments measured at amortised cost and interest/profit-bearing financial assets classified as held-for-trading and available-for-sale, interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the income statement 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 takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but does not consider future credit losses.

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

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 (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

(xxiii) Recognition of fee and other income

Loan arrangement, management and participation fees, factoring commissions, underwriting commissions, brokerage fees and guarantee fees are recognised as income based on accrual on time apportionment method. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income is recognised when the shareholder's right to receive payment is established.

Premium and contribution from general insurance and general takaful businesses, respectively, are recognised as income in a financial period in respect of risks assumed during that particular financial period 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 period in respect of the facultative risks accepted during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Premium and contribution for life insurance and 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 period, all due premiums/contributions are accounted for to the extent that they can be reliably measured.

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

Gross contribution for takaful business is accounted for on an accrual basis in accordance with the Principles of Shariah as advised by Etiqa Takaful Berhad's Shariah Committee. Unrealised income is deferred and receipts in advance are treated as liabilities in the statement of financial position.

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3. ACCOUNTING POLICIES (CONT'D.)

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

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

Rollover fees on margin accounts and management fees from asset management are recognised on an accrual basis.

(xxiv) 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

(i) 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 statement 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.

(ii) 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.

3. ACCOUNTING POLICIES (CONT'D.)

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

(xxiv) Employee benefits (cont'd.)

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

(ii) Restricted share units ("RSU") (cont'd.)

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 statement and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve.

(xxv) 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 subject only to terms that are usual and customary.

Immediately before classification as held-for-sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held-for-sale, non-current assets (other than the investment properties, deferred tax assets, employees' benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

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.

(xxvi) Share capital and dividends declared

Ordinary shares are classified as equity when there is no contracted obligation to transfer cash on other financial assets. 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 accounted for as an appropriation of retained profits in the period in which all relevant approvals have been obtained.

(xxvii) 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.

(xxviii) 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.

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3. ACCOUNTING POLICIES (CONT'D.)

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

(xxix) 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 are conducted on an arm's length basis, 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.

3.4 Transition to Malaysian Financial Reporting Standards Framework ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standard ("MFRS") Framework.

The MFRS Framework is to be applied by all Entities Other than Private Entities for annual periods beginning on or after 1 January 2012.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will need to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has established a project team to plan and manage the adoption of the MFRS Framework. This project consists of the following phases:

(a) Assessment and planning phase

This phase involves the following:

(i) High level identification of the key differences between Financial Reporting Standards and accounting standards under the MFRS Framework and disclosures that are expected to arise from the adoption of MFRS Framework;

(ii) Evaluation of any training requirements; and

(iii) Preparation of a conversion plan.

(b) Implementation and review phase

This phase aims to:

(i) Formulate new and/or revised accounting policies and procedures for compliance with the MFRS Framework;

(ii) Identify potential financial effects as at the date of transition, arising from the adoption of the MFRS Framework;

(iii) Develop disclosures required by the MFRS Framework; and

(iv) Develop training programs for the staff, if deemed necessary.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the period ended 31 December 2011 could be different upon the adoption of MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards.

This standard allows the first-time adopter to use one or more of the exemptions or exceptions contained in the standard.

Among others are the Group and the Bank may elect to measure the Property, Plant and Equipment, Investment Property and Intangible Assets at fair value at the date of transition and to treat the fair value as their deemed cost at that date for subsequent measurement purposes.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

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4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

4.1 Impairment of securities portfolio (Notes 8, 9 and 10)

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

The impairment review comprises the following judgment made by management:

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

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

4.2 Fair value estimation of securities held-for-trading (Note 8), securities available-for-sale (Note 9) and derivative financial instruments (Note 12)

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

4.3 Impairment losses on loans and advances (Note 11 and 38)

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 statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make 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 and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, etc.), and concentrations of risks (such as the performance of different individual groups).

4.4 Valuation of investment properties (Note 14)

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 professional valuers.

4.5 Impairment of investment in subsidiaries (Note 16) and interest in associates (Note 17)

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 assets are subject to impairment review. The impairment review comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

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4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D.)

4.5 Impairment of investment in subsidiaries (Note 16) and interest in associates (Note 17) (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 fundamentals.

(ii) Depending on their nature and the industries in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted cash flow, realisable net asset value and sector average price-earning ratio methods.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. These assumptions and other key sources of estimation uncertainty at the 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, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

Sensitivity to changes in assumptions

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

4.6 Impairment of goodwill (Note 19(a))

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

4.7 Impairment of other intangible assets (Note 19(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 the Bank's management to analyse the circumstances, the industry and market practice and also to use judgment. At each reporting date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with its recoverable amount.

4.8 Deferred tax (Note 25) and income taxes (Note 40)

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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D.)

4.9 Liabilities of insurance business (Note 53)

(a) Life insurance business

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

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

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

(b) Family takaful business

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns in accordance with the subsidiary 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.

BNM has issued new Guidelines on Valuation Basis for Liabilities for Family Takaful Business which shall take effect beginning on and after 1 July 2011. The Guidelines set out prudential requirements that should be observed by takaful operators in valuing liabilities of their family takaful business with the aim of providing for those liabilities at a specified level of adequacy with explicit prudential margins. The Guidelines are included to reflect the takaful operators' fiduciary duty to manage the takaful funds prudently, treat participants fairly as well as to ensure that the Shareholders' fund can adequately support the takaful business.

(c) General insurance and general takaful businesses

The principal uncertainty in the general business and general takaful business arises from the technical provisions which include the premium/contribution liabilities and claim liabilities. The bases of valuation of the premium/contribution liabilities and claim liabilities are disclosed in Note 3.3 (xxi).

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.

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5. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Cash balances and deposits with banks and other financial institutions	**48,893,608**	38,697,294	**35,887,803**	25,780,477
Money at call	**195,480**	106,225	**78,776**	23,319
	49,089,088	38,803,519	**35,966,579**	25,803,796

Included in cash and short-term funds of the Group are monies held in trust of RM2,381,143,000 (30.6.2011: RM2,288,415,000) in respect of the stockbroking business.

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

		Group		Bank	
	Note	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Licensed banks	(a)	**5,381,074**	9,141,989	**5,318,742**	6,535,522
Bank Negara Malaysia		**474,546**	438,018	**329,993**	397,443
Other financial institutions	(b)	**597,358**	711,506	**597,358**	711,506
		6,452,978	10,291,513	**6,246,093**	7,644,471

(a) Included in deposits and placements with licensed banks of the Group are monies held in trusts of RM187,401,000 (30.6.2011: RM570,046,000) in respect of the stockbroking business.

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

(i) USD6.0 million (30.6.2011: USD10.0 million) or Ringgit Malaysia equivalent of RM19.1 million (30.6.2011: RM30.2 million) pledged with the New York State Banking Department;

(ii) SGD49.2 million (30.6.2011: SGD73.1 million) or Ringgit Malaysia equivalent of RM120.3 million (30.6.2011: RM179.7 million) placed with Monetary Authority of Singapore; and

(iii) USD77.6 million (30.6.2011: USD73.6 million) or Ringgit Malaysia equivalent of RM246.4 million (30.6.2011: RM222.7 million) placed with National Bank of Cambodia.

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

(a) The underlying securities purchased under resale agreements are as follows:

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Private debt securities	**1,397,235**	–	**1,397,235**	–

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (CONT'D.)

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

		Group		Bank	
	Note	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Securities held-for-trading	8(a)	–	275,415	–	275,415
Securities available-for-sale	9(b)	**267,652**	98,147	**267,652**	98,147
		267,652	373,562	**267,652**	373,562

8. SECURITIES HELD-FOR-TRADING

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	**572,088**	311,479	**572,088**	311,479
Malaysian Government Treasury Bills	**24,109**	111,888	**24,109**	111,888
Malaysian Government Investment Issues	**266,872**	50,537	**51,160**	20,256
Bank Negara Malaysia Bills and Notes	**1,476,873**	3,658	**1,476,873**	3,658
Khazanah Bonds	**407,614**	59,953	**407,614**	59,953
Bank Negara Malaysia Monetary Notes	**4,351,525**	251,412	**2,468,677**	9,060
Foreign Government Treasury Bills	**23,738**	155,361	**–**	155,360
Foreign Government Securities	**313,489**	315,915	**–**	–
Foreign Certificates of Deposits	**145,985**	240,590	**–**	–
Sukuk Bank Negara Malaysia Ijarah	**116,331**	–	**–**	–
Cagamas Bonds	**20,146**	–	**20,146**	–
Negotiable instruments of deposits	**–**	–	**610,093**	–
	7,718,770	1,500,793	**5,630,760**	671,654
Quoted securities:				
Shares	**216,787**	358,871	**4,815**	12,104
	216,787	358,871	**4,815**	12,104
Unquoted securities:				
Foreign private debt securities	**333,150**	1,172,900	**295,840**	1,091,723
Foreign Government Bonds	**3,239**	–	**–**	–
Malaysia Global Sukuk	**9,619**	–	**9,619**	–
Private and Islamic debt securities in Malaysia	**1,384,432**	1,109,414	**1,384,432**	1,109,414
	1,730,440	2,282,314	**1,689,891**	2,201,137
Total securities held-for-trading	**9,665,997**	4,141,978	**7,325,466**	2,884,895

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8. SECURITIES HELD-FOR-TRADING (CONT'D.)

(a) Included in security held-for-trading are securities sold under repurchase agreements.

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Private debt securities (Note 7(b))	–	275,415	–	275,415

9. SECURITIES AVAILABLE-FOR-SALE

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
At fair value, or at cost less impairment losses for certain unquoted equity instruments				
Money market instruments:				
Malaysian Government Securities	**2,242,451**	3,750,910	**2,169,811**	3,679,217
Sukuk Bank Negara Malaysia Ijarah	**11,132**	11,104	**–**	–
Cagamas Bonds	**1,588,212**	1,526,312	**1,438,321**	1,342,316
Foreign Government Securities	**7,743,133**	9,053,992	**5,414,453**	6,751,494
Malaysian Government Investment Issues	**5,021,404**	7,070,669	**1,951,840**	3,349,048
Foreign Government Treasury Bills	**4,092,851**	1,157,497	**3,720,121**	842,567
Negotiable instruments of deposits	**1,589,712**	775,683	**3,907,136**	4,798,186
Bankers' acceptances and Islamic accepted bills	**1,502,726**	588,285	**1,498,610**	367,352
Khazanah Bonds	**1,532,266**	1,173,829	**1,212,374**	867,407
	25,323,887	25,108,281	**21,312,666**	21,997,587
Quoted securities:				
In Malaysia:				
Shares, warrants, trust units and loan stocks	**352,034**	406,380	**84,100**	104,814
Outside Malaysia:				
Shares, warrants, trust units and loan stocks	**321,925**	311,845	**18,766**	18,722
	673,959	718,225	**102,866**	123,536
Unquoted securities:				
Shares, trust units and loan stocks in Malaysia	**635,871**	571,573	**369,359**	376,358
Shares, trust units and loan stocks outside Malaysia	**35,055**	36,112	**13,599**	13,908
Private and Islamic debt securities in Malaysia	**10,046,084**	9,791,228	**7,223,992**	7,633,368
Malaysian Government Bonds	**6,633**	135,336	**6,633**	135,336
Foreign Government Bonds	**880,538**	1,329,748	**786,558**	1,248,718
Credit linked notes (Note 9(a))	**–**	75,439	**–**	75,439
Foreign private and Islamic debt securities	**10,549,662**	9,284,751	**9,683,921**	8,612,607
Malaysia Global Sukuk	**306,085**	162,485	**119,381**	45,185
Structured deposits	**46,694**	45,380	**–**	–
	22,506,622	21,432,052	**18,203,443**	18,140,919
Total securities available-for-sale	**48,504,468**	47,258,558	**39,618,975**	40,262,042

9. SECURITIES AVAILABLE-FOR-SALE (CONT'D.)

(a) In prior year, included in securities available-for-sale were credit linked notes with total face values of USD25,000,000 or Ringgit Malaysia equivalent to RM75,575,000 with embedded credit default swaps. These notes were redeemed during the current financial period at their respective face values.

(b) Included in securities available-for-sale are securities sold under repurchase agreements.

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Private debt securities (Note 7(b))	**267,652**	98,147	**267,652**	98,147

(c) The maturity structure of money market instruments, available-for-sale are as follows:

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Maturing within one year	**8,553,746**	3,618,180	**8,306,112**	3,728,415
One year to three years	**2,360,217**	1,369,701	**2,901,322**	2,588,737
Three years to five years	**4,821,196**	4,668,062	**3,838,330**	3,323,839
After five years	**9,588,728**	15,452,338	**6,266,902**	12,356,596
	25,323,887	25,108,281	**21,312,666**	21,997,587

10. SECURITIES HELD-TO-MATURITY

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
At amortised cost less impairment losses				
Money market instruments:				
Malaysian Government Securities (Note 10(b))	**6,235,270**	6,275,068	**6,235,162**	6,274,961
Cagamas Bonds	**–**	11,738	**–**	11,738
Foreign Government Securities	**795,114**	801,772	**–**	–
Malaysian Government Investment Issues	**495,392**	495,864	**353,843**	353,971
Khazanah Bonds	**196,528**	17,362	**196,528**	17,362
	7,722,304	7,601,804	**6,785,533**	6,658,032
Unquoted securities:				
Private and Islamic debt securities in Malaysia	**1,641,842**	1,451,903	**1,611,474**	1,421,871
Malaysian Government Bonds	**–**	6,056	**–**	6,056
Foreign Government Bonds	**176,222**	49,438	**175,929**	49,162
Foreign private and Islamic debt securities	**354,529**	558,757	**245,859**	233,616
Others	**2,044**	2,044	**2,044**	2,044
	2,174,637	2,068,198	**2,035,306**	1,712,749
Accumulated impairment losses	**(16,042)**	(31,288)	**(16,042)**	(31,287)
Total securities held-to-maturity	**9,880,899**	9,638,714	**8,804,797**	8,339,494

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10. SECURITIES HELD-TO-MATURITY (CONT'D.)

(a) Indicative value of unquoted securities held-to-maturity are as follows:

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Money market instruments:				
Malaysian Government Securities	**6,411,846**	6,390,445	**6,411,738**	6,390,338
Cagamas Bonds	**–**	11,735	**–**	11,735
Malaysian Government Investment Issues	**500,188**	499,138	**356,944**	355,772
Foreign Government Securities	**784,139**	801,772	**–**	–
Khazanah Bonds	**197,407**	17,778	**197,407**	17,778
Unquoted securities:				
Private and Islamic debt securities in Malaysia	**1,663,227**	1,463,679	**1,632,945**	1,433,448
Malaysian Government Bonds	**–**	6,056	**–**	6,056
Foreign Government Bonds	**176,222**	49,438	**175,929**	49,162
Foreign private and Islamic debt securities	**368,826**	567,359	**249,182**	242,219
Others	**2,044**	2,044	**2,044**	2,044

(b) Included in Malaysian Government Securities in securities held-to-maturity of the Group and the Bank above is an amount of RM Nil (30.6.2011: RM350,000,000) pledged with the Bank Negara Malaysia in satisfaction of capital equivalency deposit requirements.

(c) The maturity structure of money market instruments, held-to-maturity are as follows:

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Maturing within one year	**1,778,761**	452,690	**1,593,550**	336,801
One year to three years	**2,663,317**	3,999,022	**2,515,836**	3,821,348
Three years to five years	**132,655**	143,120	**–**	–
After five years	**3,147,571**	3,006,972	**2,676,147**	2,499,883
	7,722,304	7,601,804	**6,785,533**	6,658,032

11. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Overdrafts	**15,951,027**	15,602,979	**11,081,901**	11,130,114
Term loans				
– Housing loans/financing	**50,570,121**	42,588,643	**40,273,945**	33,710,861
– Syndicated loans/financing	**19,728,351**	16,156,890	**16,120,492**	13,020,361
– Hire purchase receivables*	**48,099,062**	46,847,564	**23,931,788**	23,088,371
– Lease receivables	**3,819**	4,495	**3,270**	3,264
– Other loans/financing	**116,491,349**	107,382,363	**65,721,789**	62,659,172
Credit card receivables	**6,214,321**	5,773,326	**5,296,328**	4,863,738
Bills receivable	**5,370,780**	4,069,296	**5,343,156**	4,038,085
Trust receipts	**2,556,914**	2,394,297	**2,092,697**	1,976,949
Claims on customers under acceptance credits	**11,367,524**	12,201,913	**7,859,708**	8,554,699
Loans/financing to banks and other financial institutions	**6,329,311**	6,714,542	**6,183,626**	7,255,622
Revolving credits	**27,084,954**	25,876,169	**17,379,831**	18,392,134
Staff loans	**1,608,343**	1,976,167	**957,077**	1,001,750
	311,375,876	287,588,644	**202,245,608**	189,695,120
Loans to:				
– Executive directors of subsidiaries	**2,957**	3,416	**159**	123
Others	**1,807,604**	1,764,438	**–**	–
	313,186,437	289,356,498	**202,245,767**	189,695,243
Unearned interest and income	**(31,773,463)**	(28,176,735)	**(2,871,895)**	(2,826,729)
Gross loans, advances and financing	**281,412,974**	261,179,763	**199,373,872**	186,868,514
Allowances for impaired loans and financing				
– Individual	**(2,812,309)**	(2,932,129)	**(2,102,421)**	(2,115,897)
– Collective	**(4,169,974)**	(4,271,208)	**(3,097,366)**	(3,179,773)
Net loans, advances and financing	**274,430,691**	253,976,426	**194,174,085**	181,572,844

* The hire purchase receivables of a subsidiary of RM475,865,000 (30.6.2011: RM487,123,000) are pledged as collateral to the secured borrowing as disclosed in Note 26(a)(i).

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

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

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Domestic banking institutions	**57,323**	55,896	**57,323**	55,896
Domestic non-bank financial institutions				
– Stockbroking companies	**815**	664	**815**	664
– Others	**18,949,977**	17,648,972	**13,350,685**	13,026,400
Domestic business enterprise				
– Small and medium enterprise	**54,048,038**	45,677,647	**45,245,694**	39,498,099
– Others	**55,456,073**	57,198,653	**36,419,915**	38,861,878
Government and statutory bodies	**2,890,246**	2,973,103	**2,525,386**	2,638,335
Individuals	**125,454,869**	119,733,544	**83,227,586**	79,854,546
Other domestic entities	**1,769,201**	1,785,113	**504,713**	497,646
Foreign entities	**22,786,432**	16,106,171	**18,041,755**	12,435,050
Gross loans, advances and financing	**281,412,974**	261,179,763	**199,373,872**	186,868,514

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

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Malaysia	**177,833,498**	169,773,543	**127,349,799**	123,380,078
Singapore	**60,758,571**	54,830,450	**60,335,903**	54,283,692
Indonesia	**24,027,545**	21,328,288	**–**	–
Labuan Offshore	**4,486,178**	3,875,185	**–**	–
Hong Kong SAR	**6,507,669**	4,471,402	**6,405,881**	4,347,640
United States of America	**1,105,244**	1,176,644	**1,105,244**	1,176,644
People's Republic of China	**1,209,861**	986,362	**1,209,861**	986,362
Vietnam	**556,362**	524,916	**556,362**	524,916
United Kingdom	**1,364,150**	1,357,952	**1,364,150**	1,357,952
Brunei	**165,396**	159,334	**165,396**	159,334
Cambodia	**534,861**	425,790	**534,861**	425,790
Bahrain	**346,415**	226,106	**346,415**	226,106
Philippines	**1,856,284**	1,419,000	**–**	–
Papua New Guinea	**128,380**	115,297	**–**	–
Thailand	**502,706**	466,214	**–**	–
Others	**29,854**	43,280	**–**	–
Gross loans, advances and financing	**281,412,974**	261,179,763	**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		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Fixed rate				
– Housing loans/financing	**12,152,191**	11,855,759	**9,183,813**	9,147,350
– Hire purchase receivables	**36,660,189**	35,588,698	**20,769,134**	19,968,614
– Other fixed rate loans/financing	**45,564,837**	45,359,517	**35,089,279**	35,226,310
Variable rate				
– Base lending rate plus	**100,064,634**	94,310,265	**81,819,101**	78,337,866
– Cost plus	**34,915,664**	31,832,925	**31,101,405**	27,507,286
– Other variable rates	**52,055,459**	42,232,599	**21,411,140**	16,681,088
Gross loans, advances and financing	**281,412,974**	261,179,763	**199,373,872**	186,868,514

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

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Purchase of securities	**21,804,073**	20,743,919	**12,548,429**	11,575,901
Purchase of transport vehicles	**41,511,231**	39,687,127	**20,508,025**	19,967,508
– Less: Islamic transport vehicles sold to Cagamas	**(1,499,270)**	(682,679)	**–**	–
Purchase of landed properties				
– Residential	**51,419,270**	46,621,777	**41,539,480**	38,190,785
– Non-residential	**17,500,708**	14,623,280	**15,777,574**	13,435,251
Purchase of fixed assets (exclude landed properties)	**4,005,398**	2,966,538	**3,994,116**	2,963,248
Personal use	**7,182,915**	6,362,067	**6,093,855**	5,456,581
Credit card	**6,261,455**	5,772,335	**5,339,988**	4,874,082
Purchase of consumer durables	**286,319**	254,744	**286,316**	254,744
Construction	**13,626,455**	13,861,422	**10,687,729**	11,526,219
Merger and acquisition	**72,367**	52,405	**72,367**	52,405
Working capital	**104,214,753**	96,753,084	**74,583,152**	71,342,270
Others	**15,027,300**	14,163,744	**7,942,841**	7,229,520
Gross loans, advances and financing	**281,412,974**	261,179,763	**199,373,872**	186,868,514

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

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

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Maturing within one year	**79,432,121**	75,170,061	**60,875,951**	58,385,457
One year to three years	**34,309,197**	27,181,422	**23,473,618**	17,817,419
Three years to five years	**37,591,705**	35,685,924	**23,458,349**	22,244,753
After five years	**130,079,951**	123,142,356	**91,565,954**	88,420,885
Gross loans, advances and financing	**281,412,974**	261,179,763	**199,373,872**	186,868,514

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

Movements in impaired loans, advances and financing

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
At beginning of the period/year	**8,756,862**	9,958,863	**6,377,496**	7,828,774
Newly impaired	**2,628,313**	5,929,985	**1,647,483**	3,211,874
Reclassified as non-impaired	**(1,087,435)**	(2,730,159)	**(657,256)**	(1,677,728)
Amount recovered	**(1,383,829)**	(2,004,428)	**(635,858)**	(1,420,027)
Amount written off	**(997,038)**	(2,610,648)	**(560,393)**	(1,624,278)
Converted to securities	**(9,327)**	(37,863)	**(9,327)**	(37,863)
Exchange differences and expenses debited	**106,025**	89,751	**83,691**	96,744
Acquisition of subsidiaries	**22,474**	161,361	**–**	–
At end of the period/year	**8,036,045**	8,756,862	**6,245,836**	6,377,496
Less:				
– Individual allowance	**(2,812,309)**	(2,932,129)	**(2,102,421)**	(2,115,897)
Net impaired loans, advances and financing	**5,223,736**	5,824,733	**4,143,415**	4,261,599
Calculation of ratio of net impaired loans				
Gross loans, advances and financing	**281,412,974**	261,179,763	**199,373,872**	186,868,514
Add: Islamic loans sold to Cagamas	**1,499,270**	682,679	**–**	–
	282,912,244	261,862,442	**199,373,872**	186,868,514
Less:				
– Individual allowance	**(2,812,309)**	(2,932,129)	**(2,102,421)**	(2,115,897)
Net loans, advances and financing (including Islamic loans sold to Cagamas)	**280,099,935**	258,930,313	**197,271,451**	184,752,617
Ratio of net impaired loans	**1.86%**	2.25%	**2.10%**	2.31%

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

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

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Purchase of securities	**101,559**	116,667	**67,796**	82,257
Purchase of transport vehicles	**231,073**	276,671	**112,702**	111,271
Purchase of landed properties				
– Residential	**1,038,738**	1,277,777	**869,346**	1,058,965
– Non-residential	**201,064**	290,538	**181,813**	264,828
Personal use	**114,208**	126,271	**97,976**	111,542
Credit card	**90,160**	77,764	**64,708**	53,642
Purchase of consumer durables	**1,165**	1,163	**1,162**	1,159
Construction	**540,445**	523,361	**428,638**	433,545
Working capital	**4,794,683**	5,575,238	**3,889,018**	3,996,647
Others	**922,950**	491,412	**532,677**	263,640
	8,036,045	8,756,862	**6,245,836**	6,377,496

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

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Malaysia	**6,308,041**	6,712,570	**5,482,340**	5,769,484
Singapore	**379,834**	330,730	**312,294**	242,169
Indonesia	**538,420**	874,375	**–**	–
Labuan Offshore	**230,647**	351,094	**–**	–
Hong Kong SAR	**72,093**	85,675	**71,228**	84,853
Brunei	**768**	2,613	**768**	2,613
Vietnam	**80,335**	75,692	**80,335**	75,692
United Kingdom	**215,719**	141,478	**215,719**	141,478
People's Republic of China	**5,932**	–	**5,932**	–
Cambodia	**18,602**	12,499	**18,602**	12,499
Philippines	**73,677**	50,733	**–**	–
Bahrain	**58,618**	48,708	**58,618**	48,708
Thailand	**25,672**	28,953	**–**	–
Others	**27,687**	41,742	**–**	–
	8,036,045	8,756,862	**6,245,836**	6,377,496

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

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

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Individual Allowance				
At beginning of the period/year	**2,932,129**	3,981,073	**2,115,897**	2,909,013
Allowance made (Note 38)	**535,890**	651,725	**464,602**	471,883
Amount written back (Note 38)	**(296,458)**	(291,066)	**(192,817)**	(207,265)
Amount written off	**(364,074)**	(1,185,904)	**(269,614)**	(936,464)
Transferred to impairment losses in securities	**(9,327)**	(51,475)	**(9,327)**	(51,475)
Transferred to collective allowance	**(15,628)**	(173,038)	**(14,411)**	(57,227)
Acquisition of subsidiaries	**20,553**	50,315	**–**	–
Exchange differences	**9,224**	(49,501)	**8,091**	(12,568)
At end of the period/year	**2,812,309**	2,932,129	**2,102,421**	2,115,897
Collective Allowance				
At beginning of the period/year	**4,271,208**	4,741,229	**3,179,773**	3,665,506
Allowance made (Note 38)	**504,176**	774,955	**187,383**	117,091
Amount written back (Note 38)	**(306)**	(42)	**–**	–
Amount written off	**(632,964)**	(1,424,744)	**(290,779)**	(687,814)
Transferred from impairment losses in securities	**–**	13,612	**–**	13,612
Transferred from individual allowance	**15,628**	173,038	**14,411**	57,227
Exchange differences	**12,232**	(6,840)	**6,578**	14,151
At end of the period/year	**4,169,974**	4,271,208	**3,097,366**	3,179,773
As a percentage of total loans (including Islamic loans sold to Cagamas), less individual allowance	**1.49%**	1.65%	**1.57%**	1.72%
As a percentage of total risk-weighted assets for credit risk	**1.86%**	2.06%	**1.85%**	1.98%

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			Bank		
		Fair Value			Fair Value	
	Principal Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000	Principal Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000
At 31 December 2011						
Trading derivatives						
Foreign exchange related contracts						
Currency forward						
– Less than one year	24,461,736	247,713	(116,156)	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)
	27,277,772	261,955	(117,820)	20,078,819	212,742	(79,887)
Currency swaps						
– Less than one year	49,516,752	445,706	(628,263)	49,516,752	445,706	(628,263)
– One year to three years	334,788	6,232	(3,026)	334,788	6,232	(3,026)
– More than three years	277,627	111	(6,280)	277,627	111	(6,280)
	50,129,167	452,049	(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)
– One year to three years	–	–	–	–	–	–
– More than three years	–	–	–	–	–	–
	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)
– One year to three years	–	–	–	–	–	–
– More than three years	–	–	–	–	–	–
	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	(718)	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	(129,365)	12,702,857	196,044	(129,365)
Interest rate derivatives						
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	453,094	(611,730)	27,616,252	453,094	(611,730)
	67,858,118	668,584	(887,700)	67,858,118	708,475	(887,700)

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12. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

	Group			Bank		
		Fair Value			Fair Value	
	Principal Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000	Principal Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000
At 31 December 2011 (cont'd.)						
Trading derivatives (cont'd.)						
Interest rate derivatives (cont'd.)						
Interest rate futures						
– Less than one year	36,555,927	60,238	(60,238)	36,555,927	60,238	(60,238)
– One year to three years	–	–	–	–	–	–
– More than three years	–	–	–	–	–	–
	36,555,927	60,238	(60,238)	36,555,927	60,238	(60,238)
Interest rate options						
– Less than one year	616,051	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	756,079	2,263	(82,816)	556,079	1,541	(41,935)
	2,794,380	25,626	(90,263)	2,558,880	24,904	(49,382)
Equity related derivatives						
Equity options						
– Less than one year	71,612	–	(7,752)	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)
	396,503	7,891	(15,316)	383,826	7,891	(7,564)
Commodity options						
– Less than one year	–	–	–	–	–	–
– One year to three years	–	–	–	–	–	–
– More than three years	52,700	3,267	(3,267)	52,700	3,267	(3,267)
	52,700	3,267	(3,267)	52,700	3,267	(3,267)
Hedging derivatives						
Interest rate swaps						
– Less than one year	551,788	536	(12,030)	452,443	–	(9,119)
– One year to three years	3,059,907	611	(121,903)	1,530,447	611	(121,673)
– More than three years	1,141,091	–	(51,019)	511,437	–	(50,767)
	4,752,786	1,147	(184,952)	2,494,327	611	(181,559)
Cross currency interest rate swaps						
– Less than one year	805,400	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)
	4,215,276	251,240	(16,005)	3,897,775	255,351	(16,005)
Total derivative assets/(liabilities)	219,001,259	1,954,476	(2,162,709)	208,627,590	1,949,344	(2,072,731)

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

	Group			Bank		
		Fair Value			Fair Value	
	Principal Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000	Principal Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000
At 30 June 2011						
Trading derivatives						
Foreign exchange related contracts						
Currency forward						
– Less than one year	22,154,987	115,780	(128,485)	17,215,104	78,689	(91,170)
– One year to three years	428,114	11,639	(13,146)	428,114	11,639	(13,146)
– More than three years	290,945	18,349	(111)	290,945	18,349	(111)
	22,874,046	145,768	(141,742)	17,934,163	108,677	(104,427)
Currency swaps						
– Less than one year	43,497,687	298,339	(228,440)	43,497,687	298,339	(228,440)
– One year to three years	589,231	19,791	(7,071)	589,231	19,791	(7,071)
– More than three years	290,944	123	(17,160)	290,945	123	(17,160)
	44,377,862	318,253	(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)
– One year to three years	–	–	–	–	–	–
– More than three years	–	–	–	–	–	–
	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)
– One year to three years	–	–	–	–	–	–
– More than three years	–	–	–	–	–	–
	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 derivatives						
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)

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12. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

	Group			Bank		
		Fair Value			Fair Value	
	Principal Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000	Principal Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000
At 30 June 2011 (cont'd.)						
Trading derivatives (cont'd.)						
Interest rate derivatives (cont'd.)						
Interest rate futures						
– Less than one year	1,252,719	281	–	1,252,719	243	–
– One year to three years	–	–	–	–	–	–
– More than three years	–	–	–	–	–	–
	1,252,719	281	–	1,252,719	243	–
Interest rate options						
– Less than one year	610,117	2,431	(44,206)	36,813	–	–
– One year to three years	1,483,240	14,548	–	1,483,240	14,548	–
– More than three years	872,904	1,110	(105,905)	872,904	1,110	(105,905)
	2,966,261	18,089	(150,111)	2,392,957	15,658	(105,905)
Equity related derivatives						
Equity options						
– Less than one year	808,651	1,686	(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)
	908,193	9,739	(14,496)	908,196	9,064	(9,064)
Commodity options						
– Less than one year	–	–	–	–	–	–
– One year to three years	–	–	–	–	–	–
– More than three years	56,065	4,766	(4,766)	56,065	4,766	(4,766)
	56,065	4,766	(4,766)	56,065	4,766	(4,766)
Hedging derivatives						
Interest rate swaps						
– Less than one year	532,917	1	(46,117)	411,020	1	(45,951)
– One year to three years	516,860	1	(46,539)	441,263	1	(46,539)
– More than three years	1,886,165	324	(79,661)	1,580,744	324	(79,661)
	2,935,942	326	(172,317)	2,433,027	326	(172,151)
Cross currency interest rate swaps						
– Less than one year	–	–	–	–	–	–
– 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 derivative assets/(liabilities)	152,699,323	1,652,182	(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 Bank are as follows:

	Group			Bank		
		Fair Value			Fair Value	
	Principal Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000	Principal Amount RM'000	Assets Amount RM'000	Liabilities Amount RM'000
At 31 December 2011						
Interest rate swaps	**625,869**	**–**	**(45,214)**	**625,869**	**–**	**(45,214)**
At 30 June 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 available-for-sale debt securities.

For the financial period ended 31 December 2011, the Group and the Bank recognised a net gain of RM10,572,000 (30.6.2011: RM43,229,000) on the hedging instruments. The total net loss on the hedged items attributable to the hedged risk amounted to RM11,493,000 (30.6.2011: RM20,435,000).

For the financial period ended 31 December 2011, the Group and the Bank derecognised fair value hedge of RM11,950,000 due to the derecognition of the hedged items.

13. OTHER ASSETS

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Other debtors (Note a)	**4,306,187**	3,643,484	**2,015,839**	1,146,591
Amount due from brokers and clients	**1,131,928**	2,016,672	**–**	–
Development properties (Note b)	**448,015**	345,616	**–**	–
Prepayments and deposits	**461,199**	330,525	**87,130**	71,098
Tax recoverable	**200,325**	274,266	**97,337**	159,874
Foreclosed properties	**113,651**	124,959	**40,127**	42,802
	6,661,305	6,735,522	**2,240,433**	1,420,365

(a) Included in other assets are physical gold held by the Group and the Bank as a result of its broker-dealer activities amounting to RM695,606,000 (30.6.2011: RM433,413,000).

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13. OTHER ASSETS (CONT'D.)

(b) Development properties

	Freehold Land RM'000	Cumulative Property Development Costs RM'000	Total RM'000
Group			
At 31 December 2011			
At costs			
At 1 July 2011	**159,191**	**186,425**	**345,616**
Acquisition of subsidiaries (Note 16(b))	**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**
At 30 June 2011			
At costs			
At 1 July 2010	–	–	–
Acquisition of subsidiaries (Note 16)	156,660	164,378	321,038
Cost incurred during the year	–	19,389	19,389
Exchange differences	2,531	2,658	5,189
At 30 June 2011	159,191	186,425	345,616

(i) Borrowing costs of RM1,387,000 (30.6.2011: RM215,000) arising on financing specifically entered into for the development of properties for sale were capitalised during the financial period/year and are included in the development properties. A capitalisation rate of 2.17% (30.6.2011: 2.1%) per annum was used, representing the borrowing costs of the loans used to finance the project.

Development properties for sale have been pledged as security for bank borrowings (Note 26(a)) amounting to RM156,204,000.

13. OTHER ASSETS (CONT'D.)

(b) Development properties (cont'd.)

(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
Beacon Heights A residential development comprising 212 units of condominium apartments in Singapore	Freehold	Second quarter 2012	5,903/ 19,164	100.0%
Tribeca Private Residences comprising of 15 towers	Freehold	2028	97,504/ 150,000	24.17%

14. INVESTMENT PROPERTIES

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
At beginning of the period/year	**45,051**	45,324
Fair value adjustment (Note 36)	**14**	(220)
Impairment loss	**(43)**	–
Acquisition of subsidiaries	**17,652**	–
Disposal	**(1,330)**	–
Exchange differences	**663**	(53)
At end of the period/year	**62,007**	45,051

The following investment properties are held under lease terms:

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
Leasehold land	**31,000**	31,000
Buildings	**6,846**	6,710
	37,846	37,710

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15. STATUTORY DEPOSITS WITH CENTRAL BANKS

		Group		Bank	
	Note	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
With Bank Negara Malaysia	(a)	**6,025,005**	3,607,105	**4,190,100**	2,693,100
With other Central Banks	(b)	**4,552,411**	4,091,320	**1,905,029**	1,620,016
		10,577,416	7,698,425	**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 respective countries, in compliance with the applicable legislations.

16. INVESTMENT IN SUBSIDIARIES

	Bank	
	31.12.2011 RM'000	30.6.2011 RM'000
Unquoted shares, at cost		
– In Malaysia	**19,296,067**	19,146,742
– Outside Malaysia	**1,064,854**	1,054,369
	20,360,921	20,201,111
Less: Accumulated impairment losses	**(3,130,719)**	(3,130,719)
	17,230,202	17,070,392

(a) In prior year, the Bank via its wholly-owned subsidiary, Mayban IB Holdings Sdn. Bhd., completed the acquisition of Kim Eng Holdings Limited and its subsidiaries ("KEH Group"). However, the Group has accounted for the acquisition of KEH Group on a provisional basis as the purchase price allocation ("PPA") exercise and allocation of goodwill to specific cash generating units ("CGU") was still ongoing as of 30 June 2011.

During the financial period, the PPA exercise has been completed including the allocation of goodwill to specific CGU. There were no changes between the provisional PPA amounts as compared to the finalised PPA amounts as shown below.

16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The fair values of the identifiable assets and liabilities of KEH Group as at the date of acquisition were:

	Recognised acquisition values RM'000
Cash and cash equivalents	2,102,754
Property, plant and equipment	514,740
Securities portfolio	716,404
Loans, advances and financing	1,428,213
Derivative assets	5,348
Trade and other receivables	1,978,504
Development properties for sale	321,038
Interest in associates	109,123
Intangible assets	173,038
	7,349,162
Trade and other payables	(4,316,758)
Derivative liabilities	(2,479)
Deferred tax	(73,320)
Provision for taxation	(64,194)
	(4,456,751)
Net identifiable assets	2,892,411
Non-controlling interest	(112,741)
Non-controlling interest re-classified as financial liabilities*	(256,031)
	2,523,639
Goodwill on acquisition representing Maybank's portion	1,700,011
Goodwill attributable to non-controlling interest	247,460
Total goodwill recognised	1,947,471

* Financial liabilities refer to amounts payable in relation to the outstanding mandatory general offers of Kim Eng and Kim Eng Securities (Thailand) Public Company Limited as at 30 June 2011.

(b) In addition, during the financial period, Kim Eng Holdings Limited ("Kim Eng"), a subsidiary of Mayban IB Holdings Sdn. Bhd. (formerly known as Aseam Credit Sdn. Bhd.) which in turn is a wholly-owned subsidiary of Maybank completed the acquisition of ATR Kim Eng Financial Corporation ("ATR KE"), as disclosed in Note 52 (a).

ATR KE is incorporated in Philippines and is listed on the Philippine Stock Exchange, Inc. The principal business activities of ATR KE, its subsidiaries, joint ventures and associated companies (the "ATR KE Group") are securities broking, investment banking and corporate finance advisory, insurance, property development and money broking.

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16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(b) (i) The fair values of the identifiable assets and liabilities of ATR KE as at the date of acquisition were:

	Recognised acquisition values RM'000
Assets	
Cash and cash equivalents	118,671
Property, plant and equipment (Note 18)	12,354
Securities portfolio	44,798
Trade and other receivables	180,152
Development properties for sale (Note 13 (b))	61,054
Interest in associates	9,081
Intangible assets (Note 19)	59,700
Investment properties (Note 14)	17,652
Deferred tax	8,333
Other assets	29,828
	541,623
Liabilities	
Trade and other payables	(143,015)
Derivative liabilities	–
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 interest	(70,179)
Profit on remeasurement of previously held interest	(40,960)
Interest in associated companies	(95,068)
	70,528
Goodwill on acquisition (Note 19)	34,673

(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 equivalent of subsidiaries acquired	(118,671)
Net cash inflow on acquisition	(13,335)

16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(b) (iii) The newly acquired subsidiaries contributed the following results of the Group.

	RM'000
Revenue	**73,922**
Profit before taxation	**3,369**

(iv) The newly acquired subsidiaries would have contributed the following results of the Group if the acquisition had taken place at the beginning of the financial period.

	RM'000
Revenue	**89,966**
Profit before taxation	**5,687**

(c) Capital injection into Maybank International (L) Ltd. ("MILL")
On 19 August 2011, the Bank injected additional capital of USD50,000,000 (or equivalent amount of approximately RM149,325,000) to MILL to support its business growth.

(d) Details of subsidiaries are disclosed in Note 55(a).

17. INTEREST IN ASSOCIATES

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Equity interest				
Unquoted shares, at cost	**505,621**	591,224	**475,100**	473,000
Quoted shares, at cost	**2,864,864**	2,864,864	**–**	–
Unquoted foreign mandatory convertible private debt securities	**19,038**	19,038	**19,038**	19,038
Exchange differences	**(819,706)**	(828,697)	**–**	–
	2,569,817	2,646,429	**494,138**	492,038
Share of post-acquisition reserves	**177,828**	134,408	**–**	–
	2,747,645	2,780,837	**494,138**	492,038
Less: Accumulated impairment losses	**(353,557)**	(353,557)	**(50,000)**	(50,000)
	2,394,088	2,427,280	**444,138**	442,038
Other interest in associates				
Unquoted foreign private debt securities	**12,374**	12,374	**12,374**	12,374
	2,406,462	2,439,654	**456,512**	454,412
Market value of quoted shares	**794,655**	969,669		

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17. INTEREST IN ASSOCIATES (CONT'D.)

(a) The summarised financial information of the associates are as follows:

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
Statement of financial position		
Total assets	**29,226,539**	27,353,797
Total liabilities	**(25,125,506)**	(23,662,716)
	1.7.2011 to 31.12.2011 RM'000	**1.7.2010 to 30.6.2011 RM'000**
Income statements		
Operating revenue	**2,085,305**	3,138,700
Profit after taxation	**394,023**	678,004

(b) Details of the associates are disclosed in Note 55(b).

(c) In previous financial year end, 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 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 current 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 associates are coterminous with the Group.

(d) The details of goodwill included within the Group's carrying amount of interest in associates are as follows:

	31.12.2011 RM'000	**30.6.2011 RM'000**
At beginning of the period/year	**1,614,655**	1,785,307
Exchange differences	**8,772**	(170,652)
At end of the period/year	**1,623,427**	1,614,655

18. PROPERTY, PLANT AND EQUIPMENT

Group	*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
At 31 December 2011							
Cost							
At 1 July 2011	2,032,742	822,217	1,373,209	162,902	45,039	56,669	4,492,778
Acquisition of subsidiaries (Note 16 (b))	10,033	7,631	4,109	1	4,016	–	25,790
Additions	40,376	54,066	172,618	3,678	6,538	46,122	323,398
Disposals	(2,278)	(9,618)	(15,302)	–	(6,205)	(665)	(34,068)
Write-offs (Note 36)	(3,335)	(26,825)	(27,200)	(2,827)	(433)	–	(60,620)
Transfers	–	4,774	1,240	(42)	–	(5,972)	–
Reclassification to intangible assets (Note 19)	–	–	(12,191)	–	–	(3,058)	(15,249)
Exchange differences	(2,704)	1,136	459	(34)	342	(37)	(838)
At 31 December 2011	2,074,834	853,381	1,496,942	163,678	49,297	93,059	4,731,191
Accumulated depreciation and impairment losses							
At 1 July 2011	435,496	595,600	1,128,610	138,113	25,973	–	2,323,792
Acquisition of subsidiaries (Note 16 (b))	2,923	6,428	2,205	–	1,880	–	13,436
Charge for the period (Note 36)	19,759	45,460	31,746	2,619	4,779	–	104,363
Impairment losses	–	–	–	–	–	–	–
Disposals	(454)	(7,888)	(15,048)	–	(3,760)	–	(27,150)
Write-offs (Note 36)	(1,292)	(26,605)	(26,839)	(2,506)	(338)	–	(57,580)
Transfers	–	(1,053)	1,053	–	–	–	–
Exchange differences	(389)	879	1,098	(33)	241	–	1,796
At 31 December 2011	456,043	612,821	1,122,825	138,193	28,775	–	2,358,657
Analysed as:							
Accumulated depreciation	448,716	612,817	1,122,825	138,193	28,775	–	2,351,326
Accumulated impairment losses	7,327	4	–	–	–	–	7,331
	456,043	612,821	1,122,825	138,193	28,775	–	2,358,657
Net carrying amount							
At 31 December 2011	1,618,791	240,560	374,117	25,485	20,522	93,059	2,372,534

Included in computers and peripherals is software development-in-progress amounting to RM217,796,000 (30.6.2011: RM127,089,000) which is not depreciated.

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18. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (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
At 30 June 2011							
Cost							
At 1 July 2010	1,429,144	779,848	1,167,293	145,017	28,961	64,287	3,614,550
Acquisition of subsidiaries (Note 16(a))	524,582	94,094	95,104	5,897	11,847	–	731,524
Additions	54,860	60,197	147,446	1,741	7,471	46,605	318,320
Disposals	(13,972)	(4,726)	(5,083)	(95)	(2,552)	(201)	(26,629)
Write-offs (Note 36)	(5,336)	(20,418)	(83,064)	(978)	(613)	–	(110,409)
Transfers	19,576	(87,194)	111,035	10,613	–	(54,030)	–
Reclassification to intangible assets (Note 19)	–	–	(62,117)	–	–	–	(62,117)
Exchange differences	23,888	416	2,595	707	(75)	8	27,539
At 30 June 2011	2,032,742	822,217	1,373,209	162,902	45,039	56,669	4,492,778
Accumulated depreciation and impairment losses							
At 1 July 2010	359,637	558,225	985,254	128,748	14,648	–	2,046,512
Acquisition of subsidiaries (Note 16(a))	46,472	78,402	79,975	4,691	7,244	–	216,784
Charge for the year (Note 36)	30,791	76,133	54,353	5,217	6,719	–	173,213
Impairment losses	19	–	–	–	–	–	19
Disposals	(5,912)	(4,651)	(5,092)	(90)	(2,117)	–	(17,862)
Write-offs (Note 36)	(723)	(18,633)	(82,838)	(971)	(613)	–	(103,778)
Transfers	–	(94,886)	94,826	60	–	–	–
Exchange differences	5,212	1,010	2,132	458	92	–	8,904
At 30 June 2011	435,496	595,600	1,128,610	138,113	25,973	–	2,323,792
Analysed as:							
Accumulated depreciation	428,169	595,596	1,128,610	138,113	25,973	–	2,316,461
Accumulated impairment losses	7,327	4	–	–	–	–	7,331
	435,496	595,600	1,128,610	138,113	25,973	–	2,323,792
Net carrying amount							
At 30 June 2011	1,597,246	226,617	244,599	24,789	19,066	56,669	2,168,986

18. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (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:**							
Cost							
At 1 July 2011	112,779	456,012	347,032	577,041	169,113	370,765	2,032,742
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	109,985	476,659	365,646	604,537	168,477	349,530	2,074,834
Accumulated depreciation and impairment losses							
At 1 July 2011	–	175,519	111,180	113,593	12,216	22,988	435,496
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	–	435	(245)	(485)	(5)	(89)	(389)
At 31 December 2011	–	183,628	118,420	118,388	13,500	22,107	456,043
Analysed as:							
Accumulated depreciation	–	177,595	118,098	117,416	13,500	22,107	448,716
Accumulated impairment losses	–	6,033	322	972	–	–	7,327
	–	183,628	118,420	118,388	13,500	22,107	456,043
Net carrying amount							
At 31 December 2011	109,985	293,031	247,226	486,149	154,977	327,423	1,618,791

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18. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (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:**							
Cost							
At 1 July 2010	111,016	431,862	152,088	497,288	120,340	116,550	1,429,144
Acquisition of subsidiaries	3,721	4,108	–	223,793	43,058	249,902	524,582
Additions	–	24,100	3,428	23,515	3,817	–	54,860
Disposals	(2,581)	(5,271)	(6,078)	–	(42)	–	(13,972)
Write-offs	–	–	(43)	(546)	(1,430)	(3,317)	(5,336)
Transfers	(230)	230	197,478	(187,216)	4,917	4,397	19,576
Exchange differences	853	983	159	20,207	(1,547)	3,233	23,888
At 30 June 2011	112,779	456,012	347,032	577,041	169,113	370,765	2,032,742
Accumulated depreciation and impairment losses							
At 1 July 2010	–	165,867	36,045	129,021	2,995	25,709	359,637
Acquisition of subsidiaries	–	2,633	–	38,849	–	4,990	46,472
Charge for the year	–	10,398	11,564	7,150	615	1,064	30,791
Impairment losses	–	19	–	–	–	–	19
Disposals	–	(3,715)	(2,197)	–	–	–	(5,912)
Write-offs	–	–	(25)	(71)	(10)	(617)	(723)
Transfers	–	–	64,794	(64,794)	8,616	(8,616)	–
Exchange differences	–	317	999	3,438	–	458	5,212
At 30 June 2011	–	175,519	111,180	113,593	12,216	22,988	435,496
Analysed as:							
Accumulated depreciation	–	169,486	110,858	112,621	12,216	22,988	428,169
Accumulated impairment losses	–	6,033	322	972	–	–	7,327
	–	175,519	111,180	113,593	12,216	22,988	435,496
Net carrying amount							
At 30 June 2011	112,779	280,493	235,852	463,448	156,897	347,777	1,597,246

18. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	*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
At 31 December 2011							
Cost							
At 1 July 2011	1,138,583	554,871	1,007,971	135,529	10,942	47,246	2,895,142
Additions	596	12,964	139,963	772	468	45,676	200,439
Disposals	(2,278)	(12)	(3,576)	–	(319)	–	(6,185)
Write-offs (Note 36)	–	(7,496)	(3,784)	(2,714)	–	–	(13,994)
Transfers	–	2,061	(37)	–	–	(2,024)	–
Reclassification to intangible assets (Note 19)	–	–	(12,191)	–	–	–	(12,191)
Exchange differences	(1,413)	305	358	(41)	89	(16)	(718)
At 31 December 2011	1,135,488	562,693	1,128,704	133,546	11,180	90,882	3,062,493
Accumulated depreciation							
At 1 July 2011	334,740	445,392	823,296	113,567	7,964	–	1,724,959
Charge for the period (Note 36)	10,796	22,930	20,017	2,162	737	–	56,642
Disposals	(454)	(10)	(3,576)	–	(275)	–	(4,315)
Write-offs (Note 36)	–	(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	292,466	20,288	2,684	90,882	1,298,891

Included in computers and peripherals is software development-in-progress amounting to RM215,612,000 (30.6.2011: RM125,249,000) which is not depreciated.

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18. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank (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
At 30 June 2011							
Cost							
At 1 July 2010	1,093,465	536,588	1,031,964	123,819	11,085	59,617	2,856,538
Additions	23,056	13,887	119,004	1,587	1,112	25,755	184,401
Disposals	(17,110)	(115)	(23)	(87)	(625)	–	(17,960)
Write-offs (Note 36)	(43)	(6,931)	(82,863)	(978)	(579)	–	(91,394)
Transfers	19,576	7,961	–	10,613	–	(38,150)	–
Reclassification to intangible assets (Note 19)	–	–	(62,117)	–	–	–	(62,117)
Exchange differences	19,639	3,481	2,006	575	(51)	24	25,674
At 30 June 2011	1,138,583	554,871	1,007,971	135,529	10,942	47,246	2,895,142
Accumulated depreciation							
At 1 July 2010	314,898	403,933	859,319	110,394	7,729	–	1,696,273
Charge for the year (Note 36)	21,799	45,346	45,159	3,868	1,466	–	117,638
Disposals	(6,467)	(97)	(13)	(85)	(625)	–	(7,287)
Write-offs (Note 36)	(25)	(6,825)	(82,654)	(971)	(579)	–	(91,054)
Exchange differences	4,535	3,035	1,485	361	(27)	–	9,389
At 30 June 2011	334,740	445,392	823,296	113,567	7,964	–	1,724,959
Net carrying amount							
At 30 June 2011	803,843	109,479	184,675	21,962	2,978	47,246	1,170,183

18. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank (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:**							
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)**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**
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**	**12,216**	**9,976**	**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**	**12,613**	**7,362**	**344,734**
Net carrying amount							
At 31 December 2011	**102,643**	**241,370**	**181,956**	**194,111**	**1,710**	**68,964**	**790,754**

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18. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank (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:**							
Cost							
At 1 July 2010	107,597	386,926	70,899	424,214	9,881	93,948	1,093,465
Additions	–	23,056	–	–	–	–	23,056
Disposals	(2,581)	(5,272)	(6,050)	–	(475)	(2,732)	(17,110)
Write-offs	–	–	(43)	–	–	–	(43)
Transfers	(230)	230	197,478	(187,216)	4,917	4,397	19,576
Exchange differences	813	513	1,611	15,437	–	1,265	19,639
At 30 June 2011	105,599	405,453	263,895	252,435	14,323	96,878	1,138,583
Accumulated depreciation							
At 1 July 2010	–	155,737	26,824	111,176	2,995	18,166	314,898
Charge for the year	–	8,970	6,378	5,226	615	610	21,799
Disposals	–	(3,715)	(2,188)	–	(10)	(554)	(6,467)
Write-offs	–	–	(25)	–	–	–	(25)
Transfers	–	–	64,794	(64,794)	8,616	(8,616)	–
Exchange differences	–	220	1,050	2,895	–	370	4,535
At 30 June 2011	–	161,212	96,833	54,503	12,216	9,976	334,740
Net carrying amount							
At 30 June 2011	105,599	244,241	167,062	197,932	2,107	86,902	803,843

19. INTANGIBLE ASSET

Group	Goodwill RM'000	Core Deposit Intangibles RM'000	Agency Force RM'000	Customer Relationship RM'000	Computer Software RM'000	Total RM'000
At 31 December 2011						
Cost						
At 1 July 2011	7,669,418	375,232	82,742	90,296	528,781	8,746,469
Acquisition of subsidiaries	34,673	–	–	59,700	–	94,373
Additions	–	–	–	–	24,066	24,066
Write-offs	–	–	–	–	(19,582)	(19,582)
Reclassification from property, plant and equipment (Note 18)	–	–	–	–	15,249	15,249
Goodwill written off	(15,708)	–	–	–	–	(15,708)
Exchange differences	(37,464)	(2,132)	–	–	(3,785)	(43,381)
At 31 December 2011	7,650,919	373,100	82,742	149,996	544,729	8,801,486
Accumulated amortisation						
At 1 July 2011	–	220,246	–	–	397,657	617,903
Amortisation charged (Note 36)	–	22,801	9,848	16,196	29,265	78,110
Write-offs	–	–	–	–	(19,582)	(19,582)
Charged to life, general takaful and family takaful	–	–	–	–	1,272	1,272
Exchange differences	–	(1,338)	(43)	(71)	(2,232)	(3,684)
At 31 December 2011	–	241,709	9,805	16,125	406,380	674,019
Accumulated impairment loss						
At 1 July 2011/ 31 December 2011	1,619,518	–	–	–	–	1,619,518
Net carrying amount	6,031,401	131,391	72,937	133,871	138,349	6,507,949

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19. INTANGIBLE ASSET (CONT'D.)

Group (cont'd.)	Goodwill RM'000	Core Deposit Intangibles RM'000	Agency Force RM'000	Customer Relationship RM'000	Computer Software RM'000	Total RM'000
At 30 June 2011						
Cost						
At 1 July 2010	5,774,003	380,562	–	–	474,024	6,628,589
Acquisition of subsidiaries (Note 16)	1,947,471	–	82,742	90,296	–	2,120,509
Additions	–	–	–	–	17,521	17,521
Write-offs	–	–	–	–	(28,144)	(28,144)
Reclassification from property, plant and equipment (Note 18)	–	–	–	–	62,117	62,117
Exchange differences	(52,056)	(5,330)	–	–	3,263	(54,123)
At 30 June 2011	7,669,418	375,232	82,742	90,296	528,781	8,746,469
Accumulated amortisation						
At 1 July 2010	–	168,433	–	–	359,924	528,357
Amortisation charged (Note 36)	–	53,526	–	–	61,389	114,915
Write-offs	–	–	–	–	(28,144)	(28,144)
Exchange differences	–	(1,713)	–	–	4,488	2,775
At 30 June 2011	–	220,246	–	–	397,657	617,903
Accumulated impairment loss						
At 1 July 2010/30 June 2011	1,619,518	–	–	–	–	1,619,518
Net carrying amount	6,049,900	154,986	82,742	90,296	131,124	6,509,048

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19. INTANGIBLE ASSET (CONT'D.)

Bank	Goodwill RM'000	Computer Software RM'000	Total RM'000
At 31 December 2011			
Cost			
At 1 July 2011	**81,015**	**395,571**	**476,586**
Additions	**–**	**5,653**	**5,653**
Reclassification from property, plant and equipment (Note 18)	**–**	**12,191**	**12,191**
Exchange differences	**–**	**(28)**	**(28)**
At 31 December 2011	**81,015**	**413,387**	**494,402**
Accumulated amortisation			
At 1 July 2011	**–**	**299,316**	**299,316**
Amortisation charged (Note 36)	**–**	**21,136**	**21,136**
Exchange differences	**–**	**17**	**17**
At 31 December 2011	**–**	**320,469**	**320,469**
Net carrying amount	**81,015**	**92,918**	**173,933**
At 30 June 2011			
Cost			
At 1 July 2010	81,015	354,953	435,968
Additions	–	2,633	2,633
Reclassification from property, plant and equipment (Note 18)	–	62,117	62,117
Exchange differences	–	4,012	4,012
At 30 June 2011	81,015	395,571	476,586
Accumulated amortisation			
At 1 July 2010	–	275,258	275,258
Amortisation charged (Note 36)	–	48,773	48,773
Write-offs	–	(28,144)	(28,144)
Exchange differences	–	3,429	3,429
At 30 June 2011	–	299,316	299,316
Net carrying amount	81,015	96,255	177,270

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19. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill

Goodwill has been allocated to the Group's Cash-Generating Units ("CGU") identified according to the following business segments:

Cash-Generating Unit		31.12.2011 Group RM'000	31.12.2011 Bank RM'000	30.6.2011 Group RM'000	30.6.2011 Bank RM'000
American Express ("AMEX") card services business in Malaysia	(i)	**81,015**	**81,015**	81,015	81,015
Acquisition of BII Group		**5,807,085**	**–**	5,807,085	–
Impairment loss	(ii)	**(1,619,518)**	**–**	(1,619,518)	–
		4,187,567	**–**	4,187,567	–
Acquisition of KEH Group	(iii)	**1,931,763**	**–**	1,947,471	–
		1,931,763	**–**	1,947,471	–
Acquisition of subsidiaries	Note 16	**34,673**	**–**	–	–
		34,673	**–**	–	–
Less: Foreign exchange differences		**(203,617)**	**–**	(166,153)	–
		6,031,401	**81,015**	6,049,900	81,015

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 CGU to determine whether any impairment exists. Impairment is recognised in the income statement when the carrying amount of the CGU 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 13.0% per annum;

(c) The discount rate applied is the internal weighted average cost of capital of the Bank at the time of assessment, which is estimated to be 8.0% 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 16.7%.

The other key assumptions for the computation of value-in-use are as follows:

(a) The Bank expects the BII banking business operations to be a going concern;

(b) The discount rate applied is based on current specific country risks which is estimated to be approximately 16.5% per annum;

(c) Terminal value whereby cash flow growth rate of 6.0%, which is consistent with the Gross Domestic Product rates of Indonesia.

19. INTANGIBLE ASSET (CONT'D.)

(a) Goodwill (cont'd.)

(iii) The value-in-use calculations discounted cash flow model uses free cash flow to equity ("FCFE") projections prepared and approved by management covering a 5-year period. The compounded annual growth rate ("CAGR") of KEH's FCFE projections was 3.0%.

The other key assumptions for the computation of value-in-use are as follows:

(a) The Bank expects the KEH banking business operations to be a going concern;

(b) The discount rates applied are based on current specific country risks as follow:

- Singapore is estimated to be approximately 9.0%
- Hong Kong is estimated to be approximately 9.0%
- Thailand is estimated to be approximately 11.0%
- Indonesia is estimated to be approximately 14.0%

(c) Terminal value whereby cash flow growth rate is 3.0%, which is consistent with the Gross Domestic Product rate of Singapore.

(b) Core Deposits Intangible ("CDI")

Core deposits intangible arises from the acquisition of BII banking business operations. The CDI is deemed to have a finite useful life of 8 years and the CDI is amortised based on reducing balance method.

(c) Agency force

As disclosed in Note 16(a), the PPA exercise is based on all relevant information available. The agency force is deemed to have a finite useful life of 11 years and will be amortised based on reducing balance method.

(d) Customer relationship

As disclosed in Note 16(a), the PPA exercise is based on all relevant information available. The customer relationship is deemed to have a finite useful life of 3-9 years and will be amortised based on reducing balance method.

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20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Fixed deposits and negotiable instruments of deposits				
– One year or less	**174,467,186**	147,568,388	**110,905,963**	94,306,204
– More than one year	**8,025,679**	5,307,137	**7,405,262**	4,547,863
	182,492,865	152,875,525	**118,311,225**	98,854,067
Money market deposits	**24,001,969**	24,614,815	**24,001,969**	24,614,815
Savings deposits	**47,084,107**	44,128,596	**33,362,552**	32,024,849
Demand deposits	**58,040,842**	57,696,718	**45,329,984**	43,853,536
Structured deposits*	**2,089,997**	2,660,725	**1,889,563**	2,118,141
	313,709,780	281,976,379	**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		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Due within six months	**146,602,625**	121,375,160	**88,693,115**	70,896,420
Six months to one year	**27,864,561**	26,193,228	**22,212,848**	23,409,784
One year to three years	**7,561,996**	4,876,438	**7,252,759**	4,414,265
Three years to five years	**457,574**	424,590	**152,503**	133,598
After five years	**6,109**	6,109	**–**	–
	182,492,865	152,875,525	**118,311,225**	98,854,067

The deposits are sourced from the following types of customers:

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Business enterprises	**145,925,810**	125,471,400	**102,072,245**	88,232,244
Individuals	**134,090,970**	123,589,127	**104,366,059**	96,557,071
Government and statutory bodies	**11,079,037**	10,418,229	**3,605,807**	3,464,642
Others	**22,613,963**	22,497,623	**12,851,182**	13,211,451
	313,709,780	281,976,379	**222,895,293**	201,465,408

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Licensed banks	**33,009,801**	23,712,986	**32,320,588**	24,816,195
Licensed finance companies	**219,805**	41,326	**181,228**	30,652
Licensed investment banks	**527,377**	429,662	**527,377**	429,663
Other financial institutions	**3,003,995**	9,119,681	**2,526,399**	6,165,165
	36,760,978	33,303,655	**35,555,592**	31,441,675

The maturity structure of deposits and placements of banks and other financial institutions are as follows:

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
One year or less	**35,088,093**	27,731,454	**34,036,472**	26,060,606
More than one year	**1,672,885**	5,572,201	**1,519,120**	5,381,069
	36,760,978	33,303,655	**35,555,592**	31,441,675

22. OTHER LIABILITIES

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Due to brokers and clients	**3,692,268**	4,200,630	**–**	–
Deposits and other creditors	**3,608,396**	3,870,733	**4,958,097**	2,631,835
Provisions and accruals	**2,417,181**	2,356,192	**1,393,081**	1,608,321
Provision for outstanding claims	**488,658**	464,123	**–**	–
Unearned premium reserves	**310,139**	324,929	**–**	–
Profit equalisation reserves (IBS operations) (Note 54(s))	**59,852**	95,247	**–**	–
	10,576,494	11,311,854	**6,351,178**	4,240,156

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22. OTHER LIABILITIES (CONT'D.)

Movements in provision for outstanding claims are as follows:

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Balance at beginning of period/year	464,123	437,200
Net provision made during the period/year	25,328	19,188
Exchange differences	(793)	7,735
Balance at end of period/year	488,658	464,123

23. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

	Group and Bank	
	31.12.2011 RM'000	30.6.2011 RM'000
Balance at beginning of period/year	528,285	649,977
Amount sold during the period/year	200,000	–
Repayment forwarded	(12,682)	(121,692)
Balance at end of period/year	715,603	528,285

Recourse obligation on loans sold to Cagamas represents those acquired from the originators and sold to Cagamas Berhad with recourse. Under the agreement, the Bank undertakes 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.

24. PROVISION FOR TAXATION AND ZAKAT

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Taxation	310,048	128,874	–	–
Zakat	10,164	5,746	–	–
	320,212	134,620	–	–

25. DEFERRED TAX

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	**31.12.2011 RM'000**	30.6.2011 RM'000
At beginning of the period/year	**(1,154,813)**	(1,156,138)	**(920,837)**	(845,461)
Acquisition of subsidiaries	**26,353**	73,320	**–**	–
Recognised in profit or loss (net) (Note 40)	**(30,282)**	(119,191)	**60,269**	(92,192)
Recognised in other comprehensive income (net)	**1,060**	43,297	**(5,688)**	16,950
Exchange differences	**(647)**	3,899	**(907)**	(134)
At end of the period/year	**(1,158,329)**	(1,154,813)	**(867,163)**	(920,837)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(1,421,934)**	(1,402,705)	**(867,163)**	(920,837)
Deferred tax liabilities	**263,605**	247,892	**–**	–
	(1,158,329)	(1,154,813)	**(867,163)**	(920,837)

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 period/year prior to offsetting are as follows:

Deferred tax assets of the Group:

	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
31 December 2011					
At 1 July 2011	**(600,050)**	**9,038**	**(474,748)**	**(336,945)**	**(1,402,705)**
Acquisition of subsidiaries	**–**	**–**	**–**	**(8,575)**	**(8,575)**
Recognised in profit or loss	**(70,682)**	**(2,340)**	**38,487**	**24,548**	**(9,987)**
Recognised in other comprehensive income	**–**	**1,060**	**–**	**–**	**1,060**
Exchange differences	**(943)**	**(377)**	**355**	**(762)**	**(1,727)**
At 31 December 2011	**(671,675)**	**7,381**	**(435,906)**	**(321,734)**	**(1,421,934)**

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25. DEFERRED TAX (CONT'D.)

Deferred tax assets of the Group (cont'd.):

	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
30 June 2011					
At 1 July 2010	(635,388)	(12,815)	(427,152)	(231,892)	(1,307,247)
Acquisition of subsidiaries	–	–	–	(8,991)	(8,991)
Recognised in profit or loss	35,263	7,994	(48,426)	(114,976)	(120,145)
Recognised in other comprehensive income	–	13,775	–	16,398	30,173
Exchange differences	75	84	830	2,516	3,505
At 30 June 2011	(600,050)	9,038	(474,748)	(336,945)	(1,402,705)

Deferred tax liabilities of the Group:

	Accelerated capital allowance RM'000	Unrealised holding reserve and accretion of discounts RM'000	Other temporary differences RM'000	Total RM'000
31 December 2011				
At 1 July 2011	**44,954**	**73,764**	**129,174**	**247,892**
Acquisition of subsidiaries	**–**	**–**	**34,928**	**34,928**
Recognised in profit or loss	**(4,862)**	**735**	**(16,168)**	**(20,295)**
Exchange differences	**446**	**29**	**605**	**1,080**
At 31 December 2011	**40,538**	**74,528**	**148,539**	**263,605**
30 June 2011				
At 1 July 2010	43,465	72,019	35,625	151,109
Acquisition of subsidiaries	1,415	–	80,896	82,311
Recognised in profit or loss	53	1,567	(666)	954
Recognised in other comprehensive income	–	176	12,948	13,124
Exchange differences	21	2	371	394
At 30 June 2011	44,954	73,764	129,174	247,892

25. DEFERRED TAX (CONT'D.)

Deferred tax assets of the Bank:

	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
31 December 2011					
At 1 July 2011	**(425,129)**	**(28,257)**	**(411,411)**	**(187,865)**	**(1,052,662)**
Recognised in profit or loss	**(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)**
30 June 2011					
At 1 July 2010	(466,194)	(28,257)	(387,060)	(77,458)	(958,969)
Recognised in profit or loss	41,065	–	(24,351)	(110,273)	(93,559)
Exchange differences	–	–	–	(134)	(134)
At 30 June 2011	(425,129)	(28,257)	(411,411)	(187,865)	(1,052,662)

Deferred tax liabilities of the Bank:

	Accelerated capital allowance RM'000	Unrealised holding reserve RM'000	Total RM'000
31 December 2011			
At 1 July 2011	38,659	93,166	131,825
Recognised in profit or loss	(4,002)	–	(4,002)
Recognised in other comprehensive income	–	(5,688)	(5,688)
At 31 December 2011	34,657	87,478	122,135
30 June 2011			
At 1 July 2010	37,292	76,216	113,508
Recognised in profit or loss	1,367	–	1,367
Recognised in other comprehensive income	–	16,950	16,950
At 30 June 2011	38,659	93,166	131,825

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25. DEFERRED TAX (CONT'D.)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Unutilised tax losses	**50,499**	49,152
Unabsorbed capital allowances	**992**	992
Loan loss and provisions and interest suspended	**55,692**	53,618
Others	**84,454**	83,627
	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.

26. BORROWINGS

		Group		Bank	
	Note	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Secured:	(a)				
– Less than one year		**599,246**	727,523	**–**	–
– More than one year		**959,559**	666,667	**–**	–
		1,558,805	1,394,190	**–**	–
Unsecured:	(b)				
(i) Borrowings					
– Less than one year		**689,204**	335,474	**95,501**	120,920
– More than one year		**4,170,359**	3,299,579	**3,469,591**	3,299,579
(ii) Medium Term Notes					
– Less than one year		**123,672**	294,972	**–**	–
– More than one year		**643,190**	122,905	**643,190**	–
		5,626,425	4,052,930	**4,208,282**	3,420,499
		7,185,230	5,447,120	**4,208,282**	3,420,499

26. 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 13(b)); 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 16.0% per annum (30.6.2011: 5.0% to 16.0%) and have maturity ranging from 0.5 month to 58 months (30.6.2011: 0.5 month 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 0.56% to 8.75% (30.6.2011: ranging between 0.84% to 10.29%) per annum.

(ii) Multi-currency Medium Term Notes ("MTN").

SGD800 million MTN Programme

In November 2006, Kim Eng Holdings Ltd, a subsidiary of the Bank, established a SGD300 million MTN Programme. The maximum aggregate principal amount of notes that may be issued under the programme was increased to SGD800 million with effect from 18 June 2010. Under this MTN Programme, the subsidiaries 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 subsidiaries, and rank pari passu, without any preference or priority among themselves, and pari passu with all other present and future unsecured obligations of the subsidiaries.

As at 31 December 2011, the borrowings bear an interest of 2.4% (30.6.2011: range from 2.2% to 2.4%) per annum and have a maturity of 7 months (30.6.2011: range from 3 months to 12 months).

USD2 billion MTN Programme

On 18 April 2011, the Bank established a USD2 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 outstanding Notes shall not at any time exceed USD2 billion (or its equivalent in other currencies) in nominal value.

On 7 December 2011 and 22 December 2011, the Bank issued HKD572 million and JPY10 billion fixed rate notes due in 2016 and 2026 respectively under this MTN Programme. The borrowings bear fixed interest rates of 2.7% per annum and 2.5% per annum respectively.

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27. SUBORDINATED OBLIGATIONS

		Group		Bank	
	Note	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
RM1,500 million subordinated Islamic bonds due in 2018	(i)	**1,509,684**	1,469,579	**1,509,684**	1,509,579
RM1,500 million subordinated bonds due in 2017	(ii)	**1,513,151**	1,512,986	**1,513,151**	1,512,986
USD300 million subordinated certificates due in 2017	(iii)	**954,340**	907,272	**954,340**	907,272
RM3,100 million subordinated Term Loan due in 2023	(iv)	**3,111,211**	3,110,871	**3,111,211**	3,110,871
SGD1,000 million capital subordinated notes due in 2021	(v)	**2,456,311**	2,469,078	**2,456,311**	2,469,078
RM1,000 million subordinated sukuk due in 2021	(vi)	**1,010,723**	1,010,637	**–**	–
BII subordinated Bond due in 2018	(vii)	**404,613**	320,116	**–**	–
RM2,000 million subordinated notes due in 2021	(viii)	**2,029,783**	–	**2,029,783**	–
BII subordinated Bond due in 2018	(ix)	**170,298**	–	**–**	–
RM750 million subordinated notes due in 2021	(x)	**750,326**	–	**750,326**	–
RM250 million subordinated notes due in 2023	(xi)	**250,113**	–	**250,113**	–
		14,160,553	10,800,539	**12,574,919**	9,509,786

(i) On 15 May 2006, the Bank issued RM1.5 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. 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 11 April 2007, the Bank issued RM1.5 billion nominal value Subordinated Bonds payable semi-annually in arrears in April and October each year, subject to the revision of interest explained below 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.

(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 and issuing the subordinated certificates) 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.

27. SUBORDINATED OBLIGATIONS (CONT'D.)

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.

(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 the tenth (10th) anniversary from the drawdown date or any semi-annual interest payment date thereafter.

The Facility bears a fixed interest rate payment, 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 then prevailing market rate to be agreed between the Lender and the Borrower based on the then Borrower's prevailing credit rating for a Tier 2 subordinated bond and upon having considered amongst others, the yield for a five (5) year bond maturity and last traded yields for Tier 2 subordinated bonds and other comparables of equivalent ratings.

The Facility qualifies as Tier 2 Capital of the Bank in accordance with the capital adequacy requirements issued by Bank Negara Malaysia.

(v) On 28 April 2011, the Bank issued SGD1.0 billion nominal value Subordinated Notes under the MTN Programme which is payable semi-annually in arrears in April and October each year, subject to the revision of interest explained below 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) year 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 five (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.

(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 the 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 Note Programme of up to RM3.0 billion which is payable semi-annually in arrears in February and August 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 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.

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27. SUBORDINATED OBLIGATIONS (CONT'D.)

(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 tenor 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 Note Programme of up to RM3.0 billion which is payable semi-annually in arrears in June and December 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 December 2016 (first Call Date) and on each semi-annual interest payment date thereafter at their principal amount together with accrued but unpaid coupon.

(xi) On 28 December 2011, the Bank issued RM250 million Subordinated Notes from Maybank Subordinated Note Programme of up to RM3.0 billion which is payable semi-annually in arrears in June and December each year and are due in 2023. 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.

The coupon rates for all the subordinated instruments above range between 0.77% and 10.75% 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.

28. CAPITAL SECURITIES

		Group and Bank	
	Note	**31.12.2011 RM'000**	**30.6.2011 RM'000**
RM3,500 million 6.85% Stapled Capital Securities ("NCPCS")		**3,503,275**	3,502,620
Less: Transaction cost		**(2,686)**	(2,686)
Add: Accumulated amortisation of transaction cost		**751**	631
	(a)	**3,501,340**	3,500,565
SGD600 million 6.00% Innovative Tier 1 Capital Securities ("SGD600 million IT1CS")		**1,500,936**	1,508,921
Less: Transaction cost		**(8,514)**	(8,514)
Add: Accumulated amortisation of transaction cost		**2,415**	2,024
	(b)	**1,494,837**	1,502,431
RM1,100 million 6.30% Innovative Tier 1 Capital Securities ("RM1.1 billion IT1CS")		**1,118,366**	1,118,607
Less: Transaction cost		**(1,063)**	(1,063)
Add: Accumulated amortisation of transaction cost		**281**	234
	(c)	**1,117,584**	1,117,778
		6,113,761	6,120,774

28. CAPITAL SECURITIES (CONT'D.)

(a) NCPCS

On 27 June 2008, the Group issued RM3,500 million 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").

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 Bank Negara Malaysia's 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

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28. CAPITAL SECURITIES (CONT'D.)

(a) NCPCS (cont'd.)

(k) Thirty (30) years from the issue date of the Sub-Notes.

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 million IT1CS

On 11 August 2008, the Bank issued SGD600 million IT1CS callable with step-up in 2018 at a fixed rate of 6.00%.

The SGD 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 SGD 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) month 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 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.

29. SHARE CAPITAL AND SHARE BASED PAYMENTS

	Group and Bank			
	Number of ordinary shares of RM1 each		Amount	
	31.12.2011 '000	30.6.2011 '000	**31.12.2011 RM'000**	30.6.2011 RM'000
Authorised:				
At beginning of the period/year	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Created during the period/year	**–**	–	**–**	–
At end of the period/year	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Issued and fully paid:				
At beginning of the period/year	**7,478,206**	7,077,983	**7,478,206**	7,077,983
Shares issued under the:				
– Dividend Reinvestment Plan ("DRP"):				
Issued on:				
– 20 December 2010	**–**	244,257	**–**	244,257
– 13 May 2011	**–**	155,966	**–**	155,966
– 28 December 2011	**161,221**	–	**161,221**	–
– Maybank Group Employees' Share Scheme	**10**	–	**10**	–
At end of the period/year	**7,639,437**	7,478,206	**7,639,437**	7,478,206

(a) Increase in issued and paid-up capital

During the financial period, the Bank increased its issued and paid-up capital from RM7,478,206,067 to RM7,639,437,483 via:

(i) Issuance of 10,000 new ordinary shares of RM1 each for cash, to eligible persons who exercised their options under the ESS, as disclosed in Note 29(d)(ii).

(ii) Issuance of 161,221,416 new ordinary shares of RM1 each arising from the Dividend Reinvestment Plan ("DRP") relating to electable portion of the final dividend of 21 sen (net) in respect of financial year ended 30 June 2011, as disclosed in Note 43(c).

(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 (as defined below) into new ordinary share(s) of RM1.00 each in Maybank ("Maybank Shares") ("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; and

(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").

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29. SHARE CAPITAL AND SHARE BASED PAYMENTS (CONT'D.)

(b) Dividend Reinvestment Plan ("DRP") (cont'd.)

(iii) The rationale of Maybank embanking on the DRP as follows (cont'd.)

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.

(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 in force for a maximum 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 branches and subsidiaries in Malaysia, 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; and

(iii) The ESS shall be in force for a maximum 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 two (2) types of performance-based awards i.e. Employee Share Option Scheme ("ESOS") and Restricted Shares Unit ("RSU").

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 the acceptance of the participants, 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.

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 fulfilling the relevant service and performance objectives and provided all performance-related conditions are duly and fully satisfied. The scheme 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.

29. SHARE CAPITAL AND SHARE BASED PAYMENTS (CONT'D.)

(c) Maybank Group Employees' Share Scheme ("ESS") (cont'd.)

(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. The first tranche of ESOS amounting to 80,871,000 options have been vested and exercisable as at 30 June 2011, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment 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.

- The subscription price of the ESOS shall be at the 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 ESS Committee subject to compliance can decide whether the scheme shares be satisfied by way of issuance and/or transfer of new Maybank Shares. The Bank will establish a Trust 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 shall be 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 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 the 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 for the benefit of eligible employees and set aside and held in 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.

(vi) Key features of the RSU award are as follows:

- The RSU granted will be vested and awarded upon fulfillment 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 the eligible employees pursuant to physical settlement will not require any payment to the Bank by the RSU participants.

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29. SHARE CAPITAL AND SHARE BASED PAYMENTS (CONT'D.)

(c) Maybank Group Employees' Share Scheme ("ESS") (cont'd.)

(vi) Key features of the RSU award are as follows (cont'd.):

- 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.

(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	405,309	8.82*	30.6.2011 – 30.6.2016

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 4.3% as at 31 December 2011.

* On 15 December 2011, the ESS Committee approved the reduction of the ESOS exercise price to RM8.78 from RM8.82. The reduction in the exercise price is effective from 29 December 2011 onwards.

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options during the financial period:

Grant date	Outstanding at 1.7.2011	Movement During the Period					Outstanding at 31.12.2011	Exercisable at 31.12.2011
		Adjustment**	Granted	Exercised	Forfeited	Expired		
23.6.2011								
Number of options ('000)	**80,870**	**258**	**–**	**(9)**	**(1,049)**	**–**	**80,070**	**80,070**
WAEP (RM)	**8.82**	**8.82**	**–**	**8.82**	**8.82**	**–**	**8.78#**	**8.78#**

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

Revised from RM8.82 to RM8.78 on 29 December 2011 as disclosed above.

Total share options granted to the directors of the Bank as at 31 December 2011 was presented under Directors' interests in the Directors' report.

(ii) Share options exercised during the financial period

As disclosed above, options exercised during the financial period resulted in the issuance of approximately 9,000 (30.6.2011: 1,000) ordinary shares as at 31 December 2011 at an exercise price of RM8.82 (30.6.2011: RM8.82) each. 1,000 of the options exercised on 30 June 2011 were only issued and listed during the financial period. Hence, a total of 10,000 shares have been issued during the financial period due to exercise of options. The related weighted average share price at the date of exercise was RM8.86 (30.6.2011: RM8.93).

29. SHARE CAPITAL AND SHARE BASED PAYMENTS (CONT'D.)

(d) Details of share options under ESOS (cont'd.)

(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 a Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured and the assumptions were as follows:

Fair value of share options:	
– tranche 1: granted and vested on 23 June 2011 (RM)	0.627
– tranche 2 to 5: granted on 23 June 2011 but not vested (RM)	0.687 – 0.769
Weighted average share price at exercise date (RM)	8.86
Weighted average exercise price (RM)	8.82
Expected volatility (%)	14.59
Expected life (years)	3 – 5
Risk free rate (%)	3.24 – 3.64
Expected dividend yield (%)	4.49

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 were indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

(e) Details of RSU

(i) RSU granted

On 23 June 2011, a total of 3,590,000 RSU, with a fair value of RM7.247 had been granted. 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. None of the RSU has been vested as at 31 December 2011.

Total RSU granted to the directors of the Bank as at 31 December 2011 was presented under Directors' interests in the Directors' report.

(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 and the assumptions were as follows:

Fair value of RSU (RM)	7.247
Weighted average share price at exercise date (RM)	–
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 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 were indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

(f) Details of CESOS

A separate cash-settled performance-based scheme ("CESOS") 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 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.

The CESOS award is a cash plan and may be awarded from time to time up to five (5) tranches. The award will be subject to fulfilling the performance targets, performance period, service period and other vesting conditions as stipulated in the CESOS Guidelines, save for the first CESOS tranche whereby no performance targets shall be applicable.

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29. SHARE CAPITAL AND SHARE BASED PAYMENTS (CONT'D.)

(f) Details of CESOS (cont'd.)

The amount payable for each CESOS 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 date of each CESOS tranche. The Bank has granted a total of 715,900 CESOS to overseas branches in previous financial year ended 30 June 2011. There were no share options under the CESOS granted or vested during the current financial period ended 31 December 2011.

30. RESERVES

		Group		Bank	
	Note	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Non-distributable:					
Share premium		**9,598,847**	8,583,711	**9,598,847**	8,583,711
Statutory reserve	(a)	**6,926,383**	6,409,922	**6,728,866**	6,212,460
Capital reserve	(b)	**15,250**	15,250	**–**	–
Unrealised holding reserve		**350,981**	417,065	**262,434**	278,860
Exchange fluctuation reserve		**(969,382)**	(1,007,977)	**227,772**	239,261
ESS reserve		**127,317**	65,000	**127,317**	65,000
Revaluation reserve	(c)	**8,817**	9,057	**–**	–
PER reserve	(d)	**34,456**	–	**–**	–
		16,092,669	14,492,028	**16,945,236**	15,379,292
Distributable:					
Retained profits (Note 31)		**9,713,321**	9,491,265	**4,895,012**	5,140,905
Total reserves		**25,805,990**	23,983,293	**21,840,248**	20,520,197

(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.

31. RETAINED PROFITS

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 2011 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 31 December 2011, the Bank has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

32. 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, fee and commission income, investment income, gross dividends and other income derived from banking and finance operations.

33. INTEREST INCOME

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	**1.7.2010 to 30.6.2011 RM'000**	**1.7.2011 to 31.12.2011 RM'000**	**1.7.2010 to 30.6.2011 RM'000**
Loans, advances and financing	**5,630,652**	9,538,327	**4,187,422**	7,040,484
Money at call and deposits and placements with financial institutions	**321,898**	428,458	**243,430**	354,306
Securities purchased under resale agreements	**2,529**	10,695	**141**	67
Securities held-for-trading	**64,105**	88,785	**65,233**	76,293
Securities available-for-sale	**753,393**	1,555,760	**662,867**	1,376,684
Securities held-to-maturity	**225,376**	432,073	**196,742**	368,084
	6,997,953	12,054,098	**5,355,835**	9,215,918
Amortisation of premiums less accretion of discounts	**6,366**	(16,111)	**3,746**	(20,980)
	7,004,319	12,037,987	**5,359,581**	9,194,938

Included in interest income for the current financial period was interest on impaired assets amounting to approximately RM110,517,000 (30.6.2011: RM220,440,000) for the Group and RM86,126,000 (30.6.2011: RM190,770,000) for the Bank.

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34. INTEREST EXPENSE

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Deposits and placements of banks and other financial institutions	**219,732**	357,708	**218,732**	355,418
Deposits from customers	**2,169,377**	3,527,148	**1,589,815**	2,537,891
Loans sold to Cagamas	**–**	1,121	**–**	1,121
Floating rate certificates of deposits	**1,617**	2,017	**1,617**	2,017
Borrowings	**153,233**	213,001	**24,094**	26,723
Subordinated notes	**146,824**	149,080	**146,824**	149,080
Subordinated bonds	**67,852**	150,423	**67,852**	152,774
Capital securities	**201,405**	397,258	**201,405**	397,258
Net interest on derivatives	**18,001**	54,301	**3,373**	32,236
	2,978,041	4,852,057	**2,253,712**	3,654,518

35. NON-INTEREST INCOME

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Fee income:				
Commission	**391,696**	705,594	**338,033**	626,850
Service charges and fees	**595,097**	1,163,743	**383,132**	855,744
Underwriting fees	**18,087**	57,094	**13,399**	23,492
Brokerage income	**277,187**	219,767	**649**	235
Fees on loans, advances and financing	**285,072**	524,313	**99,374**	125,226
	1,567,139	2,670,511	**834,587**	1,631,547
Investment income:				
Net gain on disposal of securities held-for-trading	**17,858**	1,784	**23,872**	11,019
Net gain on disposal of securities available-for-sale	**271,636**	341,934	**249,361**	276,304
Net gain on redemption of securities held-to-maturity	**132**	439	**132**	439
Gain on disposal of subsidiaries	**2,052**	–	**210**	595
Gain on disposal of associates	**30,274**	–	**–**	–
	321,952	344,157	**273,575**	288,357

35. NON-INTEREST INCOME (CONT'D.)

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	**1.7.2010 to 30.6.2011 RM'000**	**1.7.2011 to 31.12.2011 RM'000**	**1.7.2010 to 30.6.2011 RM'000**
Gross dividends from:				
Securities available-for-sale				
– Quoted outside Malaysia	**689**	1,333	**–**	–
– Quoted in Malaysia	**7,226**	15,329	**1,693**	6,869
– Unquoted outside Malaysia	**3,744**	4,348	**–**	196
– Unquoted in Malaysia	**8,121**	10,195	**7,418**	8,877
	19,780	31,205	**9,111**	15,942
Subsidiaries	**–**	–	**358,026**	351,690
Associates	**–**	–	**5,231**	5,913
	19,780	31,205	**372,368**	373,545
Unrealised (loss)/gain on revaluation of:				
– Securities held-for-trading	**(52,564)**	(47,958)	**62,586**	(31,761)
– Derivatives	**(241,409)**	283,482	**(237,213)**	277,743
	(293,973)	235,524	**(174,627)**	245,982
Other income:				
Foreign exchange gain	**529,283**	561,508	**489,010**	456,028
Rental income	**10,681**	23,169	**10,288**	22,035
Gain on disposal of property, plant and equipment	**4,998**	16,631	**5,348**	14,414
Gain on disposal of foreclosed properties	**782**	3,926	**–**	93
Sale of development properties	**53,560**	37,929	**–**	–
Other operating income	**132,791**	164,511	**28,286**	2,455
Other non-operating income	**27,187**	25,584	**22,374**	32,445
	759,282	833,258	**555,306**	527,470
	2,374,180	4,114,655	**1,861,209**	3,066,901

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36. OVERHEAD EXPENSES

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Personnel expenses				
Salaries, allowances and bonuses	**1,589,912**	2,691,440	**988,701**	1,889,916
Social security cost	**13,402**	16,050	**6,911**	13,598
Pension costs – defined contribution plan	**171,992**	300,408	**146,784**	261,920
Share options granted under ESS	**56,848**	65,000	**41,765**	65,000
Other staff related expenses	**264,561**	494,856	**153,180**	316,136
	2,096,715	3,567,754	**1,337,341**	2,546,570
Establishment costs				
Depreciation of property, plant and equipment (Note 18)	**104,363**	173,213	**56,642**	117,638
Amortisation of core deposit intangibles (Note 19)	**22,801**	53,526	**–**	–
Amortisation of agency force (Note 19)	**9,848**	–	**–**	–
Amortisation of customer relationship (Note 19)	**16,196**	–	**–**	–
Amortisation of computer software (Note 19)	**29,265**	61,389	**21,136**	48,773
Rental of leasehold land and premises	**113,656**	174,916	**51,882**	88,314
Repairs and maintenance of property, plant and equipment	**81,583**	122,633	**33,668**	64,988
Information technology expenses	**272,959**	510,130	**231,787**	465,280
Fair value adjustment on investment properties (Note 14)	**(14)**	220	**–**	–
Others	**25,831**	16,921	**6,599**	10,569
	676,488	1,112,948	**401,714**	795,562
Marketing costs				
Advertisement and publicity	**178,608**	375,240	**94,714**	218,776
Others	**61,515**	102,785	**51,886**	95,516
	240,123	478,025	**146,600**	314,292
Administration and general expenses				
Fees and brokerage	**312,693**	505,198	**259,271**	361,714
Administrative expenses	**293,291**	466,650	**126,778**	245,685
General expenses	**269,030**	453,192	**62,862**	138,578
Cost of development property	**34,762**	32,235	**–**	–
Others	**18,737**	36,182	**1,753**	9,543
	928,513	1,493,457	**450,664**	755,520

36. OVERHEAD EXPENSES (CONT'D.)

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Overhead expenses allocated to subsidiaries	–	–	(263,431)	(478,146)
Total	3,941,839	6,652,184	2,072,888	3,933,798
Included in overhead expenses are:				
Directors' fees and remuneration (Note 37)	22,955	19,809	4,648	8,027
Rental of equipment	8,419	13,438	7,733	11,466
Direct operating expenses of investment properties	122	413	–	–
Auditors' remuneration:				
Statutory audit:	9,313	9,486	4,955	5,388
– Ernst & Young Malaysia	4,553	4,882	2,867	3,014
– Other member firms of Ernst & Young Global	2,978	3,572	1,436	1,468
– Other auditors *	1,782	1,032	652	906
Non-audit services:	5,561	3,863	1,516	3,161
– Reporting accountants, review engagements and regulatory-related services	2,865	3,535	1,420	2,920
– Other services	2,696	328	96	241
Property, plant and equipment written off (Note 18)	3,040	6,631	294	340

* Relates to fees paid and payable to accounting firms other than the Bank's auditors.

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37. DIRECTORS' FEES AND REMUNERATION

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Directors of the Bank:				
Executive director:				
Salary	**768**	1,156	**768**	1,156
Fees	**379**	598	**–**	–
Bonus	**768**	1,920	**768**	1,920
Pension cost – defined contribution plan	**247**	528	**247**	528
ESS costs	**668**	323	**668**	323
Other remuneration	**112**	114	**106**	109
Estimated money value of benefits-in-kind	**21**	45	**21**	45
	2,963	4,684	**2,578**	4,081
Non-executive directors:				
Fees	**2,439**	4,559	**1,473**	2,863
Other remuneration	**671**	1,243	**618**	1,128
Estimated money value of benefits-in-kind	**44**	74	**44**	74
	3,154	5,876	**2,135**	4,065
Sub-total for directors of the Bank	**6,117**	10,560	**4,713**	8,146
Directors of the subsidiaries:				
Executive directors:				
Salary and other remuneration, including meeting allowance	**10,691**	2,566	**–**	–
Bonuses	**1,163**	2,671	**–**	–
Pension cost – defined contribution plan	**247**	300	**–**	–
ESS costs	**325**	159	**–**	–
Estimated money value of benefits-in-kind	**361**	98	**–**	–
	12,787	5,794	**–**	–
Non-executive directors:				
Fees	**3,376**	2,992	**–**	–
Other remuneration	**327**	164	**–**	–
ESS costs	**774**	516	**–**	–
	4,477	3,672	**–**	–
Sub-total for directors of the subsidiaries	**17,264**	9,466	**–**	–
Total	**23,381**	20,026	**4,713**	8,146
Total (excluding benefits-in-kind)	**22,955**	19,809	**4,648**	8,027

The remuneration attributable to the President/Chief Executive Officer of the Bank including benefits-in-kind during the financial period amounted to RM2,963,171 (30.6.2011: RM4,683,579).

37. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The total directors' fees and remuneration of the Group above has excluded the amount of RM171,495 (30.6.2011: RM409,242) which has been allocated to the life, general takaful and family takaful funds.

The total remuneration (including benefits-in-kind) of the directors of the Bank are as follows:

	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emolument* RM'000	Benefits-in-kind ESS RM'000	Benefits-in-kind Others RM'000	Bank total RM'000	Fees RM'000	Other emolument* RM'000	Subsidiaries total RM'000	Group total RM'000
31 December 2011												
Executive director:												
Dato' Sri Abdul Wahid bin Omar	768	–	768	247	106	668	21	2,578	379	6	385	2,963
Existing 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	159	9	168	396
Tan Sri Datuk Dr Hadenan 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	72	11	83	270
Dato' Sreesanthan Eliathamby	–	125	–	–	24	–	1	150	13	5	18	168
Dato' Johan bin Ariffin	–	125	–	–	40	–	2	167	81	12	93	260
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
	–	1,473	–	–	618	–	44	2,135	966	53	1,019	3,154
Total directors remuneration	768	1,473	768	247	724	668	65	4,713	1,345	59	1,404	6,117

* Includes duty allowances, social allowance, leave passage, staff mess, EPF, retention sum and retirement gratuity.

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37. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emolument* RM'000	Benefits-in-kind ESS RM'000	Benefits-in-kind Others RM'000	Bank total RM'000	Fees RM'000	Other emolument* RM'000	Subsidiaries total RM'000	Group total RM'000
30 June 2011												
Executive director:												
Dato' Sri Abdul Wahid bin Omar	1,156	–	1,920	528	109	323	45	4,081	598	5	603	4,684
Existing non-executive directors:												
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	–	316	–	–	583	–	39	938	609	–	609	1,547
Dato' Mohd Salleh bin Hj Harun	–	330	–	–	71	–	35	436	330	12	342	778
Tan Sri Datuk Dr Hadenan A. Jalil	–	295	–	–	50	–	–	345	43	9	52	397
Dato' Seri Ismail bin Shahudin	–	331	–	–	72	–	–	403	66	9	75	478
Dato' Dr Tan Tat Wai	–	295	–	–	52	–	–	347	193	6	199	546
Encik Zainal Abidin bin Jamal	–	288	–	–	79	–	–	367	89	26	115	482
Dato' Sreesanthan Eliathamby	–	240	–	–	47	–	–	287	25	14	39	326
Dato' Johan bin Ariffin	–	250	–	–	75	–	–	325	110	23	133	458
Mr Cheah Teik Seng	–	261	–	–	58	–	–	319	231	3	234	553
Mr Alister Maitland	–	257	–	–	41	–	–	298	–	13	13	311
Sub Total	–	2863	–	–	1128	–	74	4,065	1,696	115	1811	5876
Total directors remuneration	1,156	2,863	1,920	528	1,237	323	119	8,146	2,294	120	2,414	10,560

* Includes duty allowances, social allowance, leave passage, staff mess, EPF, retention sum and retirement gratuity.

38. ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING, NET

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Allowances for loans, advances and financing:				
– Individual allowance (Note 11(ix))				
Allowance made	**535,890**	651,725	**464,602**	471,883
Amount written back	**(296,458)**	(291,066)	**(192,817)**	(207,265)
Net	**239,432**	360,659	**271,785**	264,618
– Collective allowance (Note 11(ix))				
Allowance made	**504,176**	774,955	**187,383**	117,091
Amount written back	**(306)**	(42)	**–**	–
Net	**503,870**	774,913	**187,383**	117,091
Bad debts and financing:				
– Written off	**34,188**	32,203	**32,243**	25,691
– Recovered	**(463,338)**	(702,467)	**(326,977)**	(416,997)
	314,152	465,308	**164,434**	(9,597)
Allowance for other debts	**14,928**	36,858	**1,707**	11,793
	329,080	502,166	**166,141**	2,196

39. IMPAIRMENT LOSSES/(WRITEBACK OF IMPAIRMENT LOSSES) OF SECURITIES, NET

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Securities available-for-sale	**68,697**	130,182	**59,324**	110,125
Securities held-to-maturity	**(1,460)**	(227)	**(1,460)**	(227)
	67,237	129,955	**57,864**	109,898

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40. TAXATION AND ZAKAT

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	**1.7.2010 to 30.6.2011 RM'000**	**1.7.2011 to 31.12.2011 RM'000**	**1.7.2010 to 30.6.2011 RM'000**
Malaysian income tax	**786,379**	1,657,985	**543,043**	1,342,701
Foreign tax	**226,728**	346,006	**107,832**	179,168
Less: Double taxation relief	**(106,266)**	(175,189)	**(106,266)**	(175,189)
	906,841	1,828,802	**544,609**	1,346,680
Overprovision in respect of prior years:				
Malaysian income tax	**–**	(22,551)	**–**	–
Foreign income tax	**97**	(51,856)	**–**	(51,856)
	906,938	1,754,395	**544,609**	1,294,824
Deferred tax (Note 25):				
Relating to originating and reversal of temporary differences (net)	**(30,282)**	(119,191)	**60,269**	(92,192)
Overprovision in prior years	**–**	–	**–**	–
	(30,282)	(119,191)	**60,269**	(92,192)
Tax expense for the period/year	**876,656**	1,635,204	**604,878**	1,202,632
Zakat	**10,415**	15,505	**22**	98
	887,071	1,650,709	**604,900**	1,202,730

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (30.6.2011: 25%) of the estimated chargeable profit for the period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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40. 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:

	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Group		
Profit before taxation	**3,563,401**	6,270,467
Taxation at Malaysian statutory tax rate of 25% (30.6.2011: 25%)	**890,850**	1,567,617
Different tax rates in other countries	**7,457**	15,715
Income not subject to tax	**(63,545)**	(111,393)
Expenses not deductible for tax purposes	**60,356**	271,424
Under/(over) provision in tax expense in prior years	**97**	(74,407)
Share of profit of associates	**(18,559)**	(33,752)
Tax expense for the period/year	**876,656**	1,635,204
Bank		
Profit before taxation	**2,670,185**	4,561,429
Taxation at Malaysian statutory tax rate of 25% (30.6.2011: 25%)	**667,546**	1,140,357
Different tax rates in other countries	**7,268**	12,014
Income not subject to tax	**(91,710)**	(93,386)
Expenses not deductible for tax purposes	**21,774**	195,503
Overprovision in tax expense in prior years	**–**	(51,856)
Tax expense for the period/year	**604,878**	1,202,632

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41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) In addition to the transactions detailed elsewhere in the financial statements, the Bank has the following transactions with related parties during the financial period/year:

	Bank	
	1.7.2011 to 31.12.2011 RM'000	**1.7.2010 to 30.6.2011 RM'000**
Transactions with subsidiaries and associates:		
Income:		
Interest on deposits	**80,746**	74,048
Dividend income	**363,257**	357,603
Rental of premises	**1,327**	2,403
Other income	**273,279**	576,309
	718,609	1,010,363
Expenditure:		
Interest on deposits	**148,886**	288,113
Other expenses	**3,348**	8,959
	152,234	297,072
Others:		
Share options granted under ESS charged to subsidiaries	**20,558**	–

(b) Included in the statement of financial position of the Bank are amounts due from/(to) subsidiaries represented by the following:

	Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**
Amounts due from subsidiaries:		
Current accounts and deposits	**3,470,049**	2,218,541
Negotiable instruments deposits	**6,125,796**	4,886,333
Loans, advances and financing	**126,404**	131,856
Interest and other receivable on deposits	**209,063**	2,239,152
Private debt securities	**127,593**	211,916
Derivatives assets	**54,912**	7,231
	10,113,817	9,695,029
Amounts due to subsidiaries:		
Current accounts and deposits	**6,965,108**	6,219,839
Private debt securities	**–**	40,808
Interest payable on deposits	**10,165**	15,956
Deposits and other creditors	**8,037,519**	8,261,501
Derivatives liabilities	**935**	12,287
	15,013,727	14,550,391

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

(c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly. The key management personnel of the Group and the Bank include all the directors and chief executive officers of the Group and the Bank.

The remuneration of key management personnel during the financial period/year are as follows:

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	**1.7.2010 to 30.6.2011 RM'000**	**1.7.2011 to 31.12.2011 RM'000**	**1.7.2010 to 30.6.2011 RM'000**
Short-term employee benefits				
– Fees	**6,193**	8,161	**1,473**	2,863
– Salaries, allowances and bonuses	**18,741**	14,670	**2,260**	4,313
– Contribution to Employees Provident Fund ("EPF")	**1,086**	2,574	**247**	528
– Other staff benefits	**1,333**	1,002	**65**	119
Share-based payment				
– ESS costs	**2,581**	1,267	**668**	323
Post employment benefits				
– Retirement gratuity	**207**	–	**–**	–
	30,141	27,674	**4,713**	8,146

Included in the total key management personnel compensation are:

	Group		Bank	
	1.7.2011 to 31.12.2011 RM'000	**1.7.2010 to 30.6.2011 RM'000**	**1.7.2011 to 31.12.2011 RM'000**	**1.7.2010 to 30.6.2011 RM'000**
Directors' remuneration including benefits-in-kind (Note 37)	**23,381**	20,026	**4,713**	8,146

The movement in number of share options granted and vested to key management personnel is as follows:

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Granted during period/year	**–**	9,825	**–**	2,500
At beginning of the period/year	**1,965**	–	**500**	–
Vested and exercisable	**–**	1,965	**–**	500
At end of the period/year	**1,965**	1,965	**500**	500

The share options in the financial period ended 31 December 2011 were also granted on the same terms and conditions as those offered to other employees of the Group, as disclosed in Note 29(c).

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41. 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	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Granted during period/year	**–**	3,750	**–**	1,000

None of the RSU granted was vested and awarded as at the end of the financial period/year.

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

	Group		Bank	
	31.12.2011	**30.6.2011**	**31.12.2011**	**30.6.2011**
Outstanding credit exposures with connected parties (RM'000)	**24,765,729**	26,226,304	**22,922,705**	21,934,288
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**9.0%**	10.3%	**11.8%**	12.1%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	**–**	–	**–**	–

The credit exposures above are based on paragraph 9.1 of Bank Negara Malaysia's 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;

(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.

42. EARNINGS PER SHARE ("EPS")

(a) Basic

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

	Group		Bank	
	1.7.2011 to 31.12.2011	**1.7.2010 to 30.6.2011**	**1.7.2011 to 31.12.2011**	**1.7.2010 to 30.6.2011**
Net profit for the financial period/year attributable to equity holders of the Bank (RM'000)	**2,583,069**	4,450,278	**2,065,285**	3,358,699
Weighted average number of ordinary shares in issue ('000)	**7,505,086**	7,246,461	**7,505,086**	7,246,461
Basic earnings per share (sen)	**34.4**	61.4	**27.5**	46.3

(b) Diluted

The diluted EPS of the Group and the Bank is calculated by dividing the net profit for the financial period/year by the weighted average number of ordinary shares in issue, which has been adjusted for the number of shares that could have been issued under the Maybank Group Employee Share Scheme ("ESS"), details are as disclosed in Note 29(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 period/year) 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 period/year.

	Group		Bank	
	1.7.2011 to 31.12.2011	**1.7.2010 to 30.6.2011**	**1.7.2011 to 31.12.2011**	**1.7.2010 to 30.6.2011**
Net profit for the financial period/year attributable to equity holders of the Bank (RM'000)	**2,583,069**	4,450,278	**2,065,285**	3,358,699
Weighted average number of ordinary shares in issue ('000)	**7,505,086**	7,246,461	**7,505,086**	7,246,461
Effects of dilution ('000)	**85**	15	**85**	15
Adjusted weighted average number of ordinary shares in issue ('000)	**7,505,171**	7,246,476	**7,505,171**	7,246,476
Fully diluted earnings per share (sen)	**34.4**	61.4	**27.5**	46.3

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

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43. DIVIDENDS

	Group and Bank		Net dividend per share	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000	1.7.2011 to 31.12.2011 Sen	1.7.2010 to 30.6.2011 Sen
Final dividend of 32 sen less 25% taxation in respect of the financial year ended 30 June 2011 (Note c)	**1,794,772**	–	**24.00**	–
Final dividend of 44 sen less 25% taxation in respect of the financial year ended 30 June 2010	**–**	2,335,734	**–**	33.00
First interim dividend of 28 sen less 25% taxation in respect of the financial year ended 30 June 2011	**–**	1,537,670	**–**	21.00
	1,794,772	3,873,404	**24.00**	54.00

(a) Proposed final dividend

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial period ended 31 December 2011 of 36 sen less 25% taxation on 7,639,437,483 ordinary shares, amounting to a net dividend payable of RM2,062,648,120 (net 27 sen per ordinary share) will be proposed for the shareholders' approval.

The proposed gross dividend consists of cash portion of 4 sen (net 3 sen) per ordinary share to be paid in cash amounting to RM229,183,124 and an electable portion of 32 sen (net 24 sen) per ordinary share amounting to RM1,833,464,996 which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan as disclosed in Note 29(b) 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 period 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 2012.

(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 29(b).

(c) Dividends paid during financial period

The dividend consists of cash portion of 4 sen (net 3 sen) per ordinary share to be paid in cash amounting to RM224,346,482 and an electable portion of 28 sen (net 21 sen) per ordinary share amounting to RM1,570,425,374 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 interest

Dividends paid by Maybank's subsidiaries to non-controlling interest amounted to RM3,332,000 during the period (30.6.2011: RM5,210,000).

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44. 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 dates are as follows:

	31.12.2011			30.6.2011		
Group	**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	**8,260,162**	**7,864,786**	**5,463,701**	6,752,978	6,227,511	4,099,984
Certain transaction-related contingent items	**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	**3,316,365**	**1,243,447**	**704,094**	2,568,575	823,220	466,841
Islamic hire purchase financing sold to Cagamas Berhad	**1,499,270**	**1,499,266**	**498,592**	682,679	623,084	226,105
Obligations under underwriting agreements	**30,000**	**15,000**	**15,000**	–	–	–
Irrevocable commitments to extend credit:						
– Maturity within one year	**96,902,460**	**3,398,686**	**2,109,787**	90,585,383	3,377,523	1,577,558
– Maturity exceeding one year	**19,584,365**	**11,669,069**	**4,829,809**	17,429,274	6,027,366	2,818,245
Miscellaneous commitments and contingencies	**8,782,439**	**97,824**	**73,043**	9,605,986	95,365	71,442
Total credit-related commitments and contingencies	**151,708,436**	**31,585,110**	**18,033,417**	139,502,432	22,606,607	13,509,313

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44. 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 and its subsidiaries as at the following dates are as follows (cont'd.):

	31.12.2011			30.6.2011		
Group (cont'd.)	**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**
Derivative Financial Instruments						
Foreign exchange related contracts:						
– Less than one year	**89,127,406**	**1,697,361**	**589,459**	73,596,336	999,219	341,316
– One year to less than five years	**16,635,830**	**61,824**	**52,846**	12,391,864	98,952	65,569
– Five years and above	**827,609**	**45,053**	**44,520**	605,885	54,096	52,937
	106,590,845	**1,804,238**	**686,825**	86,594,085	1,152,267	459,822
Interest rate related contracts:						
– Less than one year	**52,227,798**	**515,281**	**420,674**	42,098,665	625,318	389,499
– One year to less than five years	**50,556,677**	**3,275,364**	**1,408,777**	17,922,122	2,944,133	1,495,547
– Five years and above	**9,176,736**	**1,133,644**	**528,435**	5,120,193	733,014	316,936
	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	**71,611**	**–**	**–**	808,651	–	–
– One year to less than five years	**377,592**	**–**	**–**	155,607	–	–
	449,203	**–**	**–**	**964,258**	**–**	**–**
Total treasury-related commitments and contingencies	**219,001,259**	**6,728,527**	**3,044,711**	152,699,323	5,454,732	2,661,804
Total commitments and contingencies	**370,709,695**	**38,313,637**	**21,078,128**	292,201,755	28,061,339	16,171,117

44. 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 and its subsidiaries as at the following dates are as follows (cont'd.):

	31.12.2011			30.6.2011		
Bank	**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	**5,926,466**	**5,790,525**	**3,584,047**	4,649,552	4,649,552	2,664,930
Certain transaction-related contingent items	**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	**2,952,658**	**1,057,766**	**648,554**	2,408,875	760,622	431,034
Obligations under underwriting agreements	**–**	**–**	**–**	–	–	–
Irrevocable commitments to extend credit:						
– Maturity within one year	**82,414,863**	**2,586,209**	**1,767,836**	78,255,915	2,613,454	1,366,897
– Maturity exceding one year	**16,410,180**	**10,258,612**	**4,369,422**	15,431,262	5,632,158	2,648,543
Miscellaneous commitments and contingencies	**8,475,251**	**97,824**	**73,043**	9,576,083	95,365	71,442
Total credit-related commitments and contingencies	**127,852,570**	**24,735,316**	**14,001,490**	120,865,434	18,686,780	10,984,173

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44. 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 and its subsidiaries as at the following dates are as follows (cont'd.):

	31.12.2011			30.6.2011		
Bank (cont'd.)	**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**
Derivative Financial Instruments						
Foreign exchange related contracts:						
– Less than one year	**84,129,446**	**1,598,591**	**534,060**	69,241,688	974,508	330,847
– One year to less than five years	**13,766,757**	**61,824**	**52,846**	11,703,995	98,952	65,569
– Five years and above	**827,609**	**43,500**	**42,967**	605,885	54,096	52,937
	98,723,812	**1,703,915**	**629,873**	81,551,568	1,127,556	449,353
Interest rate related contracts:						
– Less than one year	**52,092,953**	**245,271**	**150,835**	39,794,395	618,202	386,088
– One year to less than five years	**48,442,901**	**3,138,356**	**1,349,099**	17,674,164	2,899,881	1,473,840
– Five years and above	**8,931,398**	**1,118,606**	**524,691**	4,996,206	733,014	344,942
	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	**58,934**	**–**	**–**	808,651	–	–
– One year to less than five years	**377,592**	**–**	**–**	155,607	–	–
	436,526	**–**	**–**	964,258	–	–
Total treasury-related commitments and contingencies	**208,627,590**	**6,206,148**	**2,654,498**	144,980,591	5,378,653	2,654,223
Total commitments and contingencies	**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 Bank Negara Malaysia.

44. 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, 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 2011, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM1,954.5 million (30.6.2011: RM1,652.2 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 year 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) 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.

(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 monthly installments.

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

On 14 May 2009, the Court allowed ETB's application for summary judgment, but directed that a rebate be given if there is early settlement. The Court has 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.

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44. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(c) Contingent liabilities (cont'd.)

(i) (cont'd.)

On 4 March 2010, the Court of Appeal reversed the decision of the High Court granting the earlier summary judgment and ordered that the matter be returned to the High Court for full hearing. The full trial including the counterclaim concluded on 4 May 2011. The High Court on 21 September 2011 entered judgment in favour of ETB and allowed ETB's claim (with costs) 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 stay of the judgment. No hearing date has been fixed for the Appeal. The application for stay of the judgment, fixed for 25 January 2012 was dismissed with costs.

(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 million which were granted by Maybank IB and the three syndicated lenders. The loan was subsequently restructured to RM38 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 2 claims were heard together.

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

At this juncture, Maybank as one of the syndicated lenders has an exposure of RM48 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.

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

The Appeal came up for hearing on 10 February 2012. The corporate borrower requested for the matter to be mediated which was agreed to by the syndicated lenders. As such, the matter is now fixed for mediation on 9 March 2012.

(iii) 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 will defend 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 has filed an appeal to the Court of Appeal against the said decision that is fixed for 5 March 2012.

(iv) In 2005, a subsidiary, 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 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.

44. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(c) Contingent liabilities (cont'd.)

(iv) (cont'd.)

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

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

Upon appeal by the parties, the Court of Appeal on 8 November 2011 ruled that MTB and the other defendant are 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 defendant to seek indemnity against the issuer of the bonds, 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 2/3 of the total liability. Further, the Court of Appeal allowed MTB to seek 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). MTB and the other parties to the suit have filed their respective applications for leave of the Federal Court to appeal against the decision of the Court of Appeal and these leave applications are fixed for hearing on 5 April 2012.

Further to a suit unrelated to this suit, a third party has, pursuant to a winding-up petition against the issuer of the bonds, appointed a provisional liquidator against the issuer of the bonds 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 issuer of the bonds are effectively stayed and these include MTB's applications for leave at the Federal Court referred to above.

MTB's counsel is now in the process of drafting the necessary papers to obtain leave to continue with the pending proceedings against the issuer of the bonds.

MTB's counsel is of the opinion that MTB is likely to obtain leave to proceed with the pending actions against the issuer of the bonds.

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 million with three (3) other re-insurers.

45. 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 sector and support sectors. A dedicated Board-level Risk Management Committee provides risk oversight of all material risks across the Group.

At the management level, the Executive Risk Committee, 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.

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(a) Financial risk management overview (cont'd.)

(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, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.

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

(b) Financial instrument by category

Group	Held-for-trading 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 FRS 139 RM'000	Total RM'000
31.12.2011							
Assets							
Cash and short-term funds	–	–	–	49,089,088	49,089,088	–	49,089,088
Deposits and placements with financial institutions	–	–	–	6,452,978	6,452,978	–	6,452,978
Securities purchased under resale agreements	–	–	–	1,397,235	1,397,235	–	1,397,235
Securities portfolio	9,665,997	48,504,468	9,880,899	–	68,051,364	–	68,051,364
Loans, advances and financing	–	–	–	274,430,691	274,430,691	–	274,430,691
Derivative assets	1,954,476	–	–	–	1,954,476	–	1,954,476
Other assets	–	–	–	5,438,115	5,438,115	1,223,190	6,661,305
Investment properties	–	–	–	–	–	62,007	62,007
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	–	–	–	–	–	2,372,534	2,372,534
Intangible assets	–	–	–	–	–	6,507,949	6,507,949
Deferred tax assets	–	–	–	–	–	1,421,934	1,421,934
Life, general takaful and family takaful fund assets	12,075,731	4,133,789	–	1,572,378	17,781,898	2,121,414	19,903,312
TOTAL ASSETS	23,696,204	52,638,257	9,880,899	348,957,901	435,173,261	16,115,490	451,288,751

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Group	Held-for-trading RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of FRS 139 RM'000	Total RM'000
31.12.2011 (cont'd.)					
Liabilities					
Deposits from customers	–	313,709,780	313,709,780	–	313,709,780
Deposits and placements of banks and other financial institutions	–	36,760,978	36,760,978	–	36,760,978
Obligation on securities 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
Other liabilities	–	7,298,909	7,298,909	3,277,585	10,576,494
Recourse obligation on loans sold to Cagamas	–	715,603	715,603	–	715,603
Provision for taxation and zakat	–	–	–	320,212	320,212
Deferred tax liabilities	–	–	–	263,605	263,605
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	–	93,121	93,121	2,792,983	2,886,104
Life, general takaful and family takaful policy holders' fund	–	–	–	17,017,208	17,017,208
TOTAL LIABILITIES	2,162,709	390,778,459	392,941,168	23,671,593	416,612,761

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Group	Held-for-trading 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 FRS 139 RM'000	Total RM'000
30.6.2011							
Assets							
Cash and short-term funds	–	–	–	38,803,519	38,803,519	–	38,803,519
Deposits and placements with financial institutions	–	–	–	10,291,513	10,291,513	–	10,291,513
Securities portfolio	4,141,978	47,258,558	9,638,714	–	61,039,250	–	61,039,250
Loans, advances and financing	–	–	–	253,976,426	253,976,426	–	253,976,426
Derivative assets	1,652,182	–	–	–	1,652,182	–	1,652,182
Other assets	–	–	–	5,660,156	5,660,156	1,075,366	6,735,522
Investment properties	–	–	–	–	–	45,051	45,051
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	–	–	–	–	–	2,168,986	2,168,986
Intangible assets	–	–	–	–	–	6,509,048	6,509,048
Deferred tax assets	–	–	–	–	–	1,402,705	1,402,705
Life, general takaful and family takaful fund assets	8,343,860	–	7,206,480	1,474,263	17,024,603	2,171,810	19,196,413
TOTAL ASSETS	14,138,020	47,258,558	16,845,194	317,904,302	396,146,074	15,812,620	411,958,694

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Group	Held-for-trading RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of FRS 139 RM'000	Total RM'000
30.6.2011 (cont'd.)					
Liabilities					
Deposits from customers	–	281,976,379	281,976,379	–	281,976,379
Deposits and placements of banks and other financial institutions	–	33,303,655	33,303,655	–	33,303,655
Obligation on securities 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
Other liabilities	–	8,071,363	8,071,363	3,240,491	11,311,854
Recourse obligation on loans sold to Cagamas	–	528,285	528,285	–	528,285
Provision for taxation and zakat	–	–	–	134,620	134,620
Deferred tax liabilities	–	–	–	247,892	247,892
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	–	138,162	138,162	5,270,438	5,408,600
Life, general takaful and family takaful policy holders' fund	–	–	–	13,787,813	13,787,813
TOTAL LIABILITIES	1,533,935	355,273,240	356,807,175	22,681,254	379,488,429

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank	Held-for-trading 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 FRS 139 RM'000	Total RM'000
31.12.2011							
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
Securities purchased under resale agreements	–	–	–	1,397,235	1,397,235	–	1,397,235
Securities portfolio	7,325,466	39,618,975	8,804,797	–	55,749,238	–	55,749,238
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	–	–	–	–	–	1,298,891	1,298,891
Intangible assets	–	–	–	–	–	173,933	173,933
Deferred tax assets	–	–	–	–	–	867,163	867,163
TOTAL ASSETS	9,274,810	39,618,975	8,804,797	245,894,960	303,593,542	20,251,295	323,844,837

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank	Held-for-trading RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of FRS 139 RM'000	Total RM'000
31.12.2011 (cont'd.)					
Liabilities					
Deposits from customers	–	222,895,293	222,895,293	–	222,895,293
Deposits and placements of banks and other financial institutions	–	35,555,592	35,555,592	–	35,555,592
Obligation on securities 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 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

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank	Held-for-trading 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 FRS 139 RM'000	Total RM'000
30.6.2011							
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
Securities portfolio	2,884,895	40,262,042	8,339,494	–	51,486,431	–	51,486,431
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	–	–	–	–	–	1,170,183	1,170,183
Intangible assets	–	–	–	–	–	177,270	177,270
Deferred tax assets	–	–	–	–	–	920,837	920,837
TOTAL ASSETS	4,511,310	40,262,042	8,339,494	220,480,818	273,593,664	20,066,868	293,660,532

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank	Held-for-trading RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of FRS 139 RM'000	Total RM'000
30.6.2011 (cont'd.)					
Liabilities					
Deposits from customers	–	201,465,408	201,465,408	–	201,465,408
Deposits and placements of banks and other financial institutions	–	31,441,675	31,441,675	–	31,441,675
Obligation on securities 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 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

(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 fulfill 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-sized 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.

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45. 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.)

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'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.

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.

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 teams 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 Credit Risk Management 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.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

1. Credit risk management overview (cont'd.)

Credit Risk Management ("CRM") framework (cont'd.)

The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. The Credit Risk Management 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'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 Foundation Internal-Ratings Based ("FIRB") Approach, which allows the Group to use its internal PD estimates to determine an asset risk weighting.

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 and Basel II Guidelines. 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 mark-to-market exposures and the appropriate add-on factor 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.

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

2. Maximum exposure to credit risk (cont'd.)

	Maximum exposure	
Group	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Credit exposure for on-balance sheet assets:		
Cash and short-term funds	**49,089,088**	38,803,519
Deposits and placements with financial institutions	**6,452,978**	10,291,513
Securities purchased under resale agreements	**1,397,235**	–
Securities portfolio	**67,160,619**	59,962,155
Loans, advances and financing	**274,430,691**	253,976,426
Derivative assets	**1,954,476**	1,652,182
Other assets	**5,438,115**	5,660,156
Statutory deposits with Central Banks	**10,577,416**	7,698,425
Life, general takaful and family takaful fund assets	**17,781,898**	17,024,603
	434,282,516	395,068,979
Credit exposure for off-balance sheet items:		
Direct credit substitutes	**8,260,162**	6,752,978
Certain transaction-related contingent items	**13,333,375**	11,877,557
Short-term self-liquidating trade-related contingencies	**3,316,365**	2,568,575
Islamic hire purchase financing sold to Cagamas	**1,499,270**	682,679
Obligations under underwriting agreements	**30,000**	–
Irrevocable commitments to extend credit	**116,486,825**	108,014,657
Miscellaneous	**8,782,440**	9,605,986
	151,708,437	139,502,432
Total maximum credit risk exposure	**585,990,953**	534,571,411

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

2. Maximum exposure to credit risk (cont'd.)

	Maximum exposure	
Bank	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Credit exposure for on-balance sheet assets:		
Cash and short-term funds	**35,966,579**	25,803,796
Deposits and placements with financial institutions	**6,246,093**	7,644,471
Securities purchased under resale agreements	**1,397,235**	–
Securities portfolio	**55,641,556**	51,350,790
Loans, advances and financing	**194,174,085**	181,572,844
Derivative assets	**1,949,344**	1,626,415
Other assets	**2,015,839**	1,146,591
Statutory deposits with Central Banks	**6,095,129**	4,313,116
	303,485,860	273,458,023
Credit exposure for off-balance sheet items:		
Direct credit substitutes	**5,926,465**	4,649,552
Certain transaction-related contingent items	**11,673,153**	10,543,747
Short-term self-liquidating trade-related contingencies	**2,952,660**	2,408,875
Irrevocable commitments to extend credit	**98,825,044**	93,687,177
Miscellaneous	**8,475,252**	9,576,083
	127,852,574	120,865,434
Total maximum credit risk exposure	**431,338,434**	394,323,457

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 46% and 47% as at 31 December 2011, respectively (30 June 2011: 45% for the Group; 46% for the Bank). The financial effect of collateral held for other financial assets is not significant.

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

3. Credit risk concentration profile (cont'd.)

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 segment 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	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Securities portfolio RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with Central Banks RM'000	Life, general takaful and family takaful fund assets RM'000	Total RM'000	Commitments and contin-gencies RM'000
31.12.2011											
Malaysia	33,606,101	3,662,253	–	46,820,715	175,879,193	1,336,978	2,450,425	6,025,005	17,479,639	287,260,309	114,859,264
Singapore	3,232,002	1,303,716	1,397,235	10,381,937	60,620,388	568,097	795,974	1,790,084	–	80,089,433	28,844,441
Indonesia	3,636,856	257,332	–	2,801,737	23,863,309	46,043	481,307	2,269,461	–	33,356,045	1,770,737
Labuan Offshore	6	2,094	–	83	4,336,774	–	465	–	–	4,339,422	–
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	–	1,342,279	1,107,362	–	28,915	–	302,259	3,720,355	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	–	5,036	–	–	362,057	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	–
	49,089,088	6,452,978	1,397,235	67,160,619	278,600,665	1,954,476	5,438,115	10,577,416	17,781,898	438,452,490	151,708,437
Less: Collective allowance	–	–	–	–	(4,169,974)	–	–	–	–	(4,169,974)	–
	49,089,088	6,452,978	1,397,235	67,160,619	274,430,691	1,954,476	5,438,115	10,577,416	17,781,898	434,282,516	151,708,437

45. 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	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Securities portfolio RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with Central Banks RM'000	Life, general takaful and family takaful fund assets RM'000	Total RM'000	Commitments and contin-gencies RM'000
30.6.2011										
Malaysia	28,261,629	3,937,844	39,984,918	167,618,176	1,054,685	3,548,113	3,607,104	17,024,603	265,037,072	105,237,593
Singapore	3,572,065	1,352,591	10,340,991	54,725,102	570,338	602,114	1,523,923	–	72,687,124	24,578,168
Indonesia	1,996,092	836,193	3,484,158	21,154,585	26,642	585,088	1,975,346	–	30,058,104	1,407,711
Labuan Offshore	1,218,224	1,405,747	776,995	3,661,171	–	1,634	–	–	7,063,771	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	978,011	1,176,644	–	140,341	–	–	3,246,080	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	–	13	19,056	–	298,677	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	–
	38,803,519	10,291,513	59,962,155	258,247,634	1,652,182	5,660,156	7,698,425	17,024,603	399,340,187	139,502,432
Less:										
Collective allowance	–	–	–	(4,271,208)	–	–	–	–	(4,271,208)	–
	38,803,519	10,291,513	59,962,155	253,976,426	1,652,182	5,660,156	7,698,425	17,024,603	395,068,979	139,502,432

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45. 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	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Securities 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 contin-gencies RM'000
31.12.2011										
Malaysia	27,245,322	3,487,448	–	40,348,306	125,668,906	1,380,659	891,929	4,190,100	203,212,670	93,279,475
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	55,641,556	197,271,451	1,949,344	2,015,839	6,095,129	306,583,226	127,852,574
Less: Collective allowance	–	–	–	–	(3,097,366)	–	–	–	(3,097,366)	–
	35,966,579	6,246,093	1,397,235	55,641,556	194,174,085	1,949,344	2,015,839	6,095,129	303,485,860	127,852,574

45. 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	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Securities 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 contin-gencies RM'000
30.6.2011									
Malaysia	19,501,134	4,100,957	36,780,833	121,591,575	1,055,683	993,986	2,693,100	186,717,268	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
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
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	–
	25,803,796	7,644,471	51,350,790	184,752,617	1,626,415	1,146,591	4,313,116	276,637,796	120,865,434
Less: Collective allowance	–	–	–	(3,179,773)	–	–	–	(3,179,773)	–
	25,803,796	7,644,471	51,350,790	181,572,844	1,626,415	1,146,591	4,313,116	273,458,023	120,865,434

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45. 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 asset and off-balance sheet exposures analysed by industry sector are as follows:

Group	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Securities portfolio RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with Central Banks RM'000	Life, general takaful and family takaful fund assets RM'000	Total RM'000	Commitments and contin-gencies RM'000
31.12.2011											
Agriculture	–	–	–	313,223	5,025,808	181	977,806	–	–	6,317,018	1,585,895
Mining and quarrying	–	–	–	206,398	1,837,370	45	48	–	–	2,043,861	644,903
Manufac-turing	–	–	–	749,049	27,125,966	124,210	18,586	–	–	28,017,811	9,523,030
Construction	–	–	–	1,302,432	22,649,569	500	758	–	–	23,953,259	17,964,571
Electricity, gas and water supply	–	–	–	2,369,872	6,310,468	70,524	11,923	–	–	8,762,787	1,019,878
Wholesale, retail trade, restaurants and hotels	1,093	–	–	555,925	25,938,359	232,011	66,369	2,035	–	26,795,792	15,987,655
Finance, insurance, real estate and business	45,620,662	6,452,978	1,397,235	52,237,328	43,892,016	1,494,522	1,808,575	10,575,381	17,781,898	181,260,595	50,785,281
Transport, storage and communi-cation	–	–	–	2,869,939	11,847,852	13,785	29,128	–	–	14,760,704	2,359,963
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	–	–	6,527,135	11,639,441	18,354	2,188,941	–	–	23,841,204	13,562,799
	49,089,088	6,452,978	1,397,235	67,160,619	278,600,665	1,954,476	5,438,115	10,577,416	17,781,898	438,452,490	151,708,437
Less: Collective allowance	–	–	–	–	(4,169,974)	–	–	–	–	(4,169,974)	–
	49,089,088	6,452,978	1,397,235	67,160,619	274,430,691	1,954,476	5,438,115	10,577,416	17,781,898	434,282,516	151,708,437

45. 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 asset and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

Group	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Securities portfolio RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with Central Banks RM'000	Life, general takaful and family takaful fund assets RM'000	Total RM'000	Commitments and contin-gencies RM'000
30.6.2011										
Agriculture	–	–	255,679	4,716,612	–	–	–	–	4,972,291	1,814,330
Mining and quarrying	–	–	23,050	1,311,519	–	–	–	–	1,334,569	486,968
Manufacturing	–	–	399,863	26,406,978	–	–	–	–	26,806,841	9,781,499
Construction	–	–	827,304	19,514,562	–	–	–	–	20,341,866	10,255,527
Electricity, gas and water supply	–	–	2,827,977	6,457,513	–	–	–	–	9,285,490	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	38,803,264	10,288,635	47,181,345	41,427,342	1,652,182	5,634,658	7,698,425	17,024,603	169,710,454	55,713,260
Transport, storage and communication	–	–	2,641,323	10,842,967	–	–	–	–	13,484,290	4,920,258
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	5,447,817	10,191,929	–	25,498	–	–	15,668,377	2,323,923
	38,803,519	10,291,513	59,962,155	258,247,634	1,652,182	5,660,156	7,698,425	17,024,603	399,340,187	139,502,432
Less: Collective allowance	–	–	–	(4,271,208)	–	–	–	–	(4,271,208)	–
	38,803,519	10,291,513	59,962,155	253,976,426	1,652,182	5,660,156	7,698,425	17,024,603	395,068,979	139,502,432

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45. 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 asset and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

Bank 31.12.2011	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Securities 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	860,087
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	1,093	–	–	508,690	19,149,885	232,011	48,299	2,035	19,942,013	15,285,240
Finance, insurance, real estate and business	32,518,777	6,246,093	1,397,235	45,213,727	33,413,722	1,489,389	1,277,071	6,093,094	127,649,108	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	–	–	3,791,662	1,794,861	18,355	690,469	–	9,742,056	9,873,087
	35,966,579	6,246,093	1,397,235	55,641,556	197,271,451	1,949,344	2,015,839	6,095,129	306,583,226	127,852,574
Less: Collective allowance	–	–	–	–	(3,097,366)	–	–	–	(3,097,366)	–
	35,966,579	6,246,093	1,397,235	55,641,556	194,174,085	1,949,344	2,015,839	6,095,129	303,485,860	127,852,574

45. 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 asset and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

Bank 30.6.2011	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Securities 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 contin-gencies 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	42,649,592	33,606,866	1,626,415	1,121,993	4,313,116	116,766,249	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	51,350,790	184,752,617	1,626,415	1,146,591	4,313,116	276,637,796	120,865,434
Less: Collective allowance	–	–	–	(3,179,773)	–	–	–	(3,179,773)	–
	25,803,796	7,644,471	51,350,790	181,572,844	1,626,415	1,146,591	4,313,116	273,458,023	120,865,434

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45. 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 FRS 7, all financial assets are categorised into the following:

– Neither past due nor impaired
– Past due but not impaired
– Past due and impaired

The four (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 BBB-	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 3.3(iv)(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.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

6. Credit quality of financial assets – gross loans, advances and financing

Group	Neither past due nor impaired RM'000	Past due but not impaired: Due within 30 days RM'000	Past due but not impaired: Due within 31 to 60 days RM'000	Past due but not impaired: Due within 61 to 90 days RM'000	Non-impaired RM'000	Impaired RM'000	Total RM'000
31.12.2011							
Overdrafts	**12,940,683**	**138,840**	**54,833**	**25,163**	**13,159,519**	**2,005,078**	**15,164,597**
Term loans	**195,073,743**	**3,234,119**	**994,915**	**978,924**	**200,281,701**	**5,450,644**	**205,732,345**
Others	**59,618,149**	**197,344**	**96,718**	**23,498**	**59,935,709**	**580,323**	**60,516,032**
Gross loans, advances and financing	**267,632,575**	**3,570,303**	**1,146,466**	**1,027,585**	**273,376,929**	**8,036,045**	**281,412,974**
Less:							
– Individual allowance							**(2,812,309)**
– Collective allowance							**(4,169,974)**
							(6,982,283)
Net loans, advances and financing							**274,430,691**
As a percentage of total gross loans, advances and financing	**95.10%**	**1.27%**	**0.41%**	**0.37%**	**97.14%**	**2.86%**	**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 45(c)(5).

Group	Neither past due nor impaired: Very low RM'000	Low RM'000	Moderate RM'000	High RM'000	Unrated RM'000	Total RM'000
31.12.2011						
Overdrafts	**728,818**	**2,904,016**	**5,651,453**	**2,090,929**	**1,565,467**	**12,940,683**
Term loans	**34,173,832**	**65,551,225**	**47,691,451**	**15,102,025**	**32,555,210**	**195,073,743**
Others	**10,017,328**	**15,985,375**	**14,323,743**	**2,764,352**	**16,527,351**	**59,618,149**
– Neither past due nor impaired	**44,919,978**	**84,440,616**	**67,666,647**	**19,957,306**	**50,648,028**	**267,632,575**
As a percentage of total gross loans, advances and financing	**15.96%**	**30.01%**	**24.05%**	**7.09%**	**18.00%**	**95.10%**

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45. 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	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
30.06.2011							
Overdrafts	13,378,291	182,653	119,516	105,072	13,785,532	1,817,447	15,602,979
Term loans	163,850,472	9,840,170	1,876,128	3,621,787	179,188,557	5,620,290	184,808,847
Others	54,545,446	3,618,463	833,448	451,455	59,448,812	1,319,125	60,767,937
Gross loans, advances and financing	231,774,209	13,641,286	2,829,092	4,178,314	252,422,901	8,756,862	261,179,763
Less:							
– Individual allowance							(2,932,129)
– Collective allowance							(4,271,208)
							(7,203,337)
Net loans, advances and financing							253,976,426
As a percentage of total gross loans, advances and financing	88.74%	5.22%	1.09%	1.60%	96.65%	3.35%	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 45(c)(5).

Group	Neither past due nor impaired: Very low RM'000	Low RM'000	Moderate RM'000	High RM'000	Unrated RM'000	Total RM'000
30.6.2011						
Overdrafts	824,877	2,638,928	5,837,043	2,391,226	1,686,217	13,378,291
Term loans	34,106,825	54,165,935	35,569,505	12,168,441	27,839,766	163,850,472
Others	11,230,198	15,618,229	12,879,015	2,487,354	12,330,650	54,545,446
– Neither past due nor impaired	46,161,900	72,423,092	54,285,563	17,047,021	41,856,633	231,774,209
As a percentage of total gross loans, advances and financing	17.67%	27.73%	20.78%	6.53%	16.03%	88.74%

45. 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	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
31.12.2011							
Overdrafts	**9,215,777**	**122,328**	**46,148**	**24,300**	**9,408,553**	**1,673,347**	**11,081,900**
Term loans	**135,416,368**	**2,068,623**	**665,403**	**842,913**	**138,993,307**	**4,190,806**	**143,184,113**
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 45(c)(5).

Bank 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**	**1,582,610**	**9,215,777**
Term loans	**21,982,492**	**52,769,992**	**31,149,951**	**8,283,194**	**21,230,739**	**135,416,368**
Others	**8,451,824**	**13,260,909**	**9,569,279**	**2,044,206**	**11,137,416**	**44,463,634**
– 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%**	**34.03%**	**22.52%**	**5.93%**	**17.03%**	**94.84%**

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45. 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 30.6.2011	Neither past due nor impaired RM'000	Past due but not impaired: Due within 30 days RM'000	Past due but not impaired: Due within 31 to 60 days RM'000	Past due but not impaired: 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%

45. 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.)

Summary of risk categories of gross loans, advances and financing of the Bank are assessed based on credit quality classification as described in Note 45(c)(5).

	Neither past due nor impaired					
Bank 30.6.2011	**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
– 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%

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

Group 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	**49,089,088**	**–**	**49,089,088**	**–**	**49,089,088**
Deposits and placements with financial institutions	**6,452,978**	**–**	**6,452,978**	**–**	**6,452,978**
Securities purchased under resale agreements	**1,397,235**	**–**	**1,397,235**	**–**	**1,397,235**
Securities portfolio	**66,217,488**	**1,910,907**	**68,128,395**	**(967,776)**	**67,160,619**
Derivative assets	**1,954,476**	**–**	**1,954,476**	**–**	**1,954,476**
Other assets	**5,462,929**	**52,709**	**5,515,638**	**(77,523)**	**5,438,115**
Statutory deposits with Central Banks	**10,577,416**	**–**	**10,577,416**	**–**	**10,577,416**
Life, general takaful and family takaful fund assets	**17,781,898**	**–**	**17,781,898**	**–**	**17,781,898**
	158,933,508	**1,963,616**	**160,897,124**	**(1,045,299)**	**159,851,825**
As percentage of gross balances	**98.78%**	**1.22%**	**100.00%**		

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. Credit quality of financial assets – securities portfolio and other financial assets (cont'd.)

Summary of risk categories of securities portfolio and other financial assets of the Group are assessed based on credit quality classification as described in Note 45(c)(5).

Group 31.12.2011	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	**15,849,625**	**12,400,610**	**6,546,502**	**2,576,338**	**13,209**	**11,702,804**	**49,089,088**
Deposits and placements with financial institutions	**629,521**	**2,002,174**	**2,443,304**	**961,864**	**–**	**416,115**	**6,452,978**
Securities purchased under resale agreements	**1,299,578**	**97,657**	**–**	**–**	**–**	**–**	**1,397,235**
Securities portfolio	**34,048,738**	**24,896,757**	**2,346,667**	**1,608,930**	**238,982**	**3,077,414**	**66,217,488**
Derivative assets	**26,707**	**1,620,747**	**130,488**	**84,913**	**8,935**	**82,686**	**1,954,476**
Other assets	**–**	**–**	**–**	**–**	**–**	**5,462,929**	**5,462,929**
Statutory deposits with Central Banks	**10,483,588**	**–**	**–**	**–**	**–**	**93,828**	**10,577,416**
Life, general takaful and family takaful fund assets	**3,303,256**	**10,920,121**	**507,605**	**–**	**–**	**3,050,916**	**17,781,898**
	65,641,013	**51,938,066**	**11,974,566**	**5,232,045**	**261,126**	**23,886,692**	**158,933,508**
As percentage of gross balances	**40.80%**	**32.28%**	**7.44%**	**3.25%**	**0.16%**	**14.85%**	**98.78%**

Group 30.6.2011	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	38,803,519	–	38,803,519	–	38,803,519
Deposits and placements with financial institutions	10,291,513	–	10,291,513	–	10,291,513
Securities portfolio	58,985,122	2,000,020	60,985,142	(1,022,987)	59,962,155
Derivative assets	1,652,182	–	1,652,182	–	1,652,182
Other assets	5,644,436	82,606	5,727,042	(66,886)	5,660,156
Statutory deposits with Central Banks	7,698,425	–	7,698,425	–	7,698,425
Life, general takaful and family takaful fund assets	17,024,603	–	17,024,603	–	17,024,603
	140,099,800	2,082,626	142,182,426	(1,089,873)	141,092,553
As percentage of gross balances	98.54%	1.46%	100.00%		

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. Credit quality of financial assets – securities portfolio and other financial assets (cont'd.)

Summary of risk categories of securities portfolio and other financial assets of the Group are assessed based on credit quality classification as described in Note 45(c)(5).

Group 30.6.2011	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	21,061,621	5,484,862	3,477,722	628,067	35,200	8,116,047	38,803,519
Deposits and placements with financial institutions	941,785	213,031	3,530,608	602,263	33,255	4,970,571	10,291,513
Securities portfolio	30,332,971	23,182,421	1,347,087	1,001,434	464,456	2,656,753	58,985,122
Derivative assets	6,250	772,185	595,941	238,969	808	38,029	1,652,182
Other assets	–	–	–	–	–	5,644,436	5,644,436
Statutory deposits with Central Banks	7,698,425	–	–	–	–	–	7,698,425
Life, general takaful and family takaful fund assets	3,811,014	10,305,352	241,585	55	346	2,666,251	17,024,603
	63,852,066	39,957,851	9,192,943	2,470,788	534,065	24,092,087	140,099,800
As percentage of gross balances	44.91%	28.10%	6.47%	1.74%	0.38%	16.94%	98.54%

Bank 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**
Securities purchased under resale agreements	**1,397,235**	**–**	**1,397,235**	**–**	**1,397,235**
Securities portfolio	**54,910,456**	**1,730,275**	**56,640,731**	**(999,175)**	**55,641,556**
Derivative assets	**1,949,344**	**–**	**1,949,344**	**–**	**1,949,344**
Other assets	**2,036,152**	**43,740**	**2,079,892**	**(64,053)**	**2,015,839**
Statutory deposits with Central Banks	**6,095,129**	**–**	**6,095,129**	**–**	**6,095,129**
	108,600,988	**1,774,015**	**110,375,003**	**(1,063,228)**	**109,311,775**
As percentage of gross balances	**98.39%**	**1.61%**	**100.00%**		

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. Credit quality of financial assets – securities portfolio and other financial assets (cont'd.)

Summary of risk categories of securities portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 45(c)(5).

Bank 31.12.2011	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
Securities purchased under resale agreements	1,299,578	97,657	–	–	–	–	1,397,235
Securities portfolio	25,421,968	21,536,880	1,811,916	1,328,572	78,733	4,732,387	54,910,456
Derivative assets	–	1,668,093	129,431	84,913	8,213	58,694	1,949,344
Other assets	–	–	–	–	–	2,036,152	2,036,152
Statutory deposits with Central Banks	6,001,405	–	–	–	–	93,724	6,095,129
	45,633,791	31,459,814	11,667,648	3,686,957	95,425	16,057,353	108,600,988
As percentage of gross balances	41.34%	28.50%	10.57%	3.34%	0.09%	14.55%	98.39%

Bank 30.6.2011	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
Securities portfolio	50,433,902	1,887,843	52,321,745	(970,955)	51,350,790
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
	90,948,651	1,970,449	92,919,100	(1,033,921)	91,885,179
As percentage of gross balances	97.88%	2.12%	100.00%		

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

7. Credit quality of financial assets – securities portfolio and other financial assets (cont'd.)

Summary of risk categories of securities portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 45(c)(5).

Bank 30.6.2011	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	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
Securities portfolio	23,685,785	21,785,476	837,056	510,068	246,179	3,369,338	50,433,902
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
	39,327,424	27,780,826	8,391,095	1,287,269	246,947	13,915,090	90,948,651
As percentage of gross balances	42.32%	29.90%	9.03%	1.39%	0.27%	14.98%	97.88%

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45. 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 31.12.2011	Loans, advances and financing RM'000	Securities portfolio RM'000	Other assets RM'000	Total RM'000
Malaysia	**6,538,688**	**1,545,869**	**52,709**	**8,137,266**
Singapore	**407,521**	**31,928**	**–**	**439,449**
Indonesia	**538,420**	**65,382**	**–**	**603,802**
Labuan Offshore	**–**	**–**	**–**	**–**
Hong Kong SAR	**72,093**	**53,005**	**–**	**125,098**
United States of America	**–**	**31,770**	**–**	**31,770**
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**	**–**	**–**	**768**
Cambodia	**18,602**	**–**	**–**	**18,602**
Bahrain	**58,618**	**36,213**	**–**	**94,831**
Thailand	**25,672**	**1,472**	**–**	**27,144**
Others	**–**	**1,635**	**–**	**1,635**
	8,036,045	**1,910,907**	**52,709**	**9,999,661**

Group 30.6.2011	Loans, advances and financing RM'000	Securities portfolio RM'000	Other assets RM'000	Total RM'000
Malaysia	6,712,570	1,676,022	82,606	8,471,198
Singapore	402,468	–	–	402,468
Indonesia	873,692	62,501	–	936,193
Labuan Offshore	351,094	–	–	351,094
Hong Kong SAR	84,853	49,254	–	134,107
United States of America	–	30,230	–	30,230
Vietnam	75,692	–	–	75,692
United Kingdom	141,478	127,179	–	268,657
Philippines	50,733	13,204	–	63,937
Brunei	2,613	–	–	2,613
Cambodia	12,499	–	–	12,499
Bahrain	48,708	34,005	–	82,713
Thailand	462	–	–	462
Others	–	7,625	–	7,625
	8,756,862	2,000,020	82,606	10,839,488

45. 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 31.12.2011	Loans, advances and financing RM'000	Securities 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**	**–**	**31,770**
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**	**43,740**	**8,019,851**

Bank 30.6.2011	Loans, advances and financing RM'000	Securities portfolio RM'000	Other assets RM'000	Total RM'000
Malaysia	5,769,484	1,647,175	82,606	7,499,265
Singapore	242,169	–	–	242,169
Hong Kong SAR	84,853	49,254	–	134,107
United States of America	–	30,230	–	30,230
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

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45. 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 31.12.2011	**Loans, advances and financing RM'000**	**Securities portfolio 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	**808,226**	**–**	**–**	**808,226**
Finance, insurance, real estate and business	**806,313**	**264,306**	**52,709**	**1,123,328**
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	**386,846**	**1,267,869**	**–**	**1,654,715**
	8,036,045	**1,910,907**	**52,709**	**9,999,661**

Group 30.6.2011	**Loans, advances and financing RM'000**	**Securities portfolio 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	877,377	–	–	877,377
Finance, insurance, real estate and business	501,392	349,865	82,606	933,863
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
	8,756,862	2,000,020	82,606	10,839,488

45. 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 31.12.2011	**Loans, advances and financing RM'000**	**Securities 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**	**43,740**	**833,132**
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**	**43,740**	**8,019,851**

Bank 30.6.2011	**Loans, advances and financing RM'000**	**Securities 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

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45. 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 period/year end are as follows:

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Residential properties	41,895	53,850	1,575	1,575
Non-residential properties	71,756	71,109	38,552	41,227
	113,651	124,959	40,127	42,802

Repossessed collateral 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.

10. Reconciliation of allowance account

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

Group 31.12.2011	Loans, advances and financing RM'000	Securities available-for-sale RM'000	Securities held-to-maturity RM'000	Other assets RM'000	Total RM'000
Individual allowance					
At beginning of the period	2,932,129	985,103	37,884	66,886	4,022,002
Allowance made during the period	535,890	67,198	–	11,621	614,709
Amount written back	(296,458)	(117,479)	(15,245)	(854)	(430,036)
Amount written off	(364,074)	–	–	(1,983)	(366,057)
Transferred (to)/from impairment losses in securities	(9,327)	–	–	–	(9,327)
Transferred to collective allowance	(15,628)	–	–	–	(15,628)
Acquisition of subsidiaries	20,553	–	–	–	20,553
Exchange differences	9,224	10,315	–	1,853	21,392
At end of the period	2,812,309	945,137	22,639	77,523	3,857,608
Collective allowance					
At beginning of the period	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 impairment losses in securities	–	–	–	–	–
Transferred from individual allowance	15,628	–	–	–	15,628
Exchange differences	12,232	–	–	–	12,232
At end of the period	4,169,974	–	–	–	4,169,974

45. 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 30.6.2011	Loans, advances and financing RM'000	Securities available-for-sale RM'000	Securities held-to-maturity RM'000	Other assets RM'000	Total RM'000
Individual allowance					
At beginning of the year	3,981,073	874,825	32,062	64,689	4,952,649
Allowance made during the year	651,725	151,530	6,597	4,432	814,284
Amount written back	(291,066)	(54,865)	(775)	–	(346,706)
Amount written off	(1,185,904)	(16,184)	–	(2,739)	(1,204,827)
Transferred (to)/from impairment losses in securities	(51,475)	37,864	–	–	(13,611)
Transferred to collective allowance	(173,038)	–	–	–	(173,038)
Acquisition of subsidiaries	50,315	–	–	3,920	54,235
Exchange differences	(49,501)	(8,067)	–	(3,416)	(60,984)
At end of the year	2,932,129	985,103	37,884	66,886	4,022,002
Collective allowance					
At beginning of the year	4,741,229	–	–	–	4,741,229
Allowance made during the year	774,955	–	–	–	774,955
Amount written back	(42)	–	–	–	(42)
Amount written off	(1,424,744)	–	–	–	(1,424,744)
Transferred from impairment losses in securities	13,612	–	–	–	13,612
Transferred from individual allowance	173,038	–	–	–	173,038
Exchange differences	(6,840)	–	–	–	(6,840)
At end of the year	4,271,208	–	–	–	4,271,208

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45. 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 31.12.2011	Loans, advances and financing RM'000	Securities available-for-sale RM'000	Securities held-to-maturity RM'000	Other assets RM'000	Total RM'000
Individual allowance					
At beginning of the period	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)/from impairment losses in securities	(9,327)	–	–	–	(9,327)
Transferred to collective allowance	(14,411)	–	–	–	(14,411)
Exchange differences	8,091	10,315	–	1,232	19,638
At end of the period	2,102,421	983,133	16,042	64,053	3,165,649
Collective allowance					
At beginning of the period	3,179,773	–	–	–	3,179,773
Allowance made during the period	187,383	–	–	–	187,383
Amount written off	(290,779)	–	–	–	(290,779)
Transferred from impairment losses in securities	–	–	–	–	–
Transferred from individual allowance	14,411	–	–	–	14,411
Exchange differences	6,578	–	–	–	6,578
At end of the period	3,097,366	–	–	–	3,097,366

45. 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 30.6.2011	Loans, advances and financing RM'000	Securities available-for-sale RM'000	Securities held-to-maturity RM'000	Other assets RM'000	Total RM'000
Individual allowance					
At beginning of the year	2,909,013	830,124	32,062	64,689	3,835,888
Allowance made during the year	471,883	150,796	–	4,432	627,111
Amount written back	(207,265)	(54,865)	(775)	–	(262,905)
Amount written off	(936,464)	(16,184)	–	(2,739)	(955,387)
Transferred (to)/from impairment losses in securities	(51,475)	37,863	–	–	(13,612)
Transferred to collective allowance	(57,227)	–	–	–	(57,227)
Exchange differences	(12,568)	(8,066)	–	(3,416)	(24,050)
At end of the year	2,115,897	939,668	31,287	62,966	3,149,818
Collective allowance					
At beginning of the year	3,665,506	–	–	–	3,665,506
Allowance made during the year	117,091	–	–	–	117,091
Amount written off	(687,814)	–	–	–	(687,814)
Transferred from impairment losses in securities	13,612	–	–	–	13,612
Transferred from individual allowance	57,227	–	–	–	57,227
Exchange differences	14,151	–	–	–	14,151
At end of the year	3,179,773	–	–	–	3,179,773

(d) Market risk management

1. Market risk management overview

Market risk management

The Group recognises market risk as the risk of losses on and off-balance sheet 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.

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

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.

Value at Risk

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 occurence 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.

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 FRS 139 standards. The Bank also performs Independent Price Verification ("IPV") to ensure the consistency and accuracy of the valuations of all trading positions.

Stress testing

The 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 undertake the appropriate measures. Scenarios are updated dynamically and may be redefined on an ongoing basis to reflect current market conditions. The Stress Test results, trends and explanations are reported and deliberated to Senior Management to facilitate and manage risk with more transparency.

45. 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.)

<u>Other risk control</u>

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, sensitivities limits, Greek limits and FX NOP limits are emplaced to cap the size of potential and actual loss arising from trading activities.

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 business continuity plan ("BCP") to deal with the consequences of realised residual risks. BCP test that involves the front office, middle office and back office is conducted periodically to ensure that business continuity is sustainable.

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.

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk

The Group and Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. 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. The table indicates effective average interest rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group 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	41,845,449	–	–	–	–	7,243,639	–	49,089,088	2.17
Deposits and placements with financial institutions	53,663	4,339,980	1,648,623	11,139	–	399,573	–	6,452,978	2.21
Securities purchased under resale agreements	1,397,235	–	–	–	–	–	–	1,397,235	1.72
Securities held-for-trading	–	–	–	–	–	–	9,665,997	9,665,997	3.21
Securities available-for-sale	5,468,364	1,897,239	4,166,257	19,647,031	14,607,851	419,702	2,298,024	48,504,468	3.66
Securities held-to-maturity	54,401	120,709	2,217,015	3,515,113	3,878,453	95,208	–	9,880,899	3.67
Loans, advances and financing									
– Non-impaired	156,023,893	27,917,580	28,233,437	29,111,869	32,090,150	–	–	273,376,929	6.46
– Impaired*	5,223,736	–	–	–	–	–	–	5,223,736	–
– Collective allowance	–	–	–	–	–	(4,169,974)	–	(4,169,974)	–
Derivative assets	–	–	–	–	–	–	1,954,476	1,954,476	–
Other assets	–	–	–	–	–	6,661,305	–	6,661,305	–
Other non-interest sensitive balances	–	–	–	–	–	23,348,302	–	23,348,302	–
Life, general takaful and family takaful fund assets	–	–	–	–	–	19,903,312	–	19,903,312	–
Total Assets	210,066,741	34,275,508	36,265,332	52,285,152	50,576,454	53,901,067	13,918,497	451,288,751	

* This is arrived after deducting the individual allowance from gross impaired loans.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

Group 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	146,299,932	43,147,522	68,468,153	52,547,192	129,729	3,117,252	–	313,709,780	1.92
Deposits and placements of banks and other financial institutions	21,481,806	9,689,419	2,852,080	1,862,288	–	875,385	–	36,760,978	1.90
Obligations on securities sold under repurchase agreement	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	–
Other liabilities	–	–	–	–	–	10,576,494	–	10,576,494	–
Recourse obligation on loans sold to Cagamas	–	–	–	715,603	–	–	–	715,603	4.80
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	–	–	–	–	–	583,817	–	583,817	–
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	169,999,632	54,843,656	74,533,016	65,705,003	12,991,757	36,376,988	2,162,709	416,612,761	
Shareholders' equity	–	–	–	–	–	33,445,427	–	33,445,427	–
Non-controlling interests	–	–	–	–	–	1,230,563	–	1,230,563	–
	–	–	–	–	–	34,675,990	–	34,675,990	
Total Liabilities and Shareholders' Equity	169,999,632	54,843,656	74,533,016	65,705,003	12,991,757	71,052,978	2,162,709	451,288,751	
On-balance sheet interest sensitivity gap	40,067,109	(20,568,148)	(38,267,684)	(13,419,851)	37,584,697	(17,151,911)	11,755,788		
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	43,930,427	(17,714,845)	(39,781,896)	(18,503,576)	37,466,013	(17,151,911)	11,755,788		
Cumulative interest rate sensitivity gap	43,930,427	26,215,582	(13,566,314)	(32,069,890)	5,396,123	(11,755,788)	–		

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

Group 30.6.2011	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	30,103,738	–	–	–	–	8,699,781	–	38,803,519	2.34
Deposits and placements with financial institutions	954,598	6,055,102	2,769,943	52,328	–	459,542	–	10,291,513	1.29
Securities purchased under resale agreements	–	–	–	–	–	–	–	–	–
Securities held-for-trading	–	–	–	–	–	–	4,141,978	4,141,978	3.39
Securities available-for-sale	1,075,999	625,224	2,136,362	14,840,056	20,961,984	4,221,517	3,397,416	47,258,558	4.07
Securities held-to-maturity	161,580	174,352	927,425	4,569,448	3,710,916	94,993	–	9,638,714	3.98
Loans, advances and financing									
– Non-impaired	138,477,553	25,527,648	24,505,384	29,940,783	33,971,533	–	–	252,422,901	6.52
– Impaired*	5,824,733	–	–	–	–	–	–	5,824,733	–
– Collective allowance	–	–	–	–	–	(4,271,208)	–	(4,271,208)	–
Derivative assets	–	–	–	–	–	–	1,652,182	1,652,182	–
Other assets	–	–	–	–	–	6,735,522	–	6,735,522	–
Other non-interest sensitive balances	–	–	–	–	–	20,263,869	–	20,263,869	–
Life, general takaful and family takaful fund assets	–	–	–	–	–	19,196,413	–	19,196,413	–
Total Assets	176,598,201	32,382,326	30,339,114	49,402,615	58,644,433	55,400,429	9,191,576	411,958,694	

* This is arrived after deducting the individual allowance from gross impaired loans.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

Group 30.6.2011 (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	117,849,709	45,679,943	65,466,779	49,041,307	6,110	3,932,531	–	281,976,379	1.94
Deposits and placements of banks and other 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 securities sold under repurchase agreement	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	–
Other liabilities	–	–	–	–	–	11,311,854	–	11,311,854	–
Recourse obligation on loans sold to Cagamas	–	9,357	–	518,928	–	–	–	528,285	4.96
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	–	–	–	–	–	382,512	–	382,512	–
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	137,798,961	56,868,286	74,482,260	57,818,770	11,786,454	39,199,763	1,533,935	379,488,429	
Shareholders' equity	–	–	–	–	–	31,461,499	–	31,461,499	–
Non-controlling interests	–	–	–	–	–	1,008,766	–	1,008,766	–
	–	–	–	–	–	32,470,265	–	32,470,265	
Total Liabilities and Shareholders' Equity	137,798,961	56,868,286	74,482,260	57,818,770	11,786,454	71,670,028	1,533,935	411,958,694	
On-balance sheet interest sensitivity gap	38,799,240	(24,485,960)	(44,143,146)	(8,416,155)	46,857,979	(16,269,599)	7,657,641		
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	37,149,917	(18,486,855)	(40,561,325)	(13,441,217)	43,951,438	(16,269,599)	7,657,641		
Cumulative interest rate sensitivity gap	37,149,917	18,663,062	(21,898,263)	(35,339,480)	8,611,958	(7,657,641)	–		

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

Bank 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
Securities purchased under resale agreements	1,397,235	–	–	–	–	–	–	1,397,235	1.72
Securities held-for-trading	–	–	–	–	–	–	7,325,466	7,325,466	3.43
Securities available-for-sale	4,972,729	1,210,247	3,559,082	15,854,337	11,107,656	2,914,924	–	39,618,975	3.06
Securities held-to-maturity	–	35,052	2,093,526	3,175,804	3,405,401	95,014	–	8,804,797	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	–	–	–	–	–	26,121,830	–	26,121,830	–
Total Assets	160,748,911	29,982,807	30,332,778	32,059,394	25,737,784	35,708,353	9,274,810	323,844,837	

* This is arrived after deducting the individual allowance from gross impaired loans.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

Bank 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 of banks and other financial institutions	20,306,036	9,243,682	2,704,628	1,601,491	–	1,699,755	–	35,555,592	1.71
Obligations on securities 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 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	–	–	–	–	–	29,479,685	–	29,479,685	–
Total Liabilities and Shareholders' Equity	116,210,714	42,252,340	60,696,026	48,259,171	11,276,394	43,077,461	2,072,731	323,844,837	
On-balance sheet interest sensitivity gap	44,538,197	(12,269,533)	(30,363,248)	(16,199,777)	14,461,390	(7,369,108)	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)	(31,877,460)	(21,213,608)	14,374,476	(7,369,108)	7,202,079		
Cumulative interest rate sensitivity gap	48,287,774	38,883,621	7,006,161	(14,207,447)	167,029	(7,202,079)	–		

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

Bank 30.6.2011	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
Securities purchased under resale agreements	–	–	–	–	–	–	–	–	–
Securities held-for-trading	–	–	–	–	–	–	2,884,895	2,884,895	3.16
Securities available-for-sale	689,224	126,834	1,646,715	11,380,274	17,621,897	3,783,380	5,013,718	40,262,042	3.46
Securities held-to-maturity	6,056	74,173	788,875	4,171,522	3,203,780	95,088	–	8,339,494	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	–	–	–	–	–	24,106,210	–	24,106,210	–
Total Assets	135,297,916	26,936,082	24,409,725	34,066,251	31,845,544	31,579,986	9,525,028	293,660,532	

* This is arrived after deducting the individual allowance from gross impaired loans.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Interest rate risk (cont'd.)

Bank 30.6.2011 (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 customer	80,875,288	29,673,901	51,998,559	33,835,232	–	5,082,428	–	201,465,408	1.45
Deposits and placements of banks and other 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 securities 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 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	–	–	–	–	–	27,998,403	–	27,998,403	–
Total Liabilities and Shareholders' Equity	98,313,702	41,145,096	60,339,747	41,710,417	10,444,593	40,260,666	1,446,311	293,660,532	
On-balance sheet interest sensitivity gap	36,984,214	(14,209,014)	(35,930,022)	(7,644,166)	21,400,951	(8,680,680)	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)	(12,572,492)	18,524,640	(8,680,680)	8,078,717		
Cumulative interest rate sensitivity gap	35,185,663	26,939,478	(5,350,185)	(17,922,677)	601,963	(8,078,717)	–		

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

5. Yield/profit rate risk on IBS portfolio

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

Group 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 banks and other financial institutions	23,800	370,820	35,079	–	–	211	–	429,910	3.34
Securities held-for-trading	–	–	–	–	–	–	2,360,877	2,360,877	0.53
Securities available-for-sale	391,424	543,922	389,294	2,572,049	2,211,480	–	–	6,108,169	3.72
Securities held-to-maturity	–	50,426	–	30,335	91,123	–	–	171,884	3.79
Financing and advances									
– Non-impaired	19,899,070	2,034,749	1,211,984	8,699,641	19,214,780	73	–	51,060,297	5.19
– Impaired*	513,134	–	–	–	–	–	–	513,134	–
– 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	–	–	–	–	–	2,019,200	–	2,019,200	–
Total Assets	28,005,216	2,999,917	1,636,357	11,302,025	21,517,383	7,658,634	2,389,075	75,508,607	

* This is arrived after deducting the individual allowance from gross impaired financing outstanding.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

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

Group 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 of banks and other 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	–
Other non-yield/profit sensitive balances	–	–	–	–	–	109,256	–	109,256	–
Subordinated sukuk	–	–	–	1,010,723	–	–	–	1,010,723	–
Total Liabilities	37,170,737	5,907,549	11,475,582	11,388,474	659,672	3,755,575	96,179	70,453,768	
Islamic banking fund	–	–	–	–	–	5,054,839	–	5,054,839	
Total Liabilities and Islamic Banking Fund	37,170,737	5,907,549	11,475,582	11,388,474	659,672	8,810,414	96,179	75,508,607	
On-balance sheet yield/profit rate sensitivity gap	(9,165,521)	(2,907,632)	(9,839,225)	(86,449)	20,857,711	(1,151,780)	2,292,896	–	
Cumulative yield/profit rate sensitivity gap	(9,165,521)	(12,073,153)	(21,912,378)	(21,998,827)	(1,141,116)	(2,292,896)	–		

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– 31 December 2011

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

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

Group 30.6.2011	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 banks and other financial institutions	–	366,796	–	–	–	27,340	–	394,136	3.29
Securities held-for-trading	–	–	–	–	–	–	513,225	513,225	0.27
Securities available-for-sale	275,350	354,743	373,665	2,463,437	2,671,079	–	–	6,138,274	3.79
Securities held-to-maturity	–	–	50,543	30,000	91,350	–	–	171,893	3.83
Financing and advances									
– Non-impaired	16,146,530	2,004,103	1,044,383	5,379,513	21,676,459	–	–	46,250,988	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	–	–	–	–	–	1,076,715	–	1,076,715	–
Total Assets	25,154,872	2,725,642	1,468,591	7,872,950	24,438,888	6,785,589	527,871	68,974,403	
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 of banks and other 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	–
Other non-yield/profit sensitive balances	–	–	–	–	–	52,931	–	52,931	–
Subordinated sukuk	–	–	–	–	1,010,637	–	–	1,010,637	4.22
Total Liabilities	28,857,996	8,159,882	9,752,352	10,774,966	1,575,152	5,416,411	53,504	64,590,263	
Islamic banking fund	–	–	–	–	–	4,384,140	–	4,384,140	
Total Liabilities and Islamic Banking Fund	28,857,996	8,159,882	9,752,352	10,774,966	1,575,152	9,800,551	53,504	68,974,403	
On-balance sheet yield/profit rate sensitivity gap	(3,703,124)	(5,434,240)	(8,283,761)	(2,902,016)	22,863,736	(3,014,962)	474,367	–	
Cumulative yield/profit rate sensitivity gap	(3,703,124)	(9,137,364)	(17,421,125)	(20,323,141)	2,540,595	(474,367)	–		

* This is arrived after deducting the individual allowance from gross impaired financing outstanding.

45. 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 point parallel rate shock.

		Group		Bank	
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)**

		Group		Bank	
30.6.2011	**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		67,424	(67,424)	183,973	(183,973)
Impact to profit after tax	25%	50,568	(50,568)	137,980	(137,980)

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 a mismatch of rate-sensitive assets and rate-sensitive liabilities taking into consideration the earlier of contractual repricing date or remaining maturity date, behavioural assumptions of certain indeterminate maturity products such as current and savings deposits to reflect the actual sensitivity behaviour of these interest bearing liabilities.

Impact to revaluation reserve is assessed by applying rate shocks to the yield curve to model the impact on mark-to-market financial assets of securities available-for-sale ("AFS") portfolio.

	Group		Bank	
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	
30.6.2011	**+ 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

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45. 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 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, Renminbi, Philippine Peso, Papua New Guinea Kina and Brunei Dollars.

Group 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	28,446,354	1,834,145	442,182	144,252	13,072,706	1,552,572	981,149	2,615,728	49,089,088
Deposits and placements with financial institutions	2,394,547	325,908	24,517	37,195	2,700,949	(640,523)	82,225	1,528,160	6,452,978
Securities purchased under resale agreements	–	56	–	–	1,221,601	–	175,578	–	1,397,235
Securities portfolio	41,777,484	10,473,000	11,270	552,634	7,730,572	3,284,920	525,660	3,695,824	68,051,364
Loans, advances and financing	164,420,384	49,605,323	649,404	1,775,645	36,178,991	17,868,935	46,610	3,885,399	274,430,691
Derivative assets	4,949,831	(383,228)	6,859	3,183	(2,898,718)	30,287	18,305	227,957	1,954,476
Other assets	3,028,792	797,410	81,931	6,489	902,691	783,879	(31,881)	1,091,994	6,661,305
Investment properties	62,007	–	–	–	–	–	–	–	62,007
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	1,070,817	857,449	23,680	4,435	18,818	329,802	–	67,533	2,372,534
Intangible assets	176,310	1,290,774	–	78,979	98	4,179,182	–	782,606	6,507,949
Deferred tax assets	1,168,683	3,485	55	548	10,021	214,442	–	24,700	1,421,934
Life, general takaful and family takaful fund assets	19,587,123	–	–	–	316,189	–	–	–	19,903,312
Total Assets	273,150,210	66,595,639	1,239,898	2,603,360	60,021,831	29,212,422	1,797,646	16,667,745	451,288,751

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

Group 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	193,143,761	58,019,452	2,121,695	791,423	34,880,455	17,970,347	725,820	6,056,827	313,709,780
Deposits and placements of banks and other 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 securities 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	(1,042,797)	(1,708,431)	(2,329,672)	(113,670)	10,288,687	105,320	(2,073,920)	(962,808)	2,162,709
Other liabilities	5,617,086	1,326,593	(57,119)	378,428	545,475	1,348,148	5,111	1,412,772	10,576,494
Recourse obligation on loans sold to Cagamas	715,603	–	–	–	–	–	–	–	715,603
Provision for taxation and zakat	(37,816)	196,253	99	35,862	7,644	64,950	–	53,220	320,212
Deferred tax liabilities	128,451	64,324	–	131	(3,313)	23,983	–	50,029	263,605
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
Life, general takaful and family takaful fund liabilities	2,886,864	–	–	–	(760)	–	–	–	2,886,104
Life, general takaful and family takaful fund policy holders' funds	17,012,020	–	–	–	5,188	–	–	–	17,017,208
Total Liabilities	254,940,603	63,464,952	1,169,562	2,382,170	61,109,993	22,041,661	2,169,859	9,333,961	416,612,761
On-balance sheet open position	18,209,607	3,130,687	70,336	221,190	(1,088,162)	7,170,761	(372,213)	7,333,784	34,675,990
Less: Derivative assets	(4,949,831)	383,228	(6,859)	(3,183)	2,898,718	(30,287)	(18,305)	(227,957)	(1,954,476)
Add: Derivative liabilities	(1,042,797)	(307,078)	(2,329,672)	(113,670)	10,288,687	105,320	(2,073,920)	(962,808)	3,564,062
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	17,338,488	5,423,336	(79,179)	289,793	(1,170,242)	7,657,596	(108,470)	5,576,567	34,927,889
Net structural currency exposures	–	5,191,121	(191,060)	553,540	399,926	6,924,421	(30)	4,313,068	17,190,986

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

Group 30.6.2011	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	24,378,320	1,589,663	248,560	222,243	8,571,232	1,412,497	483,983	1,897,021	38,803,519
Deposits and placements with financial institutions	926,841	1,289,991	–	145,366	6,438,102	730,574	28,838	731,801	10,291,513
Securities portfolio	35,815,014	8,734,979	7,815	466,788	8,986,894	3,273,998	781,469	2,972,293	61,039,250
Loans, advances and financing	156,451,343	46,562,954	532,854	1,682,008	29,712,949	16,179,917	68,919	2,785,482	253,976,426
Derivative assets	5,520,302	2,038,415	3,084	–	(6,076,457)	1,450	2,640	162,748	1,652,182
Other assets	3,196,235	1,655,031	226,984	1,095,323	(1,067,212)	564,691	70,833	993,637	6,735,522
Investment properties	45,051	–	–	–	–	–	–	–	45,051
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	944,806	818,159	23,726	2,181	18,425	311,155	–	50,534	2,168,986
Intangible assets	175,647	928,558	–	157,710	133	4,227,488	–	1,019,512	6,509,048
Deferred tax assets	1,179,075	19,807	(16,677)	8,962	8,888	189,883	–	12,767	1,402,705
Life, general takaful and family takaful fund assets	18,926,832	–	–	–	269,581	–	–	–	19,196,413
Total Assets	251,207,655	65,161,480	1,026,346	3,780,581	47,489,871	28,327,266	1,436,682	13,528,813	411,958,694
Liabilities									
Deposits from customers	180,290,310	50,827,474	2,192,017	291,285	26,377,848	17,179,087	732,139	4,086,219	281,976,379
Deposits and placements of banks and other financial institutions	15,837,470	715,867	765,707	2,401,238	8,269,081	193,189	3,555,792	1,565,311	33,303,655
Obligations on securities 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
Other liabilities	4,631,624	2,872,467	24,197	611,963	199,773	1,341,826	34,031	1,595,973	11,311,854
Recourse obligation on loans sold to Cagamas	528,285	–	–	–	–	–	–	–	528,285
Provision for taxation and zakat	(68,778)	213,163	(27,186)	22,752	101	(47,698)	–	42,266	134,620
Deferred tax liabilities	129,401	83,491	–	–	(2,364)	21,952	–	15,412	247,892

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

Group 30.6.2011 (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
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
Life, general takaful and family takaful fund liabilities	5,406,865	–	–	–	1,735	–	–	–	5,408,600
Life, general takaful and family takaful fund policy holders' funds	13,782,967	–	–	–	4,846	–	–	–	13,787,813
Total Liabilities	241,489,019	60,675,011	2,952,085	3,327,684	38,592,461	20,310,366	4,590,410	7,551,393	379,488,429
On-balance sheet open position	9,718,636	4,486,469	(1,925,739)	452,897	8,897,410	8,016,900	(3,153,728)	5,977,420	32,470,265
Less: Derivative assets	(5,520,302)	(2,038,415)	(3,084)	–	6,076,457	(1,450)	(2,640)	(162,748)	(1,652,182)
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	181,791	1,797,621	125,949	(15,535,771)	289,193	2,690,517	(1,217,605)	(7,220,408)
Net open position	9,859,612	3,834,480	(136,030)	578,825	(1,575,533)	8,302,251	(473,358)	4,741,363	25,131,610
Net structural currency exposures	–	4,741,076	(34,681)	685,693	639,475	6,982,262	(29)	4,415,872	17,429,668

Bank 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 banks and other financial institutions	**1,920,896**	**201,370**	**24,517**	**1,886**	**2,767,634**	**–**	**82,225**	**1,247,565**	**6,246,093**
Securities purchased under resale agreements	**–**	**56**	**–**	**–**	**1,221,601**	**–**	**175,578**	**–**	**1,397,235**
Securities portfolio	**34,611,839**	**10,255,700**	**11,084**	**417,703**	**6,717,827**	**896,348**	**453,090**	**2,385,647**	**55,749,238**
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	**1,093,104**	**213,202**	**81,023**	**(69,158)**	**358,750**	**–**	**(34,445)**	**597,957**	**2,240,433**

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

Bank 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
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	966,131	295,499	23,372	1,861	9,809	–	–	2,219	1,298,891
Intangible assets	156,413	16,515	–	341	72	–	–	592	173,933
Deferred tax assets	866,042	(3,722)	–	–	(2,128)	–	–	6,971	867,163
Total Assets	186,501,301	65,577,427	1,168,309	2,270,595	47,455,777	7,608,701	1,565,335	11,697,392	323,844,837
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 of banks and other 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 securities 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	(1,072,150)	(1,708,514)	(2,330,491)	(113,670)	10,251,618	85,405	(2,073,936)	(965,531)	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
Deferred tax liabilities	–	–	–	–	(3,313)	–	–	3,313	–
Recourse obligation on loans sold to Cagamas	715,603	–	–	–	–	–	–	–	715,603
Provision for taxation and zakat	(213,764)	176,761	–	29,798	7,200	–	–	5	–
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	172,288,447	61,900,119	1,165,669	1,934,125	49,413,286	86,859	1,952,299	5,624,348	294,365,152
On-balance sheet open position	14,212,854	3,677,308	2,640	336,470	(1,957,509)	7,521,842	(386,964)	6,073,044	29,479,685
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	(1,072,150)	(1,708,514)	(2,330,491)	(113,670)	10,251,618	85,405	(2,073,936)	(965,531)	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	13,790,580	4,547,314	(120,241)	408,252	(1,796,777)	7,530,152	(122,784)	4,333,303	28,569,799
Net structural currency exposures	–	5,204,491	(191,060)	492,624	106,903	6,664,094	(30)	4,450,909	16,727,931

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

Bank 30.6.2011	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 banks and other financial institutions	509,940	1,187,932	–	–	5,681,045	–	28,838	236,716	7,644,471
Securities portfolio	31,670,315	8,419,914	7,815	330,064	6,960,488	906,419	688,796	2,502,620	51,486,431
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	723,563	624,961	237,897	906,048	(1,458,726)	(20,205)	88,022	318,805	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	838,227	296,406	23,383	1,047	8,929	–	–	2,191	1,170,183
Intangible assets	160,794	15,867	–	436	77	–	–	96	177,270
Deferred tax assets	905,462	19,807	(16,732)	8,436	(3,261)	–	–	7,125	920,837
Total Assets	172,551,215	63,327,993	991,261	3,373,960	34,597,472	7,635,411	1,173,055	10,010,165	293,660,532
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 of banks and other financial institutions	11,610,175	715,867	764,837	2,401,928	11,203,191	–	3,230,595	1,515,082	31,441,675
Obligations on securities 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
Deferred tax liabilities	–	–	–	–	(2,472)	–	–	2,472	–
Recourse obligation on loans sold to Cagamas	528,285	–	–	–	–	–	–	–	528,285
Provision for taxation and zakat	(184,522)	195,363	(27,283)	16,558	(584)	–	–	468	–
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	166,933,357	58,383,767	2,913,141	2,778,863	26,544,417	(897)	3,866,960	4,242,521	265,662,129

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

Bank 30.6.2011 (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
On-balance sheet open position	5,617,858	4,944,226	(1,921,880)	595,097	8,053,055	7,636,308	(2,693,905)	5,767,644	27,998,403
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	5,719,875	4,295,685	(118,606)	721,455	(2,152,052)	7,653,551	(22,180)	4,567,983	20,665,711
Net structural currency exposures	–	4,624,181	(34,681)	797,507	98,311	6,725,145	(29)	4,378,948	16,589,382

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, investments in overseas subsidiaries and long term investments in overseas properties.

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	Structural currency exposures in overseas operations RM'000	Hedges by funding in respective currencies RM'000	Net structural currency exposures RM'000
31.12.2011			
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**
30.6.2011			
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

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Foreign exchange risk (cont'd.)

Bank Currency of structural exposures 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**
30.6.2011			
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

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	
31.12.2011	**1% appreciation RM'000**	**1% depreciation RM'000**	**1% appreciation RM'000**	**1% depreciation RM'000**
Impact to profit after tax	(15,199)	15,199	(20,861)	20,861

	Group		Bank	
30.6.2011	**1% appreciation RM'000**	**1% depreciation RM'000**	**1% appreciation RM'000**	**1% depreciation RM'000**
Impact to profit after tax	(65,563)	65,563	(8,839)	8,839

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 (MYR). The result implies that the Group and the Bank may be subject to additional translation (losses)/gains if MYR appreciated/depreciated against other currencies and vice versa.

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(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's 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.

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 entity and Group 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 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.

45. 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. The disclosure is made in accordance with the requirement of revised BNM's GP8 "Guidelines on Financial Reporting for Banking Institutions":

Group 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	46,991,436	1,135,147	241,370	721,135	–	–	–	–	49,089,088
Deposits and placements with financial institutions	1,416,644	4,104,305	812,078	113,973	5,978	–	–	–	6,452,978
Securities purchased under resale agreements	1,397,235	–	–	–	–	–	–	–	1,397,235
Securities portfolio	6,559,296	6,650,046	5,368,530	4,542,174	10,858,255	10,513,207	22,103,911	1,455,945	68,051,364
Loans, advances and financing	41,953,886	22,236,930	12,271,284	10,513,707	33,714,451	34,090,159	119,511,123	139,151	274,430,691
Derivative assets	137,975	100,319	106,007	229,485	413,438	261,591	200,666	504,995	1,954,476
Other assets	1,761,446	995,107	272,120	722,044	39,288	7,403	16,885	2,847,012	6,661,305
Investment properties	–	–	–	–	–	–	–	62,007	62,007
Statutory deposits with Central Banks	–	–	–	–	–	–	–	10,577,416	10,577,416
Interest in associates	–	–	–	–	–	–	–	2,406,462	2,406,462
Property, plant and equipment	–	–	–	–	–	–	–	2,372,534	2,372,534
Intangible assets	–	–	–	–	–	–	–	6,507,949	6,507,949
Deferred tax assets	–	–	–	–	–	–	–	1,421,934	1,421,934
Life, general takaful and family takaful fund assets	2,101,419	398,837	89,913	692,554	2,068,411	3,513,638	7,733,944	3,304,596	19,903,312
Total assets	102,319,337	35,620,691	19,161,302	17,535,072	47,099,821	48,385,998	149,566,529	31,600,001	451,288,751
Liabilities									
Deposits from customers	194,434,853	44,819,625	26,823,380	30,782,612	13,122,436	3,533,000	193,874	–	313,709,780
Deposits and placements of banks and other financial institutions	22,002,141	10,094,987	1,873,570	1,294,015	1,081,594	414,671	–	–	36,760,978
Obligations on securities 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	180,017	96,704	68,508	77,944	220,880	312,633	251,620	954,403	2,162,709
Other liabilities	7,671,631	101,671	60,588	157,455	68,141	169,551	181,079	2,166,378	10,576,494
Recourse obligation on loans sold to Cagamas	–	–	–	–	491,009	224,594	–	–	715,603
Provision for taxation and zakat	5,173	3,760	15,847	12,383	–	–	–	283,049	320,212

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– 31 December 2011

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

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. The disclosure is made in accordance with the requirement of revised BNM's GP8 "Guidelines on Financial Reporting for Banking Institutions" (cont'd.):

Group 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
Deferred tax liabilities	–	–	–	–	–	–	–	263,605	263,605
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
Life, general takaful and family takaful fund liabilities	93,121	–	–	–	–	–	–	2,792,983	2,886,104
Life, general takaful and family takaful policy holders' fund	–	–	–	–	–	–	–	17,017,208	17,017,208
Total liabilities	227,700,024	57,102,228	29,445,690	32,842,473	15,497,069	7,094,942	23,408,644	23,521,691	416,612,761
Net liquidity gap	(125,380,687)	(21,481,537)	(10,284,388)	(15,307,401)	31,602,752	41,291,056	126,157,885	8,078,310	34,675,990

Group 30.6.2011	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	37,054,615	937,154	664,676	147,074	–	–	–	–	38,803,519
Deposits and placements with financial institutions	2,752,873	5,378,824	2,042,325	116,778	713	–	–	–	10,291,513
Securities purchased under resale agreements	–	–	–	–	–	–	–	–	–
Securities portfolio	2,786,934	1,453,069	1,959,278	3,507,012	14,035,987	13,068,107	22,957,403	1,271,460	61,039,250
Loans, advances and financing	29,815,968	13,971,886	11,117,363	13,061,507	27,181,422	35,685,924	123,142,356	–	253,976,426
Derivative assets	90,627	82,537	44,030	396,334	316,841	259,718	462,095	–	1,652,182
Other assets	2,740,460	51,982	74,606	2,434,556	140,908	–	–	1,293,010	6,735,522
Investment properties	–	–	–	–	–	–	–	45,051	45,051
Statutory deposits with Central Banks	–	–	–	–	–	–	–	7,698,425	7,698,425

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

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. The disclosure is made in accordance with the requirement of revised BNM's GP8 "Guidelines on Financial Reporting for Banking Institutions" (cont'd.):

Group 30.6.2011 (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
Interest in associates	–	–	–	–	–	–	–	2,439,654	2,439,654
Property, plant and equipment	–	–	–	–	–	–	–	2,168,986	2,168,986
Intangible assets	–	–	–	–	–	–	–	6,509,048	6,509,048
Deferred tax assets	–	–	–	–	–	–	–	1,402,705	1,402,705
Life, general takaful and family takaful fund assets	1,161,646	104,950	207,824	587,584	1,288,832	4,086,871	8,108,660	3,650,046	19,196,413
Total assets	76,403,123	21,980,402	16,110,102	20,250,845	42,964,703	53,100,620	154,670,514	26,478,385	411,958,694
Liabilities									
Deposits from customers	184,435,267	41,861,138	22,648,482	26,475,249	5,148,338	1,306,602	101,303	–	281,976,379
Deposits and placements of banks and other 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 securities sold under repurchase agreements	373,562	–	–	–	–	–	–	–	373,562
Bills and acceptance 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
Other liabilities	6,921,874	68,413	865,608	176,535	280,561	192,734	–	2,806,129	11,311,854
Recourse obligation on loans sold to Cagamas	–	9,357	–	–	248,934	269,994	–	–	528,285
Provision for taxation and zakat	112,597	9,372	63	12,586	2	–	–	–	134,620
Deferred tax liabilities	–	–	–	–	–	–	–	247,892	247,892
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
Life, general takaful and family takaful fund liabilities	–	–	–	–	–	–	–	5,408,600	5,408,600
Life, general takaful and family takaful policy holders' fund	–	–	–	–	–	–	–	13,787,813	13,787,813
Total liabilities	211,647,316	54,737,426	26,837,751	28,375,782	7,192,246	3,328,405	25,119,069	22,250,434	379,488,429
Net liquidity gap	(135,244,193)	(32,757,024)	(10,727,649)	(8,124,937)	35,772,457	49,772,215	129,551,445	4,227,951	32,470,265

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

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. The disclosure is made in accordance with the requirement of revised BNM's GP8 "Guidelines on Financial Reporting for Banking Institutions":

Bank 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
Securities purchased under resale agreements	1,397,235	–	–	–	–	–	–	–	1,397,235
Securities portfolio	5,304,518	4,841,060	3,504,834	4,048,021	12,711,721	8,339,801	16,547,447	451,836	55,749,238
Loans, advances and financing	33,875,579	18,868,921	8,641,618	6,392,937	25,049,774	20,734,485	80,607,405	3,366	194,174,085
Derivative assets	120,614	154,080	97,010	229,149	389,351	253,765	200,381	504,994	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	–	–	–	–	–	–	–	1,298,891	1,298,891
Intangible assets	–	–	–	–	–	–	–	173,933	173,933
Deferred tax assets	–	–	–	–	–	–	–	867,163	867,163
Total assets	75,643,338	30,519,858	13,162,121	12,163,300	38,186,168	29,328,051	97,363,170	27,478,831	323,844,837
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 of banks and other financial institutions	21,334,737	9,752,848	1,865,504	1,273,059	952,622	376,822	–	–	35,555,592
Obligations on securities 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	158,929	91,679	68,054	76,936	200,314	290,188	232,240	954,391	2,072,731
Other liabilities	5,952,336	–	–	–	–	–	141,625	257,217	6,351,178
Recourse obligation on loans 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	176,114,812	38,140,748	20,976,165	24,226,670	9,211,169	3,660,723	20,823,049	1,211,816	294,365,152
Net liquidity gap	(100,471,474)	(7,620,890)	(7,814,044)	(12,063,370)	28,974,999	25,667,328	76,540,121	26,267,015	29,479,685

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

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. The disclosure is made in accordance with the requirement of revised BNM's GP8 "Guidelines on Financial Reporting for Banking Institutions":

Bank 30.6.2011	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
Securities purchased under resale agreements	–	–	–	–	–	–	–	–	–
Securities portfolio	1,859,155	888,107	1,668,987	2,852,441	12,871,901	8,585,286	22,218,555	541,999	51,486,431
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	–	–	–	–	–	–	–	1,170,183	1,170,183
Intangible assets	–	–	–	–	–	–	–	177,270	177,270
Deferred tax assets	–	–	–	–	–	–	–	920,837	920,837
Total assets	53,931,764	16,079,467	13,158,977	12,210,951	31,000,728	31,089,757	111,101,535	25,087,353	293,660,532

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45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

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

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. The disclosure is made in accordance with the requirement of revised BNM's GP8 "Guidelines on Financial Reporting for Banking Institutions":

Bank 30.6.2011 (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 of banks and other 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 securities 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 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)	24,444,816	28,707,699	88,028,921	24,797,861	27,998,403

45. 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 at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows. (cont'd.)

Group 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 of banks and other financial institutions	25,526,373	10,663,099	1,799,923	1,157,401	831,913	461,429	-	40,440,138
Obligations on securities sold under repurchase agreements	267,685	-	-	-	-	-	-	267,685
Bills and acceptances payable	6,374,523	6,664,123	3,318,340	53,434	373,740	-	-	16,784,160
Other liabilities	3,162,422	127,651	98,408	284,474	72,756	379,485	2,285,777	6,410,973
Recourse obligation on loans sold to Cagamas	2,249	-	-	-	553,661	274,510	-	830,420
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	11,835,521	12,088,721
Capital securities	284,264	73,225	-	-	-	-	17,060,612	17,418,101
Life, general takaful and family takaful fund liabilities	93,121	-	-	-	-	-	-	93,121
Life, general takaful and family takaful policy holders' fund	-	-	-	-	-	-	-	-
	232,372,198	62,259,876	32,632,333	33,403,842	17,031,950	7,836,525	34,201,137	419,737,861
Commitment and contingencies								
Direct credit substitutes	1,427,132	725,795	1,180,046	1,826,273	1,881,164	307,947	921,942	8,270,299
Certain transaction-related contingent items	2,663,896	840,490	1,163,822	1,589,644	4,425,989	1,439,982	1,209,557	13,333,380
Short-term self-liquidating trade-related contingencies	1,030,290	1,354,389	281,369	50,732	274,555	314,890	-	3,306,225
Islamic housing and hire purchase loans sold to Cagamas Berhad	-	-	-	298,882	1,200,388	-	-	1,499,270
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	897,641	-	116,486,826
Foreign exchange related contracts	-	-	-	-	-	-	-	-
Miscellaneous	5,073,241	2,080,978	1,269,669	235,927	43,079	20,226	59,320	8,782,440
	98,980,226	5,439,540	4,205,011	25,992,570	11,919,588	2,980,686	2,190,819	151,708,440

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45. 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 tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows. (cont'd.)

Group 30.6.2011	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 of banks and other 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 securities 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
Other liabilities	3,289,476	144,089	422,471	596,311	406,513	11,282	4,142,608	9,012,750
Recourse obligation on loans sold to Cagamas	–	–	11,935	–	20,297	577,228	–	609,460
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
	227,254,191	59,752,824	29,705,117	31,058,946	11,136,368	6,228,673	37,001,531	402,137,650
Commitment and contingencies								
Direct credit substitutes	2,994,850	1,210,726	620,113	1,363,887	1,016,806	154,790	180,952	7,542,124
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
Islamic housing and hire purchase loans sold to Cagamas Berhad	–	–	–	–	682,679	–	–	682,679
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
	26,457,321	3,751,480	2,240,070	80,222,680	23,203,462	2,815,497	1,601,068	140,291,578

45. 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 tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows. (cont'd.)

Bank 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 of banks and other financial institutions	20,349,960	10,480,100	1,791,796	1,136,231	702,080	423,341	-	34,883,508
Obligations on securities 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	45,274	-	-	-	-	-	546,104	591,378
Recourse obligation on loans 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	-	-	-	-	-	-	10,687,821	10,687,821
Capital securities	-	-	-	-	-	-	17,060,612	17,060,612
	172,819,312	44,122,761	23,575,428	24,518,530	9,050,361	3,713,727	30,431,485	308,231,604
Commitment and contingencies								
Direct credit substitutes	709,096	665,421	1,133,160	1,431,844	915,929	239,219	841,936	5,936,605
Certain transaction-related contingent items	2,032,121	799,281	1,072,083	1,346,864	4,176,942	1,354,609	891,256	11,673,156
Short-term self-liquidating trade-related contingencies	947,429	1,218,101	154,855	32,691	274,555	314,890	-	2,942,521
Islamic housing and hire purchase loans sold to Cagamas Berhad	-	-	-	-	-	-	-	-
Obligations under underwriting agreements	-	-	-	-	-	-	-	-
Irrevocable commitments to extend credit	87,546,594	437,888	310,105	8,712,587	920,229	897,641	-	98,825,044
Foreign exchange related contracts	-	-	-	-	-	-	-	-
Miscellaneous	4,910,461	2,076,175	1,262,439	222,561	3,615	-	-	8,475,251
	96,145,701	5,196,866	3,932,642	11,746,547	6,291,270	2,806,359	1,733,192	127,852,577

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45. 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 tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flow. (cont'd.)

Bank 30.6.2011	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 of banks and other 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 securities 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	142,817	81,422	83,892	470,855	51,361	–	–	830,347
Recourse obligation on loans 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
	158,837,196	43,290,390	21,052,154	25,052,446	7,423,765	5,439,982	27,753,781	288,849,714
Commitment 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

45. 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 at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (cont'd.)

Group 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 derivatives	149,426	161,459	(5,174)	(4,953)	–	–	–	300,758
– Interest rate derivatives	(14,800)	(32,019)	(14,528)	(73,028)	(156,761)	(41,184)	(306,361)	(638,681)
– Equity related derivatives	598	–	–	–	(3,352)	(7,479)	–	(10,233)
Hedging derivatives								
– Interest rate derivatives	(6,130)	32,861	(17,843)	(3,017)	(116,370)	53,802	31,637	(25,060)
	129,094	162,301	(37,545)	(80,998)	(276,483)	5,139	(274,724)	(373,216)
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)

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45. 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 at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (cont'd.)

Group 30.6.2011	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 derivatives	(565)	(3,463)	(2,465)	(4,946)	(20)	(103)	(209)	(11,771)
– Interest rate derivatives	(55,193)	(41,937)	(26,079)	(60,283)	(108,158)	(11,471)	(83,767)	(386,888)
– Equity related derivatives	–	(10,240)	19	18	2,231	(10,588)	–	(18,560)
Hedging derivatives								
– Interest rate derivatives	(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)

45. 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 at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (cont'd.)

Bank 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 derivatives	(1,029)	(1,316)	(5,174)	(4,972)	-	-	-	(12,491)
– Interest rate derivatives	(15,015)	(32,841)	(15,517)	(78,108)	(196,480)	(50,349)	(311,571)	(699,881)
– Equity related derivatives	-	-	-	-	(3,352)	(7,479)	-	(10,831)
Hedging derivatives								
– Interest rate derivatives	(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)

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45. 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 at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (cont'd.)

Bank 30.6.2011	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 derivatives	(565)	(3,463)	(1,426)	(4,946)	(20)	(103)	(210)	(10,733)
– Interest rate derivatives	(11,523)	(41,937)	(25,997)	(60,199)	(108,158)	(11,471)	(83,767)	(343,052)
– Equity related derivatives	–	–	19	18	2,231	(10,588)	–	(8,320)
Hedging derivatives								
– Interest rate derivatives	(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)

(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, measures, 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.
- To facilitate uniform standards and more effective decision making in respect to operational risk issues impacting the Group.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Operational risk management (cont'd.)

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 team ("ORM"), 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.

Finally, 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 include perform independent review and periodic validation of ORM framework and process as well as conduct regular review on implementation of ORM tools by ORM and the respective business units.

Further information on the risk management practices of the Group are disclosed in the Section on Risk Management in the Annual Report.

46. 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 valuations of financial instruments are determined by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgment is exercised in the selection and application of appropriate parameters, assumptions and modeling techniques where some or all of the parameter inputs are not observable in deriving fair value.

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

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

Determination of fair value

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; where comparative disclosures are not required:

(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 on an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

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46. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

Determination of fair value (cont'd.)

(b) Level 2: Valuation techniques using observable inputs

Refers to inputs other than quoted price 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 Banks' own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets and private equity investments.

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

Group 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 values:				
Securities held-for-trading	6,299,908	3,366,089	–	9,665,997
Securities available-for-sale	17,131,800	27,913,138	3,459,530	48,504,468
Derivative assets	2,249	1,933,525	18,702	1,954,476
	23,433,957	33,212,752	3,478,232	60,124,941
Financial liabilities measured at fair values:				
Derivative liabilities	2,099	2,060,705	99,905	2,162,709

Bank 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 values:				
Securities held-for-trading	4,144,873	3,180,593	–	7,325,466
Securities available-for-sale	14,445,490	21,967,187	3,206,298	39,618,975
Derivative assets	–	1,931,345	17,999	1,949,344
	18,590,363	27,079,125	3,224,297	48,893,785
Financial liabilities measured at fair values:				
Derivative liabilities	–	2,013,707	59,024	2,072,731

46. 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, where no market price is available, are derived using discounted cash flows analysis, option pricing models and benchmarking.

Securities held-for-trading and available-for-sale

The fair values of securities are determined by reference to prices quoted by Bond Pricing Agency Malaysia Berhad and independent broker quotations.

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

Group	Securities held-for-trading RM'000	Securities available-for-sale RM'000	Derivative assets RM'000	Derivative liabilities RM'000
As at 1 July 2011	3,520	6,201,117	21,464	175,279
Gains or losses recognised in income statement	19	41,745	(2,762)	(24,472)
Gains or losses recognised in other comprehensive income	–	(8,607)	–	–
Purchases	–	600,741	–	–
Sales	(3,539)	(1,093,838)	–	–
Issues	–	–	–	32,197
Settlements	–	(48)	–	(83,099)
Transfer out of Level 3	–	(2,281,580)	–	–
As at 31 December 2011	–	3,459,530	18,702	99,905
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period*	–	–	(2,762)	(24,472)
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	–	(8,607)	–	–

* Included within 'Non-interest income'.

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46. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

Bank	Securities held-for-trading RM'000	Securities available-for-sale RM'000	Derivative assets RM'000	Derivative liabilities RM'000
As 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)
Gains or losses recognised in other comprehensive income	–	(3,646)	–	–
Purchases	–	600,741	–	–
Sales	(3,539)	(1,093,838)	–	–
Settlements	–	–	–	(50,108)
Transfer out of Level 3	–	(2,281,580)	–	–
As at 31 December 2011	–	3,206,298	17,999	59,024
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period *	–	–	(1,034)	(22,559)
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	–	(3,646)	–	–

* Included within 'Non-interest income'.

There were no transfers between Level 1 and 2 during the financial period ended 31 December 2011.

During the financial period ended 31 December 2011, 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 is due to greater pricing certainty of valuation of NIDs. In last financial year ended 30 June 2011, the NIDs were reported at cost due to unavailability of market price for NIDs as at the last reporting date.

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 FRS 132 comprise all its assets and liabilities with the exception of investments in subsidiaries, interest in associates, property, plant and equipment, provision for current and deferred taxation, life, general takaful and family takaful fund assets and life, general takaful and family takaful fund liabilities. The information on the fair values of financial assets and financial liabilities of the life, general takaful and family takaful fund is disclosed in Note 53.

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.

46. 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:

	31.12.2011		30.6.2011	
Group	**Carrying value RM'000**	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
Financial assets				
Securities held-to-maturity	**9,880,899**	**10,103,898**	9,638,714	9,809,443
Loans, advances and financing	**274,430,691**	**288,525,827**	253,976,426	283,556,227
Financial liabilities				
Deposits from customers	**313,709,780**	**316,596,758**	281,976,379	282,699,577
Deposits and placements of banks and other financial institutions	**36,760,978**	**41,022,297**	33,303,655	38,100,861
Recourse obligation on loans sold to Cagamas	**715,603**	**765,277**	528,285	570,332
Borrowings	**7,185,230**	**7,403,643**	5,447,120	5,447,120
Subordinated obligations	**14,160,553**	**13,973,204**	10,800,539	9,576,819
Capital securities	**6,113,761**	**7,306,663**	6,120,774	7,156,337

	31.12.2011		30.6.2011	
Bank	**Carrying value RM'000**	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
Financial assets				
Securities held-to-maturity	**8,804,797**	**9,026,188**	8,339,494	8,508,551
Loans, advances and financing	**194,174,085**	**206,341,842**	181,572,844	209,580,430
Financial liabilities				
Deposits from customers	**222,895,293**	**222,926,794**	201,465,408	200,875,634
Deposits and placements of banks and other financial institutions	**35,555,592**	**35,511,229**	31,441,675	30,848,183
Recourse obligation on loans sold to Cagamas	**715,603**	**765,277**	528,285	570,332
Borrowings	**4,208,282**	**4,373,774**	3,420,499	3,420,499
Subordinated obligations	**12,574,919**	**12,362,115**	9,509,786	9,279,515
Capital securities	**6,113,761**	**7,306,663**	6,120,774	7,156,337

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46. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

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

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

(a) Securities 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 installment 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.

(c) Deposits from customers, deposits and placements of banks and other 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 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 installment payments at applicable prevailing Cagamas rates as at reporting date.

(e) Subordinated obligations

The fair values of subordinated obligations 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.

47. CAPITAL AND OTHER COMMITMENTS

(a) Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group		Bank	
	31.12.2011 RM'000	30.6.2011 RM'000	31.12.2011 RM'000	30.6.2011 RM'000
Approved and contracted for	**168,152**	506,118	**161,505**	410,884
Approved but not contracted for	**1,030,791**	207,846	**1,024,559**	207,846
	1,198,943	713,964	**1,186,064**	618,730
(b) Uncalled capital in shares of subsidiaries	**–**	–	**150**	150

48. CAPITAL MANAGEMENT

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

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

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

- Maintain Core Capital Ratio and Risk Weighted Capital Ratio at levels sufficiently above the current minimum regulatory requirements;
- Support the Group's credit rating;
- Ensure regulated subsidiaries can meet their minimum capital requirements;
- Allocate capital to businesses to support the Group's strategic objectives and optimise returns on capital;
- Remain flexible to take advantage of future growth opportunities;
- Build and invest in businesses, even in a reasonably stressed environment;
- Optimise returns to shareholders; and
- Withstand capital demands under market shocks and stress conditions.

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

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

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

In its pursuit of an efficient and healthy capital structure, the following initiatives were undertaken by the Group:

(a) Gearing up of capital

The Group issued various capital instruments including Subordinated Bonds/Certificates/Notes, equity, Non-Innovative Tier 1 Capital Securities and Innovative Tier 1 Capital Securities to strengthen its capital position as disclosed in Notes 27 and 28.

(b) Dividend reinvestment plan ("DRP") and Basel III

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 29(b) and dividend payout is disclosed in Note 43.

BNM had in December 2011 announced the implementation of Basel III in Malaysia. The implementation of Basel III announcement by BNM is in accordance to the globally-agreed levels and implementation timeline. Capital requirements are expected to increase moving forward under Basel III. However, the requirements are subject to a series of phase-in arrangements over a period of time, to be fully effective by 2019.

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49. 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 are held.

In line with BNM's 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.

(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, we consider 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;
- 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, 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.

50. 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 Bank Negara Malaysia ("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's 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") on a standalone basis is computed in accordance with BNM's 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 ("BII") on a standalone basis is computed in accordance with local requirements, which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratios. However, for disclosure at Maybank Group level, the computation was based on the capital adequacy rules of the overseas jurisdiction (parent company) namely Maybank Group, using Basel II RWCAF rules, as BII is considered a significant overseas subsidiary.

(b) The capital adequacy ratios of the Group and the Bank

The proposed final dividend consisting of an electable portion of 32 sen (24 sen net) per ordinary share can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan as disclosed in Note 29(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.

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:

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50. CAPITAL ADEQUACY (CONT'D.)

(b) The capital adequacy ratios of the Group and the Bank (cont'd.)

The capital adequacy ratios of the Group and the Bank as at the following dates are as follows:

	Group		Bank	
Basel II	**31.12.2011**	**30.6.2011**	**31.12.2011**	**30.6.2011**
(i) Before deducting proposed dividend*:				
Core capital ratio	**11.74%**	11.93%	**15.80%**	13.44%
Risk-weighted capital ratio	**16.46%**	15.45%	**15.80%**	13.44%
(ii) After deducting proposed dividend:				
Core capital ratio				
– full electable portion paid in cash	**10.95%**	11.21%	**14.73%**	12.49%
– full electable portion reinvested	**11.65%**	11.84%	**15.68%**	13.32%
Risk-weighted capital ratio				
– full electable portion paid in cash	**15.66%**	14.72%	**14.73%**	12.49%
– full electable portion reinvested	**16.37%**	15.36%	**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 period/year were not deducted.

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

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Tier 1 capital				
Paid-up share capital	**7,639,437**	7,478,206	**7,639,437**	7,478,206
Share premium	**9,598,847**	8,583,711	**9,598,847**	8,583,711
Other reserves	**14,570,375**	14,779,856	**12,473,444**	11,790,065
Capital securities	**6,057,884**	6,065,486	**6,057,884**	6,065,486
Less: Deferred tax assets [1]	**(1,406,712)**	(1,383,388)	**(867,163)**	(920,837)
Goodwill [1]	**(6,031,401)**	(6,049,900)	**(81,015)**	(81,015)
Total Tier 1 capital	**30,428,430**	29,473,971	**34,821,434**	32,915,616
Tier 2 capital				
Subordinated obligations	**13,889,529**	10,732,475	**12,491,343**	9,458,980
Collective allowance [4]	**892,370**	995,632	**430,448**	449,884
Surplus of total EP over total EL [3]	**359,978**	–	**384,425**	–
Total Tier 2 capital	**15,141,877**	11,728,107	**13,306,216**	9,908,864
Total capital	**45,570,307**	41,202,078	**48,127,650**	42,824,480
Less: Investment in subsidiaries and associates [2]	**(2,891,773)**	(2,924,965)	**(17,467,920)**	(17,457,434)
Less: Other deductions:				
Liquidity reserve	**–**	(1,492)	**–**	(1,492)
Securitisation exposure held in the banking book	**(31,383)**	(16,796)	**(31,383)**	(16,796)
Excess of EL over EP [3]	**–**	(108,217)	**–**	(37,149)
Capital base	**42,647,151**	38,150,608	**30,628,347**	25,311,609

50. CAPITAL ADEQUACY (CONT'D.)

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

[1] Under Bank Negara Malaysia 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 RM18,993,759, as its business, assets and liabilities have been transferred to the Bank; (ii) Maybank International (L) Ltd. of RM176,385,000, 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 and Maybank International (L) Ltd. 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
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%**
30.6.2011			
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 dividend for respective financial period/year were not deducted.

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50. CAPITAL ADEQUACY (CONT'D.)

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

31.12.2011 – Basel II	Group RM'000	Bank RM'000	Maybank Islamic Berhad RM'000	Maybank Investment Bank Berhad RM'000	PT Bank Internasional Indonesia Tbk RM'000
Standardised Approach exposure	**70,655,914**	**38,834,291**	**4,153,679**	**1,025,361**	**24,360,349**
Internal Ratings-Based Approach exposure after scaling factor	**153,100,201**	**128,719,436**	**28,214,051**	**–**	**–**
Total risk-weighted assets for credit risk	**223,756,115**	**167,553,727**	**32,367,730**	**1,025,361**	**24,360,349**
Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad*	**–**	**–**	**(205,926)**	**–**	**–**
Total risk-weighted assets for market risk	**10,379,265**	**8,376,674**	**307,942**	**713,316**	**275,124**
Total risk-weighted assets for operational risk	**24,983,371**	**17,970,181**	**2,573,751**	**540,741**	**3,197,593**
Additional risk-weighted assets due to capital floor	**–**	**–**	**3,891,670**	**–**	**–**
Total risk-weighted assets	**259,118,751**	**193,900,582**	**38,935,167**	**2,279,418**	**27,833,066**

30.6.2011 – Basel II	Group RM'000	Bank RM'000	Maybank Islamic Berhad RM'000	Maybank Investment Bank Berhad RM'000	PT Bank Internasional Indonesia Tbk RM'000
Standardised Approach exposure	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's guideline on the recognition and measurement of Restricted Profit Sharing Investment Account ("RPSIA") as Risk Absorbent, the credit risk on the assets funded by the RPSIA are excluded from the risk weighted capital ratio ("RWCR") calculation.

51. 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, Medium Enterprise ("SME") banking

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

(iii) Business banking

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

(b) Global Wholesale Banking ("GWB")

(i) Corporate Banking Malaysia

Corporate banking comprises the full range of products and services offered to business customers in the region, ranging from large 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 Kim Eng Group)

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

(c) Insurance, Takaful and Asset Management

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

(d) International Banking

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

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51. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

Group 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
	Business Segments							
	GWB							
Net interest income and Islamic banking income:								
– 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 Islamic banking income	2,621,474	574,796	311,919	125,036	1,599,627	35,165	(233,702)	5,034,315
Net income from insurance business	–	–	–	–	–	418,828	–	418,828
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	594,667	(738,664)	7,827,323
Overhead expenses	(1,674,045)	(188,444)	(128,797)	(481,647)	(1,255,661)	(213,245)	–	(3,941,839)
Allowance for losses on loans, advances and financing	(23,442)	(22,152)	–	(13,769)	(278,781)	9,064	–	(329,080)
Impairment losses on securities, net	–	–	(58,957)	(5,160)	1,697	(4,817)	–	(67,237)
Operating profit	1,688,834	595,774	602,091	49,816	905,647	385,669	(738,664)	3,489,167
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	385,669	(738,664)	3,563,401
Tax expense and zakat								(887,071)
Profit after taxation and zakat								2,676,330
Non-controlling interest								(93,261)
Profit for the period attributable to equity holders of the Bank								2,583,069

51. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

Group 30.6.2011	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
	<=== Business Segments						===>	
		<=== GWB		===>				
Net interest income and Islamic banking income:								
– External	4,659,970	852,220	702,770	85,831	2,760,233	70,952	(384,173)	8,747,803
– Inter-segment	–	–	–	3,069	(3,733)	19,848	(19,184)	–
	4,659,970	852,220	702,770	88,900	2,756,500	90,800	(403,357)	8,747,803
Net interest income and Islamic banking income	4,659,970	852,220	702,770	88,900	2,756,500	90,800	(403,357)	8,747,803
Net income from insurance business	–	–	–	–	–	557,306	–	557,306
Non-interest income	1,564,860	427,280	865,480	393,214	1,421,300	276,682	(834,161)	4,114,655
Net income	6,224,830	1,279,500	1,568,250	482,114	4,177,800	924,788	(1,237,518)	13,419,764
Overhead expenses	(3,285,296)	(205,618)	(145,253)	(338,509)	(2,270,962)	(406,546)	–	(6,652,184)
Allowance for losses on loans, advances and financing	50,510	10,166	–	5,288	(544,305)	(23,825)	–	(502,166)
Impairment losses on securities, net	–	–	(101,705)	(13,382)	(8,072)	(6,796)	–	(129,955)
Operating profit	2,990,044	1,084,048	1,321,292	135,511	1,354,461	487,621	(1,237,518)	6,135,459
Share of profits in associates	–	–	–	–	135,008	–	–	135,008
Profit before taxation and zakat	2,990,044	1,084,048	1,321,292	135,511	1,489,469	487,621	(1,237,518)	6,270,467
Tax expense and zakat								(1,650,709)
Profit after taxation and zakat								4,619,758
Non-controlling interest								(169,480)
Profit for the year attributable to equity holders of the Bank								4,450,278

(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 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.

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51. SEGMENT INFORMATION (CONT'D.)

(ii) By geographical locations (cont'd.)

Operating revenue, net income, profit before taxation and zakat and non-current assets based on geographical locations of customers and assets respectively are as follows:

31.12.2011	Operating revenue RM'000	Net income RM'000	Profit before taxation and zakat RM'000	Non-current assets RM'000
Malaysia	**9,693,325**	**5,775,441**	**3,315,276**	**8,138,176**
Singapore	**1,537,456**	**1,254,328**	**569,336**	**312,014**
Indonesia	**1,887,222**	**1,161,984**	**166,318**	**415,839**
Others	**579,936**	**370,413**	**202,642**	**76,461**
	13,697,939	**8,562,166**	**4,253,572**	**8,942,490**
Elimination *	**(813,428)**	**(734,843)**	**(690,171)**	**–**
Group	**12,884,511**	**7,827,323**	**3,563,401**	**8,942,490**
30.6.2011				
Malaysia	15,328,262	9,611,370	5,251,502	8,012,735
Singapore	2,121,883	1,619,827	888,242	312,272
Indonesia	3,291,045	2,133,124	289,711	326,711
Others	945,338	632,354	310,057	71,367
	21,686,528	13,996,675	6,739,512	8,723,085
Elimination *	(646,885)	(576,911)	(469,045)	–
Group	21,039,643	13,419,764	6,270,467	8,723,085

* Inter-segment revenues are eliminated on consolidation.

52. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) (i) Proposed acquisition by Mayban IB Holdings Sdn Bhd (formerly known as Aseam Credit Sdn Bhd ("Mayban IB Holdings or Offeror")), a wholly-owned subsidiary of Maybank, of an aggregate of 257,559,264 ordinary shares in Kim Eng Holdings Ltd ("Kim Eng"), representing 44.63% of the issued and paid-up share capital of Kim Eng ("Proposed Acquisition").

(ii) Possible mandatory conditional cash offer for all the remaining ordinary shares of Kim Eng not already owned by Mayban IB Holdings, its related corporations and their respective nominees ("Offer Shares") subject to completion of the Proposed Acquisition.

On 25 July 2011, Maybank announced that following the close of the Thai Tender Offer on 18 July, Mayban IB Holdings received valid acceptance of approximately 27.99% of Kim Eng Securities (Thailand) Public Company Limited ("KEST") shares. As such, the Mayban IB Holdings group's aggregate shareholding in KEST is approximately 83.74%.

On 29 July 2011, Maybank announced that Mayban IB Holdings had on even date exercise the right of compulsory acquisition under Section 215(1) of the Companies Act to acquire all the Kim Eng's shares held by dissenting shareholders. Following the compulsory acquisition, Kim Eng would become a wholly-owned company of Mayban IB Holdings and will be delisted from the Official List of the SGX-ST on 4 August 2011.

52. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(a) (ii) Possible mandatory conditional cash offer for all the remaining ordinary shares of Kim Eng not already owned by Mayban IB Holdings, its related corporations and their respective nominees ("Offer Shares") subject to completion of the Proposed Acquisition. (cont'd.)

On 22 September 2011, Mayban IB Holdings and Kim Eng, have completed an internal restructuring whereby Mayban IB Holdings has transferred all the 159,320,319 KEST shares, representing approximately 27.99% of the total paid-up KEST shares ("KEST Stake") to Kim Eng. Mayban IB Holdings had acquired the KEST Stake pursuant to acceptances of the Thai Tender Offer on 22 September 2011.

Post completion of the internal restructuring, the Mayban IB Holdings aggregate shareholding in KEST of approximately 83.74% remains unchanged.

Maybank had on 9 December 2011 announced that following the completion of the acquisition, Kim Eng had on 24 October 2011 launched a tender offer to acquire all the remaining ATR Kim Eng Financial Corporation ("ATR KE") shares that it did not own, at an offer price of Peso4.38 (equivalent to approximately RM0.31755, at the exchange rate of Peso1.00: RM0.0725, as at 24 October 2011, Source: Bloomberg) for each share in ATR KE ("Tender Offer"). Subsequently, the Tender Offer closed on 29 November 2011.

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

Based on the above results, ATR KE'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, ATR KE 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.

(b) Establishment of Subordinated Note Programme of up to RM3.0 billion in Nominal Value ("Subordinated Note Programme")

In prior year, Maybank announced that it has obtained approval from the Securities Commission vide their letter dated 25 May 2011 for the establishment of the Subordinated Note Programme and the issue of subordinated notes thereunder. In addition, the approval from Bank Negara Malaysia ("BNM") for the issuance of subordinated notes has also been obtained on 14 April 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 by BNM.

The tenure of the Subordinated Note Programme is up to 20 years from the date of first issue 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 and subject to the redemption conditions being satisfied, 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) ("Regulatory Redemption"). The Optional Redemption and Regulatory Redemption of one tranche of the subordinated notes shall not trigger the redemption of other tranches of subordinated notes.

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52. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(b) Establishment of Subordinated Note Programme of up to RM3.0 billion in Nominal Value ("Subordinated Note Programme") (cont'd.)

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.

During the financial period, Maybank had on 15 August 2011 issued RM2.0 billion of subordinated notes ("Subordinated Notes") under the Subordinated Note Programme, which has been accorded a long term rating of AA1 by RAM Rating Services Berhad. The Subordinated Notes issued shall have tenure of 10 years on a 10 non-callable 5 basis and will mature on 16 August 2021. It is callable on 15 August 2016 and on every interest payment date thereafter. The Subordinated Notes offering was priced at 4.10%.

Maybank had on 28 December 2011 announced that Maybank had made a subsequent issuance of RM1.0 billion of subordinated notes under the Subordinated Note Programme.

The subordinated notes issued comprise the following tranches:

(i) RM750.0 million of subordinated notes with tenure of 10 years on a 10 non-callable 5 basis ("Tranche 1"); and

(ii) RM250.0 million of subordinated notes with tenure of 12 years on a 12 non-callable 7 basis ("Tranche 2").

Tranche 1 and Tranche 2 of the subordinated notes were priced at 3.97% and 4.12% respectively and had received strong support and interest from investors resulting in an over subscription of over 1.47 times for Tranche 1 and 1.48 times for Tranche 2.

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 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.

(c) Subsequent events

(i) 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 million nominal value of Senior Unsecured Notes under its USD2.0 billion Multi-currency Medium Term Note Programme as disclosed in Note 26(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.

(ii) Proposed 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.

In addition, the approval from Bank Negara Malaysia ("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) guideline 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.

52. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(c) Subsequent events (cont'd.)

(ii) Proposed establishment of Subordinated Note Programme of up to RM7.0 billion in nominal value ("Subordinated Note Programme") (cont'd.)

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 and subject to the redemption conditions being satisfied, 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.

53. LIFE, GENERAL TAKAFUL AND FAMILY TAKAFUL FUNDS' STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	31.12.2011				30.6.2011			
Group	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Total RM'000	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Total RM'000
Assets								
Property, plant and equipment	62,734	5	6	62,745	72,850	9	537	73,396
Investment properties	480,470	–	–	480,470	480,470	1,235	40	481,745
Intangible assets	21,364	911	33	22,308	15	–	–	15
Investments	9,303,419	6,651,499	1,087,295	17,042,213	9,173,836	6,205,050	966,291	16,345,177
Loans	263,170	40,878	3	304,051	284,070	53,486	1,625	339,181
Receivables	130,846	124,689	107,565	363,100	183,080	137,624	118,798	439,502
Cash and bank balances	56,539	48,037	32,218	136,794	78,786	19,931	29,060	127,777
Deferred tax assets	32,998	–	–	32,998	–	–	–	–
Investment-linked business assets	1,351,884	106,749	–	1,458,633	1,237,828	151,792	–	1,389,620
	11,703,424	6,972,768	1,227,120	19,903,312	11,510,935	6,569,127	1,116,351	19,196,413
Liabilities								
Provision for outstanding claims	51,806	125,546	416,016	593,368	64,532	104,725	206,731	375,988
Other liabilities	718,518	821,174	753,044	2,292,736	826,508	3,355,873	850,231	5,032,612
	770,324	946,720	1,169,060	2,886,104	891,040	3,460,598	1,056,962	5,408,600
Life, general takaful and family takaful policy holders' funds	10,933,100	6,026,048	58,060	17,017,208	10,619,895	3,108,529	59,389	13,787,813
	11,703,424	6,972,768	1,227,120	19,903,312	11,510,935	6,569,127	1,116,351	19,196,413

(i) The operating revenue generated from the life insurance, general takaful and family takaful businesses of the Group for the financial period amounted to approximately RM2,845,147,000 (30.6.2011: RM5,156,058,000).

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS")

(a) Statements of financial position as at 31 December 2011

		Group	
	Note	31.12.2011 RM'000	30.6.2011 RM'000
Assets			
Cash and short-term funds	(f)	**8,971,617**	9,684,169
Deposits and placements with banks and other financial institutions	(g)	**429,910**	394,136
Securities portfolio	(h)	**8,640,930**	6,823,392
Financing and advances	(i)	**50,926,004**	46,244,031
Deferred tax assets	(j)	**178,148**	161,550
Derivative assets	(k)	**28,198**	14,646
Other assets	(l)	**4,492,748**	4,737,314
Statutory deposits with Bank Negara Malaysia	(m)	**1,834,800**	913,900
Intangible asset	(n)	**3,701**	918
Property, plant and equipment	(o)	**2,551**	347
		75,508,607	68,974,403
Liabilities			
Deposits from customers	(p)	**59,090,400**	50,890,270
Deposits and placements of banks and other financial institutions	(q)	**9,449,458**	11,292,077
Bills and acceptances payable		**504,237**	1,115,350
Derivative liabilities	(k)	**96,179**	53,504
Other liabilities	(r)	**193,515**	175,494
Provision for taxation and zakat	(t)	**109,256**	52,931
Subordinated sukuk	(u)	**1,010,723**	1,010,637
		70,453,768	64,590,263
Islamic banking capital funds			
Islamic banking funds		**943,296**	459,287
Reserves		**4,111,543**	3,924,853
		5,054,839	4,384,140
		75,508,607	68,974,403
Commitments and contingencies	(bb)	**22,853,525**	18,643,612

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

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(b) Income statements for the period ended 31 December 2011

	Note	Group 1.7.2011 to 31.12.2011 RM'000	Group 1.7.2010 to 30.6.2011 RM'000
Income derived from investment of depositors' funds	(v)	**1,585,183**	2,538,614
Expenses directly attributable to depositors and Islamic Banking Funds		**(36,625)**	(24,842)
Profit equalisation reserves		**–**	(91,317)
Gross attributable income		**1,548,558**	2,422,455
Allowance for losses on financing and advances	(w)	**(61,343)**	(10,720)
Total attributable income		**1,487,215**	2,411,735
Income attributable to the depositors	(x)	**(729,158)**	(1,054,681)
Income attributable to the Group		**758,057**	1,357,054
Income derived from investment of Islamic Banking Funds:			
Gross investment income	(y)	**155,131**	131,257
Net income from investment of Islamic Banking Funds		**155,131**	131,257
		913,188	1,488,311
Finance cost		**(21,186)**	(10,637)
Overhead expenses	(z)	**(324,877)**	(573,471)
Profit before taxation and zakat		**567,125**	904,203
Taxation	(aa)	**(136,866)**	(217,239)
Zakat		**(5,673)**	(9,435)
Profit for the period/year		**424,586**	677,529

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

Gross attributable income	**1,548,558**	2,422,455
Net income from investment Islamic Banking Funds	**155,131**	131,257
Total income before allowance for losses on financing and advances and overhead expenses	**1,703,689**	2,553,712
Income attributable to the depositors	**(729,158)**	(1,054,681)
	974,531	1,499,031
Finance cost	**(21,186)**	(10,637)
Net of intercompany income and expenses	**54,692**	73,479
Income from Islamic Banking Scheme operations reported in the Group-wide income statements	**1,008,037**	1,561,873

notes to the financial statements

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(c) Statement of comprehensive income for the period ended 31 December 2011

	Group	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Profit for the period/year	**424,586**	677,529
Other comprehensive income/(loss):		
Currency translation differences in respect of foreign operations	**3,438**	(2,665)
Net gain on revaluation of securities available-for-sale	**48,652**	9,237
Income tax relating to components of other comprehensive income	**(12,220)**	379
Other comprehensive income for the period/year, net of tax	**39,870**	6,951
Total comprehensive income for the period/year	**464,456**	684,480

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

(d) Statements of changes in Islamic Banking Fund

Group	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 July 2011	459,287	2,488,400	18,882	(2,644)	147,338	1,697	–	1,271,180	4,384,140
Profit for the period	–	–	–	–	–	–	–	424,586	424,586
Other comprehensive income	–	–	36,432	3,438	–	–	–	–	39,870
Total comprehensive income for the period	–	–	36,432	3,438	–	–	–	424,586	464,456
Transfer from/(to) Head Office	484,009	–	–	–	–	–	–	(330)	483,679
Dividend on ordinary shares	–	–	–	–	–	–	–	(311,892)	(311,892)
Reversal of PER under the previous guideline (Note 54(s))	–	–	–	–	–	–	–	34,456	34,456
Net transfer for the period (Note 54(s))	–	–	–	–	–	–	34,456	(34,456)	–
At 31 December 2011	943,296	2,488,400	55,314	794	147,338	1,697	34,456	1,383,544	5,054,839

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) Statements of changes in Islamic Banking Fund (cont'd.)

Group (cont'd.)	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	Distributable Retained Profits RM'000	Total RM'000
	<------ Non-distributable					------>		
At 1 July 2010	207,410	2,488,400	9,266	21	147,338	(2,536)	637,319	3,487,218
Profit for the year	–	–	–	–	–	–	677,529	677,529
Other comprehensive income/(loss)	–	–	9,616	(2,665)	–	–	–	6,951
Total comprehensive income for the year	–	–	9,616	(2,665)	–	–	677,529	684,480
Transfer to Retained Profits	–	–	–	–	–	4,233	(4,233)	–
Transfer from Head Office	251,877	–	–	–	–	–	–	251,877
Transfer from MSI ^	–	–	–	–	–	–	(39,435)	(39,435)
At 30 June 2011	459,287	2,488,400	18,882	(2,644)	147,338	1,697	1,271,180	4,384,140

* Arose from waiver of intercompany balance between respective subsidiaries on the instruction of the holding company.

^ Maybank Syariah Indonesia

(e) Statement of cash flows for the period ended 31 December 2011

	Group 1.7.2011 to 31.12.2011 RM'000	Group 1.7.2010 to 30.6.2011 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	**567,125**	904,203
Adjustments for:		
Allowance for losses on financing and advances	**109,954**	75,264
Amortisation of premiums less accretion of discounts	**(440)**	599
Profit equalisation reserves	**–**	91,317
Unrealised loss/(gain) on revaluation of derivatives	**30,294**	(2,627)
Unrealised gain on revaluation of securities held-for-trading	**(577)**	(1,187)
Gain on disposal of securities available-for-sale	**(17,638)**	(37,565)
Gain on disposal of securities held-for-trading	**(1,493)**	(885)
Unrealised gains on foreign exchange transactions	**(15,969)**	(11,185)
Depreciation and amortisation of property, plant and equipment	**1,728**	587
Share options granted under ESS	**968**	–
Operating profit before working capital changes	**673,952**	1,018,521

notes to the financial statements

– 31 December 2011

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) Statement of cash flows for the period ended 31 December 2011 (cont'd.)

	Group	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Cash flows from operating activities (cont'd.)		
Change in deposits and placements with banks and other financial institutions	**(35,774)**	(393,429)
Change in financing and advances	**(4,791,927)**	(12,786,605)
Change in derivative assets and liabilities	**(1,171)**	38,222
Change in other assets	**256,790**	(4,469,697)
Change in statutory deposit with Bank Negara Malaysia	**(920,900)**	(760,900)
Change in deposits from customers	**8,216,099**	16,207,842
Change in deposits and placements of banks and other financial institutions	**(1,842,619)**	6,240,731
Change in bills and acceptances payable	**(611,113)**	1,087,175
Net purchase of securities portfolio	**(1,757,520)**	(2,082,760)
Change in other liabilities	**72,695**	(1,141,061)
Cash (used in)/generated from operations	**(741,488)**	2,958,039
Taxes and zakat paid	**(115,036)**	(302,528)
Net cash (used in)/generated from operating activities	**(856,524)**	2,655,511
Cash flows from financing activities		
Dividend paid	**(311,892)**	–
Profit paid for Subordinated Sukuk	**(21,100)**	–
Proceeds from issuance of Subordinated Sukuk	**–**	1,000,000
Retained profits transferred from MSI from conventional book	**–**	(39,435)
Funds transferred from Head Office	**483,679**	251,877
Net cash generated from financing activities	**150,687**	1,212,442
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,932)**	(934)
Purchase of intangible asset	**(2,783)**	(918)
Net cash used in investing activities	**(6,715)**	(1,852)
Net (decrease)/increase in cash and cash equivalents	**(712,552)**	3,866,101
Cash and cash equivalents at beginning of period/year	**9,684,169**	5,818,068
Cash and cash equivalents at end of period/year	**8,971,617**	9,684,169

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

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(f) Cash and short-term funds

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Cash, balances and deposits with banks and other financial institutions	1,768,413	1,517,079
Money at call and interbank placements with remaining maturity not exceeding one month	7,203,204	8,167,090
	8,971,617	9,684,169

(g) Deposits and placements with banks and other financial institutions

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Licensed banks	429,699	393,799
Bank Negara Malaysia	211	337
	429,910	394,136

(h) Securities portfolio

		Group	
	Note	31.12.2011 RM'000	30.6.2011 RM'000
Securities held-for-trading	(i)	2,360,877	513,225
Securities available-for-sale	(ii)	6,108,169	6,138,274
Securities held-to-maturity	(iii)	171,884	171,893
		8,640,930	6,823,392

(i) Securities held-for-trading

	Group	
	31.12.2011 RM'000	30.6.2011 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	1,882,849	242,352
Total securities held-for-trading	2,360,877	513,225

notes to the financial statements

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(h) Securities portfolio (cont'd.)

(ii) Securities available-for-sale

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
At fair value		
Money market instruments:-		
Cagamas bonds	**149,891**	183,997
Bank Negara Malaysia Sukuk Ijarah bonds	**11,132**	11,104
Malaysian Government Investment Issues	**3,062,272**	3,696,550
Foreign Government Treasury Bills	**50,097**	49,414
Negotiable instruments of deposits	**952,927**	249,219
Bankers' acceptances and Islamic accepted bills	**4,117**	220,933
Khazanah bonds	**246,209**	236,252
	4,476,645	4,647,469
Unquoted securities:-		
Islamic private debt securities in Malaysia	**1,411,674**	1,322,519
Foreign Islamic debt securities	**33,146**	50,986
Malaysia Global Sukuk	**186,704**	117,300
	1,631,524	1,490,805
Total securities available-for-sale	**6,108,169**	6,138,274

(iii) Securities held-to-maturity

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
At amortised cost		
Money market instruments:-		
Malaysian Government Investment Issues	**141,549**	141,893
Unquoted securities:-		
Islamic private debt securities in Malaysia	**30,335**	30,000
Total securities held-to-maturity	**171,884**	171,893

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

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Maturing within one year	**1,261,117**	941,973
One year to three years	**774,224**	454,051
Three years to five years	**868,555**	1,138,278
After five years	**1,714,298**	2,255,060
	4,618,194	4,789,362

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
Cashline	**2,103,900**	2,027,371
Term financing		
– House financing	**7,275,137**	6,237,944
– Syndicated financing	**632,750**	235,582
– Hire purchase receivables	**18,167,588**	18,198,072
– Other term financing	**43,787,468**	37,591,734
Bills receivables	**4,610**	2,201
Trust receipts	**204,263**	170,724
Claims on customers under acceptance credit	**3,507,816**	3,648,182
Staff financing	**427,004**	782,675
Credit card receivables	**340,254**	307,454
Revolving credit	**4,315,880**	3,319,247
	80,766,670	72,521,186
Unearned income	**(28,894,399)**	(25,341,649)
Gross financing and advances*	**51,872,271**	47,179,537
Allowance for losses on financing and advances		
– Individual	**(298,840)**	(354,688)
– Collective	**(647,427)**	(580,818)
Net financing and advances	**50,926,004**	46,244,031

* Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Accounts ("RPSIA") as part of an arrangement between Maybank Islamic Berhad ("MIB") and the Bank. The Group's conventional operations are exposed to risks and rewards on RPSIA financing and will account for all the collective and individual allowances for impaired financing arising thereon.

notes to the financial statements

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

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

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Bai' Bithaman Ajil	**18,365,967**	17,932,184
Ijarah	**15,146,087**	15,179,894
Murabahah	**14,473,620**	11,859,082
Al-Ijarah Muntahiyah Bi Tamleek	**632,750**	235,581
Musharakah Mutanaqisah	**2,852,124**	1,625,386
Other concepts	**401,723**	347,410
Gross financing and advances	**51,872,271**	47,179,537

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

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Domestic non-banking institutions	**5,294,637**	4,428,924
Domestic business enterprises		
– Small and medium enterprises	**6,611,292**	4,364,401
– Others	**6,534,016**	7,209,199
Government and statutory bodies	**318,878**	295,958
Individuals	**31,508,331**	29,991,373
Other domestic entities	**137,876**	9,454
Foreign entities	**1,467,241**	880,228
Gross financing and advances	**51,872,271**	47,179,537

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

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Fixed rate		
– House financing	**2,886,621**	2,669,618
– Hire purchase receivables	**15,152,459**	15,188,904
– Other financing	**6,185,649**	5,737,136
Floating rate		
– House financing	**4,748,777**	2,682,324
– Other financing	**22,898,765**	20,901,555
Gross financing and advances	**51,872,271**	47,179,537

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

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

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
Purchase of securities	**8,062,663**	7,970,308
Purchase of transport vehicles	**16,767,735**	15,903,267
Less: Islamic hire purchase receivables sold to Cagamas	**(1,499,270)**	(682,679)
Purchase of landed properties		
– Residential	**7,440,476**	6,386,760
– Non-residential	**1,269,053**	901,487
Personal use	**1,000,365**	864,989
Consumer durables	**3**	13
Construction	**2,625,570**	1,714,608
Working capital	**15,277,873**	13,215,089
Credit cards	**555,124**	307,454
Other purpose	**372,679**	598,241
Gross financing and advances	**51,872,271**	47,179,537

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

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
Maturing within one year	**7,700,574**	7,297,630
One year to three years	**2,177,749**	1,555,742
Three years to five years	**8,751,910**	7,738,631
After five years	**33,242,038**	30,587,534
Gross financing and advances	**51,872,271**	47,179,537

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

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

Movements in impaired financing and advances

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
At beginning of the period/year	928,549	1,155,639
Newly impaired	316,586	770,551
Amount recovered/regularised	(340,991)	(700,306)
Expenses debited to customers' accounts	9,448	29,545
Amount written off	(101,619)	(326,880)
At end of the period/year	811,973	928,549
Less:		
– Individual allowance	(298,840)	(354,688)
Net impaired financing and advances	513,133	573,861
Calculation of ratio of net impaired financing		
Gross financing and advances (excluding RPSIA financing)	51,222,271	46,529,537
Less:		
– Individual allowance	(298,840)	(354,688)
Net financing and advances	50,923,431	46,174,849
Ratio of net impaired financing	1.01%	1.24%

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

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Purchase of securities	7,222	4,514
Purchase of transport vehicles	57,316	50,791
Purchase of landed properties:		
– Residential	149,843	201,824
– Non-residential	17,210	22,981
Personal use	13,198	12,101
Consumer durables	3	3
Construction	56,599	73,657
Working capital	504,002	557,794
Credit cards	6,580	4,884
	811,973	928,549

54. 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:

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
Individual allowance		
At beginning of the period/year	**354,688**	473,823
Allowance made	**28,449**	94,775
Amount written back	**(38,004)**	(41,822)
Amount written off	**(45,554)**	(165,650)
Amount transfer to collective allowance	**(739)**	(6,438)
At end of the period/year	**298,840**	354,688
Collective allowance		
At beginning of the period/year	**580,818**	713,938
Amount transfer from MILL conventional	**4,153**	–
Amount transfer from MSI from conventional banking	**–**	3,925
Allowance made*	**117,604**	17,668
Amount written off	**(56,065)**	(161,230)
Amount transfer from individual allowance	**739**	6,438
Exchange difference	**178**	79
At end of the period/year	**647,427**	580,818
As a percentage of total financing and advances, less individual allowance	**1.27%**	1.26%

* As at 31 December 2011, the gross exposures to RPSIA financing is RM650.0 million (30 June 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 (30 June 2011: RM1.8 million) is recognised in the Group's conventional operations. There was no individual allowance provided on this RPSIA financing.

notes to the financial statements

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(j) Deferred tax assets

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
At beginning of the period/year	**(161,550)**	(126,731)
Recognised in profit or loss (Note 54(aa))	**(28,822)**	(33,734)
Recognised in other comprehensive income (net)	**12,220**	(379)
Recognised in equity	**–**	(706)
Exchange differences	**4**	–
At end of the period/year	**(178,148)**	(161,550)

Deferred tax assets of the Group:

Group	Allowances for losses on financing and advances RM'000	Unrealised holding reserve, impairment loss on securities and amortisation of premium RM'000	Other temporary difference RM'000	Total RM'000
At 1 July 2011	**(142,558)**	**(16,890)**	**(2,102)**	**(161,550)**
Recognised in profit or loss	**(29,114)**	**297**	**(5)**	**(28,822)**
Recognised in other comprehensive income	**–**	**12,220**	**–**	**12,220**
Exchange differences	**–**	**–**	**4**	**4**
At 31 December 2011	**(171,672)**	**(4,373)**	**(2,103)**	**(178,148)**
At 1 July 2010	(131,799)	6,074	(1,006)	(126,731)
Recognised in profit or loss	(10,646)	(22,585)	(503)	(33,734)
Recognised in other comprehensive income	–	(379)	–	(379)
Recognised in equity	(113)	–	(593)	(706)
At 30 June 2011	(142,558)	(16,890)	(2,102)	(161,550)

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(k) Derivative financial instruments

The table below shows the fair value of derivative financial instruments recorded as assets or liabilities, together with their notional amounts. The notional 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 notional amounts indicate the volume of transactions outstanding at the period end and are indicative of neither the market risks nor the credit risk.

	31.12.2011			30.6.2011		
	Contract/ Notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Contract/ Notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
Trading derivatives						
Foreign exchange contracts:						
Currency forward						
– Less than one year	**1,448,253**	**20,156**	**(19,673)**	926,730	8,902	(8,792)
Currency spot						
– Less than one year	**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	**200,000**	**722**	**(40,881)**	–	–	–
Cross currency profit rate swaps						
– More than three years	**300,500**	**7,104**	**(7,104)**	–	–	–
	2,034,332	**28,023**	**(67,705)**	1,602,664	11,394	(53,068)
Hedging derivatives						
Profit rate swaps						
– One year to three years	**1,450,000**	**175**	**(15,207)**	1,600,000	3,252	(436)
– More than three years	**350,000**	**–**	**(9,157)**	–	–	–
Cross currency profit rate swaps						
– More than three years	**317,500**	**–**	**(4,110)**	–	–	–
	2,117,500	**175**	**(28,474)**	1,600,000	3,252	(436)
Total derivative assets/(liabilities)	**4,151,832**	**28,198**	**(96,179)**	3,202,664	14,646	(53,504)

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(l) Other assets

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Amount due from holding company	3,726,917	3,770,088
Prepayment and deposits	74,910	51,286
Other debtors	690,921	915,940
	4,492,748	4,737,314

(m) Statutory deposits with Bank Negara Malaysia

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.

(n) Intangible asset

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Computer Software		
Cost:		
At beginning of the period/year	2,672	–
Transfer from MSI	–	1,549
	2,672	1,549
Additions	3,878	1,145
Exchange differences	(15)	(22)
At end of the period/year	6,535	2,672
Accumulated amortisation:		
At beginning of the period/year	1,754	–
Transfer from MSI	–	1,497
	1,754	1,497
Amortisation charged	1,100	278
Transfer	(10)	–
Exchange differences	(10)	(21)
At end of the period/year	2,834	1,754
Net carrying amount	3,701	918

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(o) Property, plant and equipment

Group	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Motor Vehicles RM'000	Total RM'000
At 31 December 2011				
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 and impairment losses				
At 1 July 2011	**1,263**	**1,370**	**872**	**3,505**
Charge for the period	**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**
Analysed as:				
Accumulated depreciation	**1,196**	**1,442**	**615**	**3,253**
Net carrying amount	**1,954**	**304**	**293**	**2,551**
At 30 June 2011				
Cost				
At 1 July 2010	–	–	–	–
Transfer from MSI	1,194	1,449	992	3,635
	1,194	1,449	992	3,635
Additions	185	32	–	217
At 30 June 2011	1,379	1,481	992	3,852
Accumulated depreciation and impairment losses				
At 1 July 2010	–	–	–	–
Transfer from MSI	1,123	1,287	811	3,221
	1,123	1,287	811	3,221
Charge for the year	140	83	61	284
At 30 June 2011	1,263	1,370	872	3,505
Analysed as:				
Accumulated depreciation	1,263	1,370	872	3,505
Net carrying amount	116	111	120	347

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(p) Deposits from customers

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Mudharabah Fund		
Demand deposits	**3,603,096**	3,777,414
Savings deposits	**508,499**	423,091
General investment deposits	**20,917,948**	17,146,396
Negotiable instruments of deposits	**257,716**	242,829
	25,287,259	21,589,730
Non-Mudharabah Fund		
Demand deposits	**5,866,894**	5,734,190
Savings deposits	**6,689,436**	6,178,284
Fixed return investment deposits	**21,046,377**	16,845,483
Structured deposits*	**200,434**	542,583
	33,803,141	29,300,540
	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	
	31.12.2011 RM'000	30.6.2011 RM'000
Due within six months	**36,797,365**	31,271,526
Six months to one year	**5,138,961**	2,662,796
One year to three years	**126,498**	139,286
Three years to five years	**159,217**	161,100
	42,222,041	34,234,708

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

	Group	
	31.12.2011 RM'000	30.6.2011 RM'000
Business enterprises	**28,267,971**	20,062,432
Individuals	**15,054,874**	13,884,343
Government and statutory bodies	**7,354,080**	6,775,033
Others	**8,413,475**	10,168,462
	59,090,400	50,890,270

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME (“IBS”) (CONT’D.)

(q) Deposits and placements of banks and other financial institutions

	Group	
	31.12.2011 RM’000	**30.6.2011 RM’000**
Mudharabah Fund		
Licensed banks*	**5,342,341**	6,119,038
Other financial institutions	**543,834**	2,781,429
	5,886,175	8,900,467
Non-Mudharabah Fund		
Licensed banks	**3,376,362**	2,202,728
Other financial institutions	**186,921**	188,882
	3,563,283	2,391,610
	9,449,458	11,292,077

* Included in the deposits and placements of licensed banks is the Restricted Profit Sharing Investment Account (“RPSIA”) placed by the Group’s conventional operations amounting to RM650 million (30.6.2011: RM650 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.

(r) Other liabilities

	Group	
	31.12.2011 RM’000	**30.6.2011 RM’000**
Profit equalisation reserves (Note 54(s))	**59,852**	95,247
Due to Head Office	**68,613**	28,326
Other creditors, provisions and accruals	**65,050**	51,921
	193,515	175,494

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(s) Profit Equalisation Reserves ("PER")

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
At beginning of the period/year	**95,247**	4,228
Transfer to Non-Distributable profit equalisation reserves	**(34,456)**	–
Distribution to Investment Account Holder	**(1,189)**	–
Provision made	**–**	91,708
Amount written back	**–**	(410)
Exchange difference	**250**	(279)
At end of the period/year *	**59,852**	95,247

* PER at the end of the financial period of which the IBI's portion is RM Nil (30.6.2011: RM34.5 million). Under the new BNM PER Guideline, the PER of IBI is to be classified as a separate reserve in equity.

(t) Provision for taxation and zakat

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
Taxation	**80,621**	33,024
Zakat	**28,635**	19,907
	109,256	52,931

(u) Subordinated sukuk

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
RM1,000 million subordinated sukuk due in 2021	**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 liabilities of Maybank Islamic Berhad which by their terms rank pari passu in right and priority of payment with the Sukuk.

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(v) Income derived from investment of depositors' funds

	Group	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Income from investment of:		
(i) General investment deposits	**1,124,601**	1,689,763
(ii) Other deposits	**460,582**	848,851
	1,585,183	2,538,614

(i) Income derived from investment of general investment deposits

	Group	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Finance income and hibah		
Financing and advances	**934,167**	1,308,076
Securities available-for-sale	**66,604**	115,588
Securities held-to-maturity	**3,122**	4,286
Securities held-for-trading	**1,992**	1,199
Money at call and deposits with financial institutions	**66,395**	88,741
	1,072,280	1,517,890
Amortisation of premiums less accretion of discounts	**(303)**	377
Total finance income and hibah	**1,071,977**	1,518,267
Other operating income:		
(a) Fee income	**53,098**	131,838
(b) Gain on disposal of securities held-for-trading	**1,016**	548
(c) Gain on disposal of securities available-for-sale	**8,938**	29,748
(d) Unrealised (loss)/gain on revaluation of derivatives	**(20,603)**	1,626
(e) Gains on foreign exchange:		
– Realised	**9,369**	7,001
– Unrealised	**413**	–
(f) Unrealised gain on securities held-for-trading	**393**	735
	1,124,601	1,689,763

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

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

(ii) Income derived from investment of other deposits:

	Group	
	1.7.2011 to 31.12.2011 RM'000	**1.7.2010 to 30.6.2011 RM'000**
Finance income and hibah		
Financing and advances	**382,253**	681,333
Securities available-for-sale	**27,178**	56,393
Securities held-to-maturity	**1,046**	2,285
Securities held-for-trading	**813**	639
Money at call and deposits with financial institutions	**27,860**	47,313
	439,150	787,963
Amortisation of premiums less accretion of discounts	**(124)**	192
Total finance income and hibah	**439,026**	788,155
Other operating income:		
(a) Fee income	**21,690**	48,752
(b) Gain on disposal of securities held-for-trading	**414**	292
(c) Gain on disposal of securities available-for-sale	**3,647**	6,770
(d) Unrealised (loss)/gain on revaluation of derivatives	**(8,407)**	867
(e) Gains on foreign exchange:		
– Realised	**3,884**	3,624
– Unrealised	**168**	–
(f) Unrealised gain on securities held-for-trading	**160**	391
	460,582	848,851

(w) Allowance for losses on financing and advances

	Group	
	1.7.2011 to 31.12.2011 RM'000	**1.7.2010 to 30.6.2011 RM'000**
Allowance for financing and advances:		
Individual allowance		
– Allowance made	**28,449**	94,775
– Amount written back	**(38,004)**	(41,822)
Collective allowance	**117,604**	17,668
Bad financing:		
– Written off	**1,906**	4,643
– Recovered	**(48,612)**	(64,544)
	61,343	10,720

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(x) Income attributable to depositors

	Group	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Deposits from customers		
– Mudharabah Fund	233,100	434,269
– Non-Mudharabah Fund	322,695	352,287
Deposits and placements of banks and other financial institutions		
– Mudharabah Fund	171,937	265,117
– Non-Mudharabah Fund	1,426	3,008
	729,158	1,054,681

(y) Gross investment income

	Group	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Financing and advances	70,349	105,354
Securities held-for-trading	125	99
Securities available-for-sale	4,149	8,720
Securities held-to-maturity	2,623	353
Money at call and deposits with financial institutions	9,564	7,316
	86,810	121,842
Amortisation of premiums less accretion of discounts	(13)	30
Total finance income and hibah	86,797	121,872
Other operating income:		
(a) Fee Income		
– Commissions	1,688	4,305
– Service charges and fees	58,858	3,159
– Other fee income	1,797	74
(b) Gain on disposal of securities held-for-trading	63	45
(c) Gain on disposal of securities available-for-sale	5,053	1,047
(d) Unrealised (loss)/gain on revaluation of derivatives	(1,284)	134
(e) Gains on foreign exchange:		
– Realised	2,109	560
– Unrealised	26	–
(f) Unrealised gain on securities held-for-trading	24	61
	155,131	131,257

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(z) Overhead expenses

	Group	
	1.7.2011 to 31.12.2011 RM'000	**1.7.2010 to 30.6.2011 RM'000**
Personnel expenses		
– Salaries and wages	**9,928**	15,570
– Social security cost	**26**	42
– Pension cost – defined contribution plan	**1,718**	1,798
– Share options granted under ESS	**968**	–
– Other staff related expenses	**1,748**	3,166
Sub-total	**14,388**	20,576
Establishment costs		
– Depreciation	**1,728**	587
– Information technology expenses	**485**	20,531
– Others	**2,455**	1,416
Sub-total	**4,668**	22,534
Marketing costs		
– Advertisement and publicity	**4,252**	9,832
– Others	**113**	88
Sub-total	**4,365**	9,920
Administration and general expenses		
– Fees and brokerage	**7,516**	12,938
– Administrative expenses	**2,819**	7,354
– General expenses	**7,572**	22,003
Sub-total	**17,907**	42,295
Shared service cost paid/payable to Head Office	**283,549**	478,146
Total	**324,877**	573,471
Included in overhead expenses are:		
Shariah Committee Members' fee and remuneration	**174**	280

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(aa) Taxation

	Group	
	1.7.2011 to 31.12.2011 RM'000	1.7.2010 to 30.6.2011 RM'000
Tax expense for the period/year	**165,688**	250,973
Deferred tax in relation to originating and reversal of temporary differences (Note 54(j))	**(28,822)**	(33,734)
	136,866	217,239

(bb) Commitments and contingencies

In the normal course of business, the Group makes 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 Group as at 31 December 2011 and 30 June 2011, are as follows:

	31.12.2011			30.6.2011		
Group	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	**353,389**	**353,389**	**218,717**	258,825	258,825	153,932
Certain transaction-related contingent items	**989,824**	**489,139**	**420,439**	955,563	475,622	425,774
Short-term self-liquidating trade-related contingencies	**278,197**	**55,333**	**33,029**	104,555	20,869	14,814
Islamic hire purchase financing sold to Cagamas Berhad	**1,499,270**	**1,499,270**	**498,592**	682,679	682,679	226,105
Irrevocable commitments to extend credit:						
– maturity within one year	**13,278,525**	**367,560**	**216,612**	11,852,846	173,764	58,462
– maturity exceeding one year	**2,289,825**	**1,117,988**	**333,118**	1,573,404	345,905	208,332
Foreign exchange related contract:						
– less than one year	**1,498,332**	**43,650**	**12,648**	1,029,364	18,174	3,635
– one year to less than five years	**618,000**	**62,723**	**29,045**	–	–	–
Profit rate related contracts:						
– less than one year	**–**	**–**	**–**	537,300	16,716	3,343
– one year to less than five years	**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	**12,663**	**–**	**–**	13,076	–	–
	22,853,525	**4,038,038**	**1,771,997**	18,643,612	2,026,897	1,101,266

* 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.

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(cc) Capital adequacy

The capital adequacy ratios of the Group as at the following dates are as follows:

	Group	
	31.12.2011	**30.6.2011**
Basel II		
Core capital ratio	**10.57%**	11.04%
Risk-weighted capital ratio	**13.23%**	13.71%

Components of Tier 1 and Tier 2 capital:

	Group	
	31.12.2011 RM'000	**30.6.2011 RM'000**
Tier 1 capital		
Islamic banking fund	**446,374**	448,264
Share premium	**2,488,400**	2,488,400
Other reserves	**1,478,455**	1,366,209
Less: Deferred tax assets [1]	**(178,148)**	(161,550)
Total Tier 1 capital	**4,235,081**	4,141,323
Tier 2 capital		
Subordinated sukuk	**1,000,000**	1,000,000
Collective allowance on financing and advances [2]	**102,041**	101,480
Total Tier 2 capital	**1,102,041**	1,101,480
Less: Other deduction	**–**	–
Less: Excess of total EL over total EP [3]	**(36,645)**	(101,883)
Capital base	**5,300,477**	5,140,920

[1] Under Bank Negara Malaysia 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.

54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(cc) 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	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Standardised Approach exposure	**4,832,915**	4,269,621
Internal Ratings-Based Approach exposure after scaling factor	**28,214,052**	23,571,746
Total risk-weighted assets for credit risk	**33,046,967**	27,841,367
Total risk-weighted assets for credit risk absorbed by Malayan Banking Berhad*	**(205,926)**	(206,402)
Total risk-weighted assets for market risk	**625,220**	294,658
Total risk-weighted assets for operational risk	**2,691,853**	2,426,561
Additional risk-weighted asset due to capital floor	**3,891,670**	7,145,554
Total risk-weighted assets	**40,049,784**	37,501,738

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

(dd) 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:

	31.12.2011		30.6.2011	
Group	**Carrying value RM'000**	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
Financial assets				
Securities held-to-maturity	**171,884**	**174,685**	171,893	172,053
Financing and advances	**50,926,004**	**59,579,365**	46,244,031	48,202,346
Subordinated sukuk	**1,010,723**	**1,036,178**	1,010,637	1,011,446
Financial liabilities				
Deposits from customers	**59,090,400**	**59,579,365**	50,890,270	50,911,773
Deposits and placements of banks and other financial institutions	**9,449,458**	**9,536,089**	11,292,077	11,348,363

The methods and assumptions used to estimate the fair values of the financial assets and financial liabilities of IBS operations are as stated in Note 46.

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54. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ee) 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 licenced 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's "Guidelines on the Governance of Shariah Committee for The Islamic Financial Institutions" known as the Syariah 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.

(ff) 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 Bank Negara Malaysia 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.

55. 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 31.12.2011 RM	30.6.2011 RM	Effective Interest 31.12.2011 %	30.6.2011 %
Banking						
Maybank Islamic Berhad	Islamic banking	Malaysia	**110,600,000**	110,600,000	**100.00**	100.00
PT Bank Maybank Syariah Indonesia [11]	Banking	Indonesia	**819,307,000,000** [1]	819,307,000,000 [1]	**100.00**	96.83
Maybank International (L) Ltd.	Offshore banking	Malaysia	**60,000,000** [2]	10,000,000 [2]	**100.00**	100.00
Maybank (PNG) Limited [12]	Banking	Papua New Guinea	**5,000,000** [3]	5,000,000 [3]	**100.00**	100.00
Maybank Philippines, Incorporated [11]	Banking	Philippines	**4,046,065,749** [4]	4,046,065,749 [4]	**99.97**	99.97

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55. 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 31.12.2011 RM	Issued and Paid-up Share Capital 30.6.2011 RM	Effective Interest 31.12.2011 %	Effective Interest 30.6.2011 %
PT Bank Internasional Indonesia Tbk [11]	Banking	Indonesia	**3,407,411,000,000** [1]	3,407,411,000,000 [1]	**97.40**	97.40
Finance						
Myfin Berhad	Ceased operations	Malaysia	**551,250,000**	551,250,000	**100.00**	100.00
Aseamlease Berhad	Leasing	Malaysia	**20,000,000**	20,000,000	**100.00**	100.00
Mayban Allied Credit & Leasing Sdn. Bhd.	Financing	Malaysia	**10,000,000**	10,000,000	**100.00**	100.00
PT BII Finance Centre [11]	Multi-financing	Indonesia	**32,720,000,000** [1]	15,000,000,000 [1]	**97.40**	97.40
PT Wahana Ottomitra Multiartha Tbk [11]	Multi-financing	Indonesia	**200,000,000,000** [1]	200,000,000,000 [1]	**60.39**	48.80
Kim Eng Finance (Singapore) Pte. Ltd. [12]	Money lending	Singapore	**2** [5]	2 [5]	**100.00**	96.87
Insurance						
Mayban Ageas Holding Berhad (formerly known as Mayban Fortis Holdings Berhad)	Investment holding	Malaysia	**239,430,446**	239,430,446	**69.05**	69.05
Sri MLAB Berhad	Under member's voluntary liquidation	Malaysia	**2**	100,000,000	**69.05**	69.05
Etiqa Life International (L) Ltd.	Offshore investment-linked insurance	Malaysia	**3,500,000** [2]	3,500,000 [2]	**69.05**	69.05
Sri MGAB Berhad	Under member's voluntary liquidation	Malaysia	**2**	2	**69.05**	69.05
Etiqa Insurance Berhad	Composite insurance	Malaysia	**152,151,399**	152,151,399	**69.05**	69.05

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55. 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 31.12.2011 RM	30.6.2011 RM	Effective Interest 31.12.2011 %	30.6.2011 %
Insurance (cont'd.)						
Etiqa Takaful Berhad	Family & general takaful	Malaysia	**100,000,000**	100,000,000	**69.05**	69.05
Etiqa Offshore Insurance (L) Ltd.	Offshore general reinsurance	Malaysia	**2,500,000 [2]**	2,500,000 [2]	**69.05**	69.05
Etiqa International Holdings Sdn. Bhd.	Investment holding	Malaysia	**359,340,914**	359,340,914	**100.00**	100.00
AsianLife & General Assurance Corporation [12]	Insurance provider	Philippines	**350,000,090 [4]**	–	**99.11**	–
AsianLife Financial Assurance Corporation [12]	Insurance provider	Philippines	**175,000,000 [4]**	–	**69.38**	–
Investment Banking						
Maybank Investment Bank Berhad	Investment banking	Malaysia	**50,116,000**	50,116,000	**100.00**	100.00
Maysec Sdn. Bhd.	Investment holding	Malaysia	**162,000,000**	162,000,000	**100.00**	100.00
Maysec (KL) Sdn. Bhd.	Dormant	Malaysia	**124,000,000**	124,000,000	**100.00**	100.00
Maydis Berhad	Under member's voluntary liquidation	Malaysia	**45,000,000**	45,000,000	**100.00**	100.00
Mayban Futures Sdn. Bhd.	Dormant	Malaysia	**10,000,000**	10,000,000	**100.00**	100.00
Mayban Securities (HK) Limited [11]	Dormant	Hong Kong	**30,000,000 [6]**	30,000,000 [6]	**100.00**	100.00
Mayban Securities (Jersey) Limited [12]	Under member's voluntary liquidation	United Kingdom	**2 [7]**	2 [7]	**100.00**	100.00
PhileoAllied Securities (Philippines) Inc. [12]	Dormant	Philippines	**21,875,000 [4]**	21,875,000 [4]	**100.00**	100.00
Budaya Tegas Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	**2**	2	**100.00**	100.00

55. 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 31.12.2011 RM	Issued and Paid-up Share Capital 30.6.2011 RM	Effective Interest 31.12.2011 %	Effective Interest 30.6.2011 %
Investment Banking (cont'd.)						
BinaFikir Sdn. Bhd.	Business/ Economic consultancy and advisory	Malaysia	**650,000**	650,000	**100.00**	100.00
Mayban IB Holdings Sdn. Bhd.	Investment holding	Malaysia	**25,000,000**	25,000,000	**100.00**	100.00
Maybank Kim Eng Holdings Limited [12] (formerly known as Kim Eng Holdings Limited)	Investment holding	Singapore	**244,451,176 [5]**	244,451,176 [5]	**100.00**	96.87
Maybank Kim Eng Securities Pte. Ltd. [12] (formerly known as Kim Eng Securities Pte. Ltd.)	Dealing in securities	Singapore	**75,000,000 [5]**	75,000,000 [5]	**100.00**	96.87
Maybank Kim Eng Corporate Finance Pte. Ltd. [12] (formerly known as Kim Eng Corporate Finance Pte. Ltd.)	Provision of corporate finance & advisory services	Singapore	**1,000,000 [5]**	1,000,000 [5]	**100.00**	96.87
PT Kim Eng Securities [12]	Dealing in securities	Indonesia	**50,000,000,000 [1]**	50,000,000,000 [1]	**80.00**	77.50
Kim Eng Research Sdn. Bhd. [12]	Provision of research services	Malaysia	**500,000**	500,000	**70.00**	67.81
Maybank Kim Eng Securities (Thailand) Public Company Ltd. [12] (formerly known as Kim Eng Securities (Thailand) Public Company Ltd)	Dealing in securities	Thailand	**2,854,072,500 [8]**	2,854,072,500 [8]	**83.74**	54.25
Maybank Kim Eng Securities (London) Limited [12] (formerly known as Kim Eng Securities (London) Ltd.)	Dealing in securities	United Kingdom	**600,000 [7]**	600,000 [7]	**100.00**	96.87
Maybank Kim Eng Securities USA Inc. [12] (formerly known as Kim Eng Securities USA Inc.)	Dealing in securities	United States of America	**9,500,000 [2]**	9,500,000 [2]	**100.00**	96.87
Kim Eng Securities India Private Limited [12]	Dealing in securities	India	**290,000,000 [9]**	290,000,000 [9]	**75.00**	72.65

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55. 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 31.12.2011 RM	Issued and Paid-up Share Capital 30.6.2011 RM	Effective Interest 31.12.2011 %	Effective Interest 30.6.2011 %
Investment Banking (cont'd.)						
Kim Eng Equities Malaysia Sdn. Bhd. [12]	Dormant	Malaysia	**100**	100	**70.00**	67.81
Ong Asia Limited [12]	Investment holding	Singapore	**63,578,072 [5]**	63,578,072 [5]	**100.00**	96.87
Maybank ATR Kim Eng Fixed Income, Inc. [12] (formerly known as ATR Kim Eng Fixed Income, Inc.)	Fund raising advisers	Philippines	**190,064,400 [4]**	190,064,400 [4]	**99.82**	77.50
Ong Asia Securities (HK) Limited [12]	Securities Trading	Hong Kong	**30,000,000 [6]**	30,000,000 [6]	**100.00**	96.87
Maybank Kim Eng Research Pte. Ltd. [12] (formerly known as Kim Eng Research Pte. Ltd.)	Provision of research services	Singapore	**300,000 [5]**	300,000 [5]	**100.00**	96.87
Kim Eng Securities (Hong Kong) Limited [12]	Dealing in securities	Hong Kong	**55,000,000 [6]**	55,000,000 [6]	**100.00**	96.87
Kim Eng Futures (Hong Kong) Limited [12]	Futures contracts broker	Hong Kong	**6,000,000 [6]**	6,000,000 [6]	**100.00**	96.87
KE India Securities Private Limited [12]	Dormant	India	**78,800,000 [9]**	78,800,000 [9]	**75.00**	72.65
Maybank ATR Kim Eng Capital Partners, Inc. [12] (formerly known as ATR Kim Eng Capital Partners, Inc.)	Corporate finance & financial and investment advisory	Philippines	**864,998,000 [4]**	–	**99.11**	–
ATR Kim Eng Land, Inc. [12]	Real estate investment	Philippines	**310,000,000 [4]**	–	**99.11**	–
Maybank ATR Kim Eng Securities, Inc. [12] (formerly known as ATR Kim Eng Securities Inc.)	Dealing in securities	Philippines	**400,000,000 [4]**	–	**99.11**	–
ATR Kim Eng AMG Holding Inc. [12]	Stock trading	Philippines	**52,000,000 [4]**	–	**81.95**	–
Asset Management/Trustees/ Custody						
Mayban Indonesia Berhad	Dormant	Malaysia	**5,000,000**	5,000,000	**100.00**	100.00
Cekap Mentari Berhad	Securities issuer	Malaysia	**2**	2	**100.00**	100.00
Mayban International Trust (Labuan) Berhad	Investment holding	Malaysia	**156,030**	156,030	**100.00**	100.00

55. 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 31.12.2011 RM	Issued and Paid-up Share Capital 30.6.2011 RM	Effective Interest 31.12.2011 %	Effective Interest 30.6.2011 %
Asset Management/Trustees/ Custody (cont'd.)						
Mayban Offshore Corporate Services (Labuan) Sdn. Bhd.	Investment holding	Malaysia	**30,006**	30,006	**100.00**	100.00
Mayban Trustees Berhad	Trustee services	Malaysia	**500,000**	500,000	**100.00**	100.00
Mayban Ventures Sdn. Bhd.	Venture capital	Malaysia	**14,000,000**	14,000,000	**100.00**	100.00
Mayban-JAIC Capital Management Sdn. Bhd.	Investment advisory and administration services	Malaysia	**2,000,000**	2,000,000	**51.00**	51.00
Mayban Investment Management Sdn. Bhd.	Fund management	Malaysia	**5,000,000**	5,000,000	**69.05**	69.05
Philmay Property, Inc. [11]	Property leasing and trading	Philippines	**100,000,000 [4]**	100,000,000 [4]	**60.00**	60.00
Mayban (Nominees) Sdn. Bhd.	Nominee services	Malaysia	**31,000**	31,000	**100.00**	100.00
Mayban Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00
Mayban Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00
Maybank Nominees (Singapore) Private Limited [11]	Nominee services	Singapore	**60,000 [5]**	60,000 [5]	**100.00**	100.00
Mayban Nominees (Hong Kong) Limited [11]	Nominee services	Hong Kong	**3 [6]**	3 [6]	**100.00**	100.00
Aseam Malaysia Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00
Aseam Malaysia Nominees (Asing) Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	**10,000**	10,000	**100.00**	100.00
Mayban Securities Nominees (Tempatan) Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	**10,000**	10,000	**100.00**	100.00

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55. 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 31.12.2011 RM	Issued and Paid-up Share Capital 30.6.2011 RM	Effective Interest 31.12.2011 %	Effective Interest 30.6.2011 %
Asset Management/Trustees/ Custody (cont'd.)						
Mayban Securities Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00
AFMB Nominees (Tempatan) Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	**10,000**	10,000	**100.00**	100.00
Mayban Allied Berhad	Investment holding	Malaysia	**753,908,638**	753,908,638	**100.00**	100.00
Anfin Berhad	Under member's voluntary liquidation	Malaysia	**106,000,000**	106,000,000	**100.00**	100.00
Dourado Tora Holdings Sdn. Bhd.	Dormant	Malaysia	**2,500,000**	2,500,000	**100.00**	100.00
Maysec (Ipoh) Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	**100,000,000**	100,000,000	**100.00**	100.00
Aurea Lakra Holdings Sdn. Bhd.	Property investment	Malaysia	**1,000,000**	1,000,000	**100.00**	100.00
Mayban Property (PNG) Limited [12]	Property investment	Papua New Guinea	**2,125,000** [3]	2,125,000 [3]	**100.00**	100.00
Mayban International Trust (Labuan) Ltd.	Trustee services	Malaysia	**40,000** [2]	40,000 [2]	**100.00**	100.00
MNI Holdings Berhad	Under member's voluntary liquidation	Malaysia	**2**	2	**69.05**	69.05
KBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00
KBB Properties Sdn. Bhd.	Ceased operations	Malaysia	**410,000**	410,000	**100.00**	100.00

55. 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 31.12.2011 RM	30.6.2011 RM	Effective Interest 31.12.2011 %	30.6.2011 %
Asset Management/Trustees/ Custody (cont'd.)						
Sri MTB Berhad	Under member's voluntary liquidation	Malaysia	**12,000,000**	12,000,000	**69.05**	69.05
Etiqa Overseas Investment Pte. Ltd.	Investment holding	Malaysia	**1** [2]	1 [2]	**69.05**	69.05
Peram Ranum Berhad	Dormant	Malaysia	**60,000,000**	60,000,000	**69.05**	69.05
Double Care Sdn. Bhd.	Under member's voluntary liquidation	Malaysia	**35,000,000**	35,000,000	**69.05**	69.05
Sorak Financial Holdings Pte. Ltd. [12]	Investment holding	Singapore	**5,928,556** [5]	5,928,556 [5]	**100.00**	100.00
Rezan Pte. Ltd. [12]	Investment holding	Singapore	**2** [5]	2 [5]	**100.00**	96.87
Maybank KE Strategic Pte. Ltd. [12] (formerly known as KE Strategic Pte. Ltd.)	Investment holding	Singapore	**2** [5]	2 [5]	**100.00**	96.87
Pinnakell Asset Management Pte. Ltd. [12]	Liquidated	Singapore	**–**	688,180 [5]	**–**	96.87
Maybank Kim Eng Properties Pte. Ltd. [12] (formerly known as Kim Eng Properties Pte. Ltd.)	Property investment	Singapore	**8,000,000** [5]	8,000,000 [5]	**100.00**	96.87
Heritage Fiduciary Services Pte. Ltd. [12]	Provision of secretarial and consultancy services	Singapore	**–**	500,000 [5]	**–**	58.12
Strategic Acquisitions Pte. Ltd. [12]	Investment holding	Singapore	**1** [5]	1 [5]	**100.00**	96.87
Kim Eng Investment Limited [12]	Investment holding	Hong Kong	**160,000,000** [6]	160,000,000 [6]	**100.00**	96.87

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55. 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 31.12.2011 RM	Issued and Paid-up Share Capital 30.6.2011 RM	Effective Interest 31.12.2011 %	Effective Interest 30.6.2011 %
Asset Management/Trustees/ Custody (cont'd.)						
KE Sovereign Limited [12]	Investment holding	British Virgin Islands	**5,000,000 [2]**	5,000,000 [2]	**100.00**	96.87
FXDS Learning Group Pte. Ltd. [12]	Financial education	Singapore	**200,000 [5]**	200,000 [5]	**100.00**	96.87
Ong & Company Private Limited [12]	Dormant	Singapore	**53,441,173 [5]**	53,441,173 [5]	**100.00**	96.87
Ong Nominees Private Limited [12]	Under members' voluntary liquidation	Singapore	**3,003 [5]**	3,003 [5]	**100.00**	96.87
Maybank Kim Eng Securities Nominees Pte. Ltd. [12] (formerly known as Kim Eng Securities Nominees Pte. Ltd.)	Acting as nominee for beneficiary shareholders	Singapore	**10,000 [5]**	10,000 [5]	**100.00**	96.87
St. Michael's Development Pte. Ltd. [12]	Real estate development	Singapore	**5,000,000 [5]**	5,000,000 [5]	**100.00**	96.87
KE Capital Partners Pte. Ltd. [12]	Fund Management	Singapore	**5,000,000 [5]**	5,000,000 [5]	**80.10**	77.50
PT Kim Eng Asset Management [12]	Dormant	Indonesia	**25,800,000,000 [1]**	25,800,000,000 [1]	**85.00**	82.34
Kim Eng Consultant Limited (China) [12]	Under members' voluntary liquidation	China	**828,748 [10]**	828,748 [10]	**100.00**	96.87
Kim Eng Nominees (Hong Kong) Limited [12]	Nominee services	Hong Kong	**2 [6]**	2 [6]	**100.00**	96.87
Kim Eng Properties USA Inc.[12]	Property investment	United States of America	**3,000,000 [2]**	3,000,000 [2]	**100.00**	96.87
Kim Eng Asset Management (Thailand) Company Limited [12]	Asset management	Thailand	**100,000,000 [8]**	100,000,000 [8]	**83.49**	54.25
Heritage Trust Company Limited [12]	Provision of fiduciary services	Brunei	**–**	48,860 [2]	**–**	58.12
Heritage Corporate Services (HK) Limited [12]	Provision of fiduciary services	Hong Kong	**–**	1,315 [2]	**–**	58.12

55. 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 31.12.2011 RM	Issued and Paid-up Share Capital 30.6.2011 RM	Effective Interest 31.12.2011 %	Effective Interest 30.6.2011 %
Asset Management/Trustees/ Custody (cont'd.)						
Heritage Trust Services Pte. Ltd. [12]	Provision of trust services	Singapore	–	188,516 [2]	–	58.12
Heritage Singapore (Switzerland) S.A. [12]	Dormant	Switzerland	–	1 [2]	–	58.12
Heritage Trust Services (NZ) Limited [12]	Dormant	New Zealand	–	1 [2]	–	58.12
PT Prosperindo [12]	Investment holding	Indonesia	**20,160,000,000 [1]**	20,160,000,000 [1]	**100.00**	100.00
Maybank ATR KimEng Financial Corporation [12] (formerly known as ATR KimEng Financial Corporation)	Investment holding	Philippines	**1,068,393,223 [4]**	–	**99.11**	–
ATR KimEng Asset Management, Inc. [12]	Investment management	Philippines	**65,000,000 [4]**	–	**78.75**	–
All Asia Asset Management, Inc. [12]	Dormant	Philippines	**10,000,000 [4]**	–	**69.38**	–

(b) Details of the associates are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Interest 31.12.2011 %	Effective Interest 30.6.2011 %
Held by the Bank				
UzbekLeasing International A. O.	Leasing	Uzbekistan	**35**	35
Philmay Holding, Inc.	Investment holding	Philippines	**33**	33
Pelaburan Hartanah Nasional Berhad	Property trust	Malaysia	**30**	30
Mayban Agro Fund Sdn. Bhd.	Fund specific purpose vehicle	Malaysia	**33**	33
Mayban Venture Capital Company Sdn. Bhd.	Venture Capital	Malaysia	**33**	33
An Binh Commercial Joint Stock Bank	Banking	Vietnam	**20**	20

notes to the financial statements

– 31 December 2011

55. 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 31.12.2011 %	Effective Interest 30.6.2011 %
Held through subsidiaries				
Baiduri Securities Sdn. Bhd.	Dormant	Brunei	**39**	39
Pak-Kuwait Takaful Company Limited	Investment holding	Pakistan	**22**	22
MCB Bank Limited	Banking	Pakistan	**20**	20
Maybank JAIC Management Ltd.	Fund management	Malaysia	**50**	50
Asian Forum Inc.	Offshore captive insurance	Malaysia	**23**	23
Maybank MEACP Pte. Ltd.	Fund management	Singapore	**50**	50
Maybank ATR KimEng Financial Corporation (formerly known as ATR KimEng Financial Corporation)	Investment holding	Philippines	**–**	41
Kim Eng Vietnam Securities Joint Stock Company	Dealing in securities	Vietnam	**49**	46
Maybank ATR Kim Eng Capital Partners, Inc. (formerly known as ATR KimEng Capital Partners, Inc.)	Corporate finance & financial and investment advisory	Philippines	**–**	41
ATR KimEng Land, Inc.	Real estate investment	Philippines	**–**	15
AsianLife & General Assurance Corporation	Insurance provider	Philippines	**–**	41
Maybank ATR Kim Eng Securities, Inc. (formerly known as ATR KimEng Securities, Inc.)	Dealing in securities	Philippines	**–**	41
ATR KimEng AMG Holdings Inc.	Stock trading	Philippines	**–**	34
Maybank ATR Kim Eng Fixed Income, Inc. (formerly known as ATR KimEng Fixed Income, Inc.)	Fund raising advisers	Philippines	**–**	8
AsianLife Financial Assurance Corporation	Insurance provider	Philippines	**–**	29
ATR KimEng Asset Management, Inc.	Investment management	Philippines	**–**	39

55. 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 31.12.2011 %	Effective Interest 30.6.2011 %
Held through subsidiaries (cont'd.)				
ATR KimEng Insurance Brokers, Inc.	Insurance brokers	Singapore	–	41
Tullet Prebon (Philippines) Inc.	Broker between participants in forex, fixed income, etc	Philippines	49	–
Adrian V. Ocampo Insurance Brokers, Inc.	Insurance agent between an insurer and the insured	Philippines	4	–
Net Curricula, Inc.	Provision of internet services to public school teachers	Philippines	46	–

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 Bahts (THB)
(9) Indian Rupee (INR)
(10) Chinese Renminbi (CNY)
(11) Audited by other member firms of Ernst & Young Global
(12) Audited by firms of auditors other than Ernst & Young

56. CURRENCY

All amounts are in Ringgit Malaysia unless otherwise stated.

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

notes to the financial statements

– 31 December 2011

58. 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 Malaysia Institute of Accountants.

	Group		Bank	
	31.12.2011 RM'000	**30.6.2011 RM'000**	**31.12.2011 RM'000**	**30.6.2011 RM'000**
Retained profits:				
– Realised	**7,379,347**	8,213,749	**3,595,568**	4,447,882
– Unrealised	**1,908,003**	925,779	**1,299,444**	693,023
	9,287,350	9,139,528	**4,895,012**	5,140,905
Share of retained profits from associates:				
– Realised	**425,971**	351,737	**–**	–
– Unrealised	**–**	–	**–**	–
	425,971	351,737	**–**	–
Total retained profits	**9,713,321**	9,491,265	**4,895,012**	5,140,905

Basel II Pillar 3 Disclosure

overview

The Pillar 3 Disclosure for financial period ended 31 December 2011 for Maybank Group (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 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 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.maybank2u.com.my and as a separate report in the annual financial reports, after the notes to the financial statements. Where the disclosure requirements of the BNM's Pillar 3 guidelines are reported in the financial reports or notes to the financial statements as required under Financial Reporting Standard (FRS) 7, such disclosures are deemed to have met the Pillar 3 requirements.

Basis of Disclosure

This Pillar 3 Disclosure 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 Bank's financial statements for financial period ended 31 December 2011. Whilst this report 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 financial period ended 31 December 2011 published by the Group.

Comparative Information

This is the second 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 30 June 2011.

scope of application

1.0 Scope of Application

In this Pillar 3 Disclosure, Malayan Banking Berhad's (Maybank) 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 (the Group) level, covering Maybank Malaysia, Maybank International Labuan Limited (MILL), overseas units and subsidiaries, and at Maybank Global (the Bank) level covering Maybank Malaysia, overseas units and MILL.

In this Pillar 3 Disclosure, Malayan Banking Berhad, its subsidiaries and overseas branches are referred to as "Maybank Group" or "the Group". The Group offers Islamic banking financial services via its wholly-owned subsidiary company, Maybank Islamic Berhad (MIB).

Information on subsidiary and associates of the Group is available in the Notes 55 to the financial statements. The basis of consolidation for financial accounting purposes is described in the Notes 3.3 to the financial statements, and differs from that used for regulatory capital reporting purposes.

capital management

2.0 Capital Management

2.1 Introduction

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

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

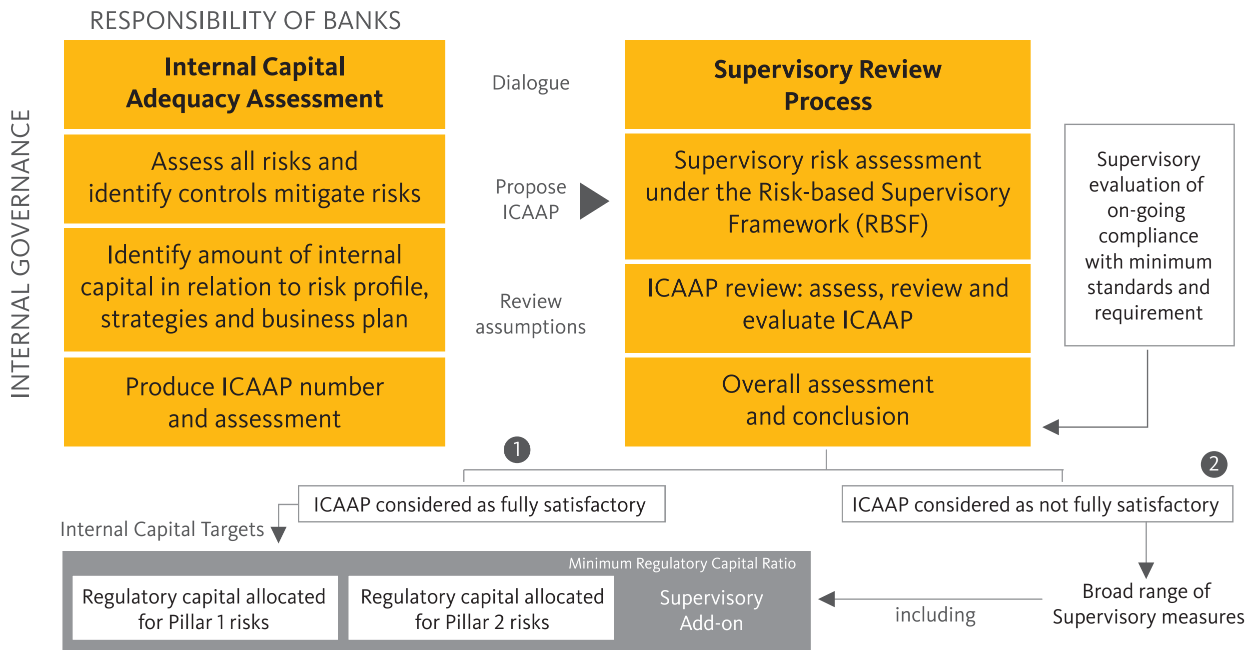
Detailed discussion on the Capital Adequacy and constituents of capital are discussed in detail under Notes 50 to the financial statements.

2.2 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 fourth version revised in October 2011. 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 Board 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, the Group is required to submit to BNM a Board-approved ICAAP document by 31 March 2013. Additional Implementation Guidance needs to focus on the following areas:

- Progress updates of action plans to close gaps identified to be presented to the Board on quarterly



basis. Appropriate documentation shall be maintained to support the Board's monitoring of the action plans and made available for BNM's supervisory review upon request;

- Guidance is provided on the information to be included in the ICAAP document to be submitted to BNM by 31 March 2013. Subsequently, the Group is expected to highlight to BNM on annual basis key outcomes from its annual capital planning exercise, which should assess the adequacy of capital and appropriateness of internal capital targets.

Supplementing the ICAAP reports is the Group Capital Plan, which is updated on annual basis where the internal capital targets are set and reviewed, among others as part of sound capital.

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 sets to identify material risks that may arise through 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 in 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, USD depreciation, pandemic flu, asset price collapse, interest rate hikes, a global double-dip recession scenario, Japan disasters, 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 management

2.3 Capital Adequacy Ratios

On 29 June 2010, the Bank and its subsidiary, MIB 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 2011

Capital Adequacy Ratios	Group	Maybank	Maybank Islamic
Before deducting proposed dividend:			
Core capital ratio	11.74%	15.80%	9.89%
Risk-weighted capital ratio	16.46%	15.80%	12.61%
Expressed in RM '000			
Capital Base	42,647,151	30,628,347	4,910,628
Credit RWA	223,756,115	167,553,727	32,367,730
Market RWA	10,379,265	8,376,674	307,942
Operational RWA	24,983,371	17,970,181	2,573,751
Additional risk-weighted assets due to capital floor	–	–	3,891,670
Total RWA	259,118,751	193,900,582	38,935,167

Note *: RWCR is computed by dividing capital base over total RWA.
The risk-weighted capital ratio of the Group as at 31 December 2011 stood at 16.46%, which is an increase from the previous financial year's ratio of 15.45%.

The risk-weighted capital ratio at 16.46% 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 15.80% and MIB registered a healthy ratio of 12.61%.

Table 2. Disclosure on Capital Adequacy under IRB Approach for Maybank Group, Maybank and Maybank Islamic

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**
Other reserves net of deferred tax assets		**5,855,354**		**4,648,593**		**1,101,828**
Statutory reserve fund		**6,926,383**		**6,728,866**		**147,338**
Non-controlling interest in non-wholly owned subsidiaries		**381,926**		**–**		**–**
General reserve fund		**–**		**228,821**		**1,696**
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**		**–**	
Total Tier 1 capital		**36,459,831**		**34,902,448**		**3,849,862**
Less:						
Goodwill		**(6,031,401)**		**(81,015)**		**–**
Deductions in excess of Tier 2 capital		**–**		**(4,193,087)**		**–**
ELIGIBLE TIER 1 CAPITAL		**30,428,430**		**30,628,346**		**3,849,862**
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 subject to deductions	**(31,383)**		**(31,383)**		**–**	
Securitisation exposures held in the banking book	**(31,383)**		**(31,383)**		**–**	
Excess of total EL over total EP under the IRB approach	**–**		**–**		**(36,645)**	
Total deductions	**(2,923,156)**		**(17,499,303)**		**(36,645)**	
Total deductions from Tier 2 Capital		**(2,923,156)**		**(13,306,621)**		**(36,645)**
ELIGIBLE TIER 2 CAPITAL		**12,218,721**		**–**		**1,060,766**
CAPITAL BASE		**42,647,151**		**30,628,347**		**4,910,628**

capital management

Table 2. Disclosure on Capital Adequacy under IRB Approach for Maybank Group, Maybank and Maybank Islamic (cont'd.)

30.6.2011	Group RM'000		Maybank RM'000		Maybank Islamic RM'000	
Eligible Tier 1 Capital						
Paid-up ordinary share capital/Islamic banking fund		7,478,206		7,478,206		110,600
Share premium		8,583,711		8,583,711		2,488,400
Other reserves net of deferred tax assets		6,767,469		4,656,768		1,041,814
Statutory reserve fund		6,409,922		6,212,460		147,338
Non-controlling interest in non-wholly owned subsidiaries		219,077		–		–
General reserve fund		–		–		1,696
Total non-innovative Tier 1 (non-IT1) and innovative Tier 1 (IT1) capital		6,065,486		6,065,486		–
Non-innovative Tier 1 capital	3,497,945		3,497,945		–	
Total innovative Tier 1 capital	2,567,541		2,567,541		–	
Total Tier 1 capital		35,523,871		32,996,631		3,789,848
Less:						
Goodwill		(6,049,900)		(81,015)		–
Deductions in excess of Tier 2 capital		–		(7,604,007)		–
ELIGIBLE TIER 1 CAPITAL		29,473,971		25,311,609		3,789,848
Eligible Tier 2 Capital						
Maximum allowable subordinated debt capital		10,732,475		9,458,980		1,000,000
(a) RM subordinated debt capital	7,373,495		6,100,000		1,000,000	
(b) FX subordinated debt capital	3,358,980		3,358,980		–	
Collective Allowance for SA approach		995,632		449,884		(96,557)
Total Tier 2 capital		11,728,107		9,908,864		1,096,557
Total Tier 2 capital (subject to limits)		11,728,107		9,908,864		1,096,557
Less:						
Investment in subsidiaries	(2,924,965)		(17,457,434)		–	
Securitisation exposures subject to deductions	(16,796)		(16,796)		–	
Securitisation exposures held in the banking book	(16,796)		(16,796)		–	
Excess of total EL over total EP under the IRB approach	(108,217)		(37,149)		(101,883)	
Liquidity reserve	(1,492)		(1,492)		–	
Total deductions	(3,051,470)		(17,512,871)		(101,883)	
Total deductions from Tier 2 Capital		(3,051,470)		(9,908,864)		(101,883)
ELIGIBLE TIER 2 CAPITAL		8,676,637		–		994,674
CAPITAL BASE		**38,150,608**		**25,311,609**		**4,784,522**

risk management

3.0 Risk Management

3.1 Introduction

During the financial period ended 31 December 2011, the Maybank Group continued to take proactive measures to manage various risks posed by the rapidly changing business environment. These risks, which include credit risk, market risk, liquidity risk, reputational risk, business risk, strategic risk and operational risk, were systematically managed within the Group's risk governance, infrastructure and tools.

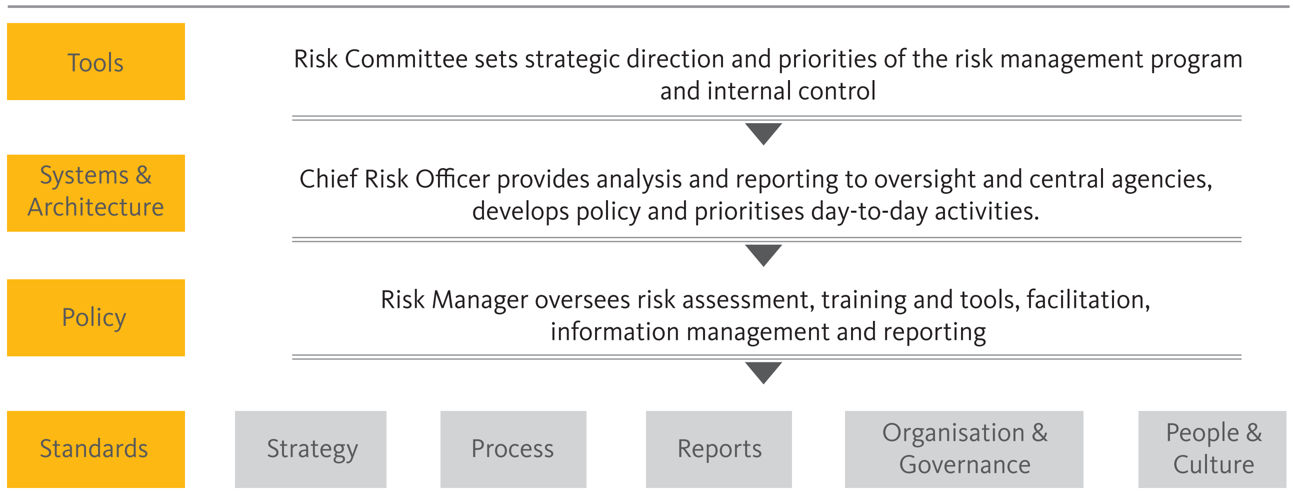
3.2 Risk Governance Structure

The risk governance structures were further strengthened to embed and enhance our risk management and risk culture across the Group, given our growth plans. The chart illustrating the risk governance structures of Maybank Group can be found on page 140 of the Risk Management write-up under Governance. To further enhance governance over the Embedded Risk Units, Overseas Units and Group subsidiaries, an enhanced risk governance was also approved by the Risk Management Committee for implementation.

3.3 Holistic Enterprise Risk Management Approach

In light of the Group's operating structure and geographic expansion, the Group continuously enhances its integrated risk management approach towards the effective management of enterprise-wide risks in the Group. Key components of the Enterprise Risk Management (ERM) framework include:

ERM ROLES AND FUNCTIONS



In line with the ERM, the Group has adopted and consistently practised the Seven Broad Principles of Risk Management to ensure integration in purpose, policy, methodology and risk culture.

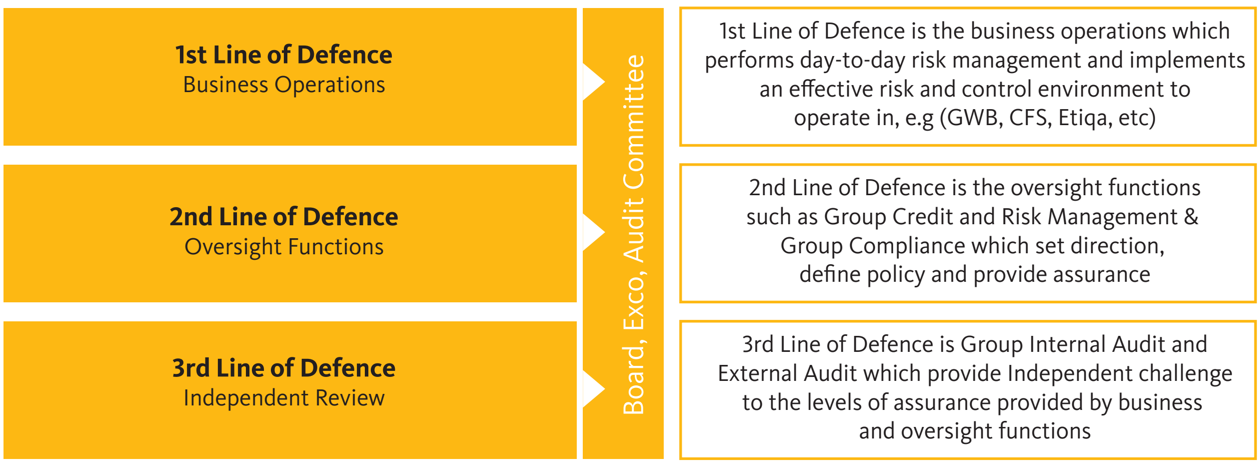
risk management

The Group's Seven Broad Principles of Risk Management

The *Seven Broad Principles* define the key principles on accountability, independence, structure and scope.

No	Principles
1	The risk management approach is premised on three lines of defence – risk taking units, risk control units and internal audit.
2	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 risk. Complementing this is internal audit which provides independent assurance of the effectiveness of the risk management approach.
3	Risk management provides risk oversight for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks.
4	Risk management ensures that the core risk policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.
5	Risk management is functionally and organisationally independent of the business sectors and other risk taking units within the Maybank Group.
6	The Maybank Board, through the Board Risk Management Committee, maintains overall responsibility for risk oversight within the Group.
7	Risk management is responsible for the execution of various risk policies and related business decisions empowered by the Board.

At Maybank, we manage risk through clear delineation of the 3 lines of defence. The 3 lines of defence are defined as follows:



3.4 Risk Appetite

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

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

credit risk

4.0 Credit Risk

4.1 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.

4.2 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 requirement 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 requirement 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

31.12.2011 Item	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 and Multilateral Development Banks	3,771,959	3,771,574	1,301,047	104,084
	Insurance Companies, Securities Firms and 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	147,715,627	146,350,863	66,311,647	5,304,932
	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

credit risk

Table 3: Disclosure on Capital Adequacy under IRB Approach for Maybank Group (cont'd.)

31.12.2011 Item	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 and Multilateral Development Banks	50,251,862	50,251,862	16,889,675	1,351,174
	Corporate Exposures	111,203,418	111,203,418	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)	1,367,955	1,367,955	969,072	77,526
	i) Project Finance	1,367,955	1,367,955	969,072	77,526
	Retail Exposures	104,937,142	104,937,142	35,550,703	2,844,056
	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
	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	1,338,709
	Total On and Off-Balance Sheet Exposures	303,532,339	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 (Exposures under Standardised Approach and IRB Approach)	456,834,230	455,076,118	223,756,115	17,900,489
2.0	Market Risk				
	Interest Rate Risk	–	–	5,747,763	459,821
	Foreign Currency Risk	–	–	4,163,413	333,073
	Equity Risk	–	–	196,089	15,687
	Commodity Risk	–	–	1,012	81
	Option Risk	–	–	270,988	21,679
3.0	Operational Risk	–	–	24,983,371	1,998,670
4.0	Total RWA and Capital Requirements	–	–	259,118,751	20,729,500

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Table 3: Disclosure on Capital Adequacy under IRB Approach for Maybank Group (cont'd.)

30.6.2011 Item	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	54,705,562	54,705,562	5,127,947	410,236
	Public Sector Entities	1,151,834	1,145,602	1,020,937	81,675
	Banks, Development Financial Institutions and Multilateral Development Banks	4,488,478	4,270,772	2,094,216	167,537
	Insurance Companies, Securities Firms and Fund Managers	824,292	823,651	808,454	64,676
	Corporates	40,029,502	29,525,046	26,563,283	2,125,063
	Regulatory Retail	23,403,352	20,473,769	15,342,043	1,227,363
	Residential Mortgage	4,484,692	4,402,458	2,036,140	162,891
	Higher Risk Assets	668,565	668,565	1,002,848	80,228
	Other Assets	21,407,711	21,407,711	2,781,176	222,494
	Securitisation Exposures	608,477	608,477	446,441	35,715
	Equity Exposure	118,047	118,046	147,889	11,831
	Defaulted Exposures	419,670	413,021	523,349	41,868
	Total On-Balance Sheet Exposures	152,310,181	138,562,680	57,894,724	4,631,578
	Off-Balance Sheet Exposures				
	OTC Derivatives	276,090	276,090	115,932	9,275
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,458,709	3,210,262	2,225,751	178,060
	Defaulted Exposures	112	112	144	11
	Total Off-Balance Sheet Exposures	3,734,911	3,486,464	2,341,826	187,346
	Total On and Off-Balance Sheet Exposures	156,045,093	142,049,144	60,236,549	4,818,924
1.2	**Exposures under the IRB Approach**				
	On-Balance Sheet Exposures				
	Banks, Development Financial Institutions and Multilateral Development Banks	39,066,005	39,066,005	12,226,840	978,147
	Corporate Exposures	110,094,051	110,094,051	77,807,688	6,224,615
	a) Corporates (excluding Specialised Lending and firm-size adjustments)	61,517,760	61,517,760	43,828,077	3,506,246
	b) Corporates (with firm-size adjustment)	47,851,331	47,851,330	33,452,822	2,676,226
	c) Specialised Lending (Slotting Approach)	724,961	724,961	526,788	42,143
	i) Project Finance	724,961	724,961	526,788	42,143

credit risk

Table 3: Disclosure on Capital Adequacy under IRB Approach for Maybank Group (cont'd.)

30.6.2011 Item	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
	Retail Exposures	90,908,875	90,908,875	34,370,929	2,749,674
	a) Residential Mortgages	32,090,708	32,090,708	14,510,668	1,160,853
	b) Qualifying Revolving Retail Exposures	4,233,154	4,233,154	2,428,234	194,259
	c) Hire Purchase Exposures	30,356,492	30,356,492	11,497,228	919,778
	d) Other Retail Exposures	24,228,521	24,228,521	5,934,799	474,784
	Defaulted Exposures	4,080,641	4,080,641	942,682	75,415
	Total On-Balance Sheet Exposures	244,149,572	244,149,572	125,348,140	10,027,851
	Off-Balance Sheet Exposures				
	OTC Derivatives	5,163,650	5,163,650	2,541,719	203,338
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	19,067,868	19,067,868	11,287,492	902,999
	Defaulted Exposures	94,911	94,911	79	6
	Total Off-Balance Sheet Exposures	24,326,429	24,326,429	13,829,290	1,106,343
	Total On and Off-Balance Sheet Exposures	268,476,001	268,476,001	139,177,430	11,134,194
	Total IRB Approach after Scaling Factor of 1.06			147,528,075	11,802,246
	Total (Exposures under Standardised Approach and IRB Approach)	424,521,094	410,525,145	207,764,624	16,621,170
2.0	**Market Risk**				
	Interest Rate Risk	–	–	6,738,977	539,118
	Foreign Currency Risk	–	–	9,094,481	727,558
	Equity Risk	–	–	9,964	797
	Commodity Risk	–	–	52,163	4,173
	Option Risk	–	–	95,664	7,653
3.0	**Operational Risk**	–	–	23,223,860	1,857,909
4.0	**Total RWA and Capital Requirements**	–	–	246,979,733	19,758,379

Table 4: Disclosure on Capital Adequacy under IRB Approach for Maybank

31.12.2011 Item	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 and Multilateral Development Banks	–	–	–	–
	Insurance Companies, Securities Firms and 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 and Multilateral Development Banks	50,469,618	50,469,618	16,787,783	1,343,023
	Insurance Companies, Securities Firms and Fund Managers	–	–	–	–
	Corporate Exposures	96,521,273	96,521,273	64,320,826	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)	692,053	692,053	380,151	30,412

credit risk

Table 4: Disclosure on Capital Adequacy under IRB Approach for Maybank (cont'd.)

31.12.2011 Item	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
	i) Project Finance	692,053	692,053	380,151	30,412
	Retail Exposures	74,494,069	74,494,069	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
	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 (Exposures under Standardised Approach and 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	–	–	1,011	81
	Option Risk	–	–	257,386	20,591
3.0	**Operational Risk**	–	–	17,970,181	1,437,614
4.0	**Total RWA and Capital Requirements**	–	–	193,900,582	15,512,047

Table 4: Disclosure on Capital Adequacy under IRB Approach for Maybank (cont'd.)

30.6.2011 Item	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	34,024,308	34,024,308	595,281	47,622
	Public Sector Entities	1,021,772	1,019,474	907,635	72,611
	Banks, Development Financial Institutions and Multilateral Development Banks	–	–	–	–
	Insurance Companies, Securities Firms and Fund Managers	64,000	63,359	48,163	3,853
	Corporates	13,699,173	13,349,450	12,586,774	1,006,942
	Regulatory Retail	9,317,368	8,925,846	6,691,423	535,314
	Residential Mortgage	2,118,081	2,117,874	1,179,060	94,325
	Higher Risk Assets	481,634	481,634	722,451	57,796
	Other Assets	23,114,178	23,114,178	5,762,690	461,015
	Securitisation Exposures	608,477	608,477	446,441	35,715
	Equity Exposure	60,071	60,071	60,071	4,806
	Defaulted Exposures	225,090	219,887	251,096	20,088
	Total On-Balance Sheet Exposures	84,734,152	83,984,559	29,251,086	2,340,087
	Off-Balance Sheet Exposures				
	OTC Derivatives	276,090	276,090	115,925	9,274
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	2,629,745	2,438,450	2,092,512	167,401
	Defaulted Exposures	112	112	144	11
	Total Off-Balance Sheet Exposures	2,905,947	2,714,653	2,208,580	176,686
	Total On and Off-Balance Sheet Exposures	87,640,099	86,699,211	31,459,666	2,516,773
1.2	**Exposures under the IRB Approach**				
	On-Balance Sheet Exposures				
	Banks, Development Financial Institutions and Multilateral Development Banks	42,667,209	42,667,209	15,609,873	1,248,790
	Insurance Companies, Securities Firms and Fund Managers	–	–	–	–
	Corporate Exposures	96,600,425	96,600,425	68,153,331	5,452,266
	a) Corporates (excluding Specialised Lending and firm-size adjustments)	54,262,574	54,262,574	38,860,907	3,108,873
	b) Corporates (with firm-size adjustment)	41,631,135	41,631,135	28,778,407	2,302,273
	c) Specialised Lending (Slotting Approach)	706,716	706,716	514,017	41,121

credit risk

Table 4: Disclosure on Capital Adequacy under IRB Approach for Maybank (cont'd.)

30.6.2011 Item	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
	i) Project Finance	706,716	706,716	514,017	41,121
	Retail Exposures	62,465,358	62,465,358	24,805,445	1,984,436
	a) Residential Mortgages	27,597,061	27,597,061	11,940,513	955,241
	b) Qualifying Revolving Retail Exposures	3,944,010	3,944,010	2,253,379	180,270
	c) Hire Purchase Exposures	16,099,325	16,099,325	6,696,465	535,717
	d) Other Retail Exposures	14,824,961	14,824,961	3,915,087	313,207
	Defaulted Exposures	3,456,143	3,456,143	749,438	59,955
	Total On-Balance Sheet Exposures	205,189,136	205,189,135	109,318,087	8,745,447
	Off-Balance Sheet Exposures				
	OTC Derivatives	5,094,597	5,094,597	2,508,837	200,707
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	17,326,367	17,326,367	10,231,145	818,492
	Defaulted Exposures	94,911	94,911	79	6
	Total Off-Balance Sheet Exposures	22,515,875	22,515,875	12,740,061	1,019,205
	Total On and Off-Balance Sheet Exposures	227,705,011	227,705,010	122,058,147	9,764,652
	Total IRB Approach after Scaling Factor of 1.06			129,381,636	10,350,531
	Total (Exposures under Standardised Approach and IRB Approach)	315,345,110	314,404,222	160,841,302	12,867,304
2.0	**Market Risk**				
	Interest Rate Risk	–	–	6,296,375	503,710
	Foreign Currency Risk	–	–	3,325,150	266,012
	Equity Risk	–	–	9,963	797
	Commodity Risk	–	–	52,163	4,173
	Option Risk	–	–	9,182	735
3.0	**Operational Risk**	–	–	17,738,110	1,419,049
4.0	**Total RWA and Capital Requirements**	–	–	188,272,244	15,061,779

Table 5: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic

31.12.2011 Item	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 Companies, Securities Firms and 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**	**18,172,874**	**4,102,426**	**–**	**4,102,426**	**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 and Multilateral Development Banks	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

credit risk

Table 5: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic (cont'd.)

31.12.2011 Item	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
	Corporate Exposures (cont'd.)						
	c) Specialised Lending (Slotting Approach)	675,902	675,902	588,921	–	588,921	47,114
	i) Project Finance	675,902	675,902	588,921	–	588,921	47,114
	Retail Exposures	30,398,140	30,398,140	10,894,520	–	10,894,520	871,562
	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	24,857,872	(194,270)	24,663,602	1,973,088
	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 (Exposures under Standardised Approach and IRB Approach)	76,746,518	76,459,940	32,367,730	(205,926)	32,161,805	2,572,944
2.0	**Market Risk**						
	Bench Mark Rate Risk	–	–	284,442	–	284,442	22,755
	Foreign Exchange Risk	–	–	23,500	–	23,500	1,880
3.0	**Operational Risk**	–	–	2,573,751	–	2,573,751	205,900
4.0	**Additional RWA due to capital Floor**	–	–	3,891,670	–	3,891,670	278,628
5.0	**Total RWA and Capital Requirements**	–	–	39,141,093	(205,926)	38,935,167	3,082,108

Table 5: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic (cont'd.)

30.6.2011 Item	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	14,148,422	14,148,422	12,092	–	12,092	967
	Public Sector Entities	92,791	88,857	76,031	–	76,031	6,082
	Insurance Companies, Securities Firms and Fund Managers	377	377	377	–	377	30
	Corporates	1,847,808	1,843,838	1,966,718	–	1,966,718	157,337
	Regulatory Retail	1,266,916	1,252,018	939,013	–	939,013	75,121
	Residential Mortgage	193,166	193,166	113,807	–	113,807	9,105
	Higher Risk Assets	22,781	22,781	34,171	–	34,171	2,734
	Other Assets	1,631,593	1,631,593	569,738	–	569,738	45,579
	Defaulted Exposures	10,949	9,905	10,911	–	10,911	873
	Total On-Balance Sheet Exposures	19,214,803	19,190,957	3,722,858	–	3,722,857	297,829
	Off-Balance Sheet Exposures						
	OTC Derivatives	–	–	–	–	–	–
	Off balance sheet exposures other than OTC derivatives or credit derivatives	155,588	153,945	31,065	–	31,065	2,485
	Defaulted Exposures	–	–	–	–	–	–
	Total Off-Balance Sheet Exposures	155,588	153,945	31,065	–	31,065	2,485
	Total On and Off-Balance Sheet Exposures	19,370,391	19,344,902	3,753,922	–	3,753,922	300,314
1.2	Exposures under the IRB Approach						
	On-Balance Sheet Exposures						
	Banks, Development Financial Institutions and Multilateral Development Banks	4,204,353	4,204,353	1,735,181	–	1,735,181	138,814
	Corporate Exposures	13,442,575	13,442,575	9,654,358	194,718	9,459,640	756,771
	a) Corporates (excluding Specialised Lending and firm-size adjustments)	7,204,135	7,204,135	4,967,171	194,718	4,772,453	381,796
	b) Corporates (with firm-size adjustment)	6,220,196	6,220,196	4,674,415	–	4,674,415	373,953

credit risk

Table 5: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic (cont'd.)

30.6.2011 Item	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
	Corporate Exposures (cont'd.)						
	c) Specialised Lending (Slotting Approach)	18,245	18,245	12,772	–	12,772	1,022
	i) Project Finance	18,245	18,245	12,772	–	12,772	1,022
	Retail Exposures	28,443,517	28,443,517	9,565,479	–	9,565,478	765,238
	a) Residential Mortgages	4,493,647	4,493,647	2,570,155	–	2,570,155	205,612
	b) Qualifying Revolving Retail Exposures	289,144	289,144	174,855	–	174,855	13,988
	c) Hire Purchase Exposures	14,257,167	14,257,167	4,800,756	–	4,800,756	384,060
	d) Other Retail Exposures	9,403,559	9,403,559	2,019,713	–	2,019,713	161,577
	Defaulted Exposures	675,550	675,550	193,244	–	193,244	15,460
	Total On-Balance Sheet Exposures	46,765,995	46,765,995	21,148,262	(194,718)	20,953,543	1,676,284
	Off-Balance Sheet Exposures						
	OTC Derivatives	69,053	69,053	32,882	–	32,882	2,631
	Off balance sheet exposures other than OTC derivatives or credit derivatives	1,741,501	1,741,501	1,056,354	–	1,056,354	84,508
	Defaulted Exposures	–	–	–	–	–	–
	Total Off-Balance Sheet Exposures	1,810,554	1,810,554	1,089,236	–	1,089,236	87,139
	Total On and Off-Balance Sheet Exposures	48,576,549	48,576,549	22,237,498	(194,718)	22,042,779	1,763,422
	Total IRB Approach after Scaling Factor of 1.06			23,571,746	(206,402)	23,365,346	1,869,228
	Total (Exposures under Standardised Approach and IRB Approach)	67,946,940	67,921,451	27,325,668	(206,402)	27,119,268	2,169,542
2.0	**Market Risk**						
	Bench Mark Rate Risk	–	–	40,325	–	40,325	3,226
	Foreign Exchange Risk	–	–	109,485	–	109,485	8,759
3.0	**Operational Risk**	–	–	2,334,044	–	2,334,044	186,724
4.0	**Additional RWA due to capital Floor**	–	–	7,154,554	–	7,154,554	572,364
5.0	**Total RWA and Capital Requirements**	–	–	36,964,076	(206,402)	36,757,674	2,940,614

4.3 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.

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 and 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.

Tables 6 through 8 present the geographic analysis and distribution of exposures under both 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 SA and IRB approaches.

Tables 9 through 11 present the disclosure on credit risk exposures by 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.

credit risk

Table 6: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank Group

31.12.2011 Exposure Class	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Others 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 and Multilateral Development Banks	13,844	630,472	2,761,571	685,383	4,091,271
Insurance Companies, Securities Firms and 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 and Multilateral Development Banks	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)	1,367,955	–	–	–	1,367,955
i) 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	303,532,339
Total Standardised and IRB Approaches	284,674,944	96,479,241	32,569,521	43,110,523	456,834,230

Table 6: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank Group (cont'd.)

30.6.2011

Exposure Class	**Malaysia RM'000**	**Singapore RM'000**	**Indonesia RM'000**	**Others RM'000**	**Total RM'000**
Exposures under Standardised Approach					
Sovereigns/Central Banks	39,396,346	8,394,130	5,648,671	1,572,868	55,012,015
Public Sector Entities	826,495	292,051	–	50,475	1,169,021
Banks, Development Financial Institutions and Multilateral Development Banks	447,776	2,423,175	1,393,786	316,311	4,581,048
Insurance Companies, Securities Firms and Fund Managers	25,235	759,915	–	236,142	1,021,292
Corporates	6,588,115	3,126,717	23,192,621	9,665,127	42,572,580
Regulatory Retail	10,026,750	3,269,086	10,141,183	698,754	24,135,773
Residential Mortgage	2,221,875	148,357	2,172,788	17,819	4,560,839
Higher Risk Assets	691,518	56,145	–	1,556	749,219
Other Assets	11,252,908	8,217,131	1,449,841	596,900	21,516,781
Securitisation Exposures	608,477	–	–	–	608,477
Equity Exposure	13,369	60,071	44,606	–	118,047
Total Standardised Approach	72,098,865	26,746,779	44,043,496	13,155,953	156,045,093
Exposures under IRB Approach					
Banks, Development Financial Institutions and Multilateral Development Banks	20,850,630	9,292,608	–	14,775,639	44,918,878
Corporate Exposures	91,075,510	28,781,820	–	7,785,863	127,643,193
a) Corporates (excluding Specialised Lending and firm-size adjustments)	51,045,726	11,616,771	–	7,785,863	70,448,361
b) Corporates (with firm-size adjustment)	39,277,752	17,165,049	–	–	56,442,800
c) Specialised Lending (Slotting Approach)	752,032	–	–	–	752,032
i) Project Finance	752,032	–	–	–	752,032
Retail Exposures	73,059,644	22,854,287	–	–	95,913,931
a) Residential Mortgages	22,060,912	10,773,487	–	–	32,834,399
b) Qualifying Revolving Retail Exposures	5,173,940	2,375,977	–	–	7,549,916
c) Hire Purchase Exposures	22,700,232	8,233,312	–	–	30,933,544
d) Other Retail Exposures	23,124,560	1,471,511	–	–	24,596,071
Total IRB Approach	184,985,784	60,928,714	–	22,561,502	268,476,001
Total Standardised and IRB Approaches	257,084,649	87,675,494	44,043,496	35,717,456	424,521,094

credit risk

Table 7: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank

31.12.2011 Exposure Class	Malaysia RM'000	Singapore RM'000	Others RM'000	Total RM'000
Exposures under Standardised Approach				
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 Companies, Securities Firms and 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
Exposures under IRB Approach				
Banks, Development Financial Institutions and Multilateral Development Banks	29,092,439	10,569,472	17,150,313	56,812,224
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)	692,053	–	–	692,053
i) 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 7: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank (cont'd.)

30.6.2011 Exposure Class	Malaysia RM'000	Singapore RM'000	Others RM'000	Total RM'000
Exposures under Standardised Approach				
Sovereigns/Central Banks	25,217,979	8,366,479	746,304	34,330,762
Public Sector Entities	732,764	292,051	–	1,024,815
Insurance Companies, Securities Firms and Fund Managers	24,282	–	236,142	260,424
Corporates	4,538,082	2,913,689	8,411,090	15,862,861
Regulatory Retail	7,763,508	1,470,174	292,435	9,526,117
Residential Mortgage	2,024,197	148,357	17,819	2,190,374
Higher Risk Assets	557,758	867	–	558,625
Other Assets	16,164,172	6,765,696	287,704	23,217,572
Securitisation Exposures	608,477	–	–	608,477
Equity Exposure	–	60,071	–	60,071
Total Standardised Approach	57,631,220	20,017,384	9,991,495	87,640,099
Exposures under IRB Approach				
Banks, Development Financial Institutions and Multilateral Development Banks	24,380,782	9,292,608	14,775,639	48,449,029
Corporate Exposures	75,983,080	28,781,820	7,785,863	112,550,763
a) Corporates (excluding Specialised Lending and firm-size adjustments)	43,381,778	11,616,771	7,785,863	62,784,412
b) Corporates (with firm-size adjustment)	31,892,956	17,165,049	–	49,058,004
c) Specialised Lending (Slotting Approach)	708,346	–	–	708,346
i) Project Finance	708,346	–	–	708,346
Retail Exposures	43,850,932	22,854,287	–	66,705,219
a) Residential Mortgages	17,453,453	10,773,487	–	28,226,939
b) Qualifying Revolving Retail Exposures	4,818,183	2,375,977	–	7,194,160
c) Hire Purchase Exposures	7,962,824	8,233,312	–	16,196,137
d) Other Retail Exposures	13,616,472	1,471,511	–	15,087,983
Total IRB Approach	144,214,794	60,928,714	22,561,502	227,705,011
Total Standardised and IRB Approaches	**201,846,014**	**80,946,098**	**32,552,997**	**315,345,110**

credit risk

Table 8: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank Islamic

31.12.2011 Exposure Class	Malaysia/ Total RM'000
Exposures under Standardised Approach	
Sovereigns/Central Banks	**12,498,099**
Public Sector Entities	**94,309**
Insurance Companies, Securities Firms and Fund Managers	**910**
Corporates	**2,937,690**
Regulatory Retail	**929,252**
Residential Mortgage	**193,640**
Higher Risk Assets	**31,938**
Other Assets	**2,368,113**
Total Standardised Approach	**19,053,952**
Exposures under IRB Approach	
Banks, Development Financial Institutions and Multilateral Development Banks	**8,769,320**
Corporate Exposures	**16,509,586**
a) Corporates (excluding Specialised Lending and firm-size adjustments)	**8,065,247**
b) Corporates (with firm-size adjustment)	**7,768,437**
c) Specialised Lending (Slotting Approach)	**675,902**
i) Project Finance	**675,902**
Retail Exposures	**32,413,661**
a) Residential Mortgages	**5,543,759**
b) Qualifying Revolving Retail Exposures	**382,024**
c) Hire Purchase Exposures	**15,436,438**
d) Other Retail Exposures	**11,051,440**
Total IRB Approach	**57,692,566**
Total Standardised and IRB Approaches	**76,746,518**

Table 8: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank Islamic (cont'd.)

30.6.2011 **Exposure Class**	**Malaysia/** **Total** **RM'000**
Exposures under Standardised Approach	
Sovereigns/Central Banks	14,148,422
Public Sector Entities	93,730
Insurance Companies, Securities Firms and Fund Managers	953
Corporates	2,002,864
Regulatory Retail	1,269,365
Residential Mortgage	197,020
Higher Risk Assets	26,444
Other Assets	1,631,593
Total Standardised Approach	19,370,391
Exposures under IRB Approach	
Banks, Development Financial Institutions and Multilateral Development Banks	4,275,405
Corporate Exposures	15,092,431
a) Corporates (excluding Specialised Lending and firm-size adjustments)	7,663,949
b) Corporates (with firm-size adjustment)	7,384,796
c) Specialised Lending (Slotting Approach)	43,686
i) Project Finance	43,686
Retail Exposures	29,208,712
a) Residential Mortgages	4,607,460
b) Qualifying Revolving Retail Exposures	355,756
c) Hire Purchase Exposures	14,737,407
d) Other Retail Exposures	9,508,088
Total IRB Approach	48,576,549
Total Standardised and IRB Approaches	**67,946,940**

credit risk

Table 9: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Group

31.12.2011 Exposure Class	Agriculture RM'000	Mining and Quarrying RM'000	Manu-facturing RM'000	Constru-ction RM'000	Electricity, Gas and Water Supply RM'000	Wholesale, Retail trade, restaurants and hotels RM'000	Finance, Insurance, Real Estate and Business RM'000	Transport, Storage and Communi-cation RM'000	Education, health and others RM'000	Household RM'000	Others RM'000	Total RM'000
<u>Exposures under Standardised Approach</u>												
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 and Multilateral Development Banks	-	-	-	-	-	-	4,081,735	9,535	-	-	-	4,091,270
Insurance Companies, Securities Firms and 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	2,277,297	1,638,745	8,094,657	2,200,891	21,706,722	10,716,849	39,224,342	5,577,070	7,928,856	17,706,094	36,230,369	153,301,891
<u>Exposures under IRB Approach</u>												
Banks, Development Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	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)	-	-	1,367,955	-	-	-	-	-	-	-	-	1,367,955
i) 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

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Table 9: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Group (cont'd.)

30.6.2011 Exposure Class	Agriculture	Mining and Quarrying	Manu-facturing	Constru-ction	Electricity, Gas and Water Supply	Wholesale, Retail trade, restaurants and hotels	Finance, Insurance, Real Estate and Business	Transport, Storage and Communi-cation	Education, health and others	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposures under Standardised Approach												
Sovereigns/Central Banks	-	14,990	-	-	-	555	46,804,150	-	2,854,119	-	5,338,201	55,012,015
Public Sector Entities	-	-	-	616	440	-	932,844	10,474	186,875	-	37,771	1,169,021
Banks, Development Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	4,581,048	-	-	-	-	4,581,048
Insurance Cos, Securities Firms and Fund Managers	-	2,051	14	-	-	-	236,846	22,465	-	-	759,915	1,021,292
Corporates	1,686,635	1,531,752	5,308,442	2,259,976	1,953,346	6,821,250	5,213,328	6,511,988	753,558	5,702,589	4,829,715	42,572,580
Regulatory Retail	345,485	43,913	1,142,274	434,005	8,893	2,416,164	713,113	250,940	3,779,147	14,333,242	668,597	24,135,773
Residential Mortgage	-	-	866	-	-	212	591	137	-	4,558,279	753	4,560,839
Higher Risk Assets	-	-	1,263	-	-	-	224,266	-	-	359,721	163,969	749,219
Other Assets	163,305	534,204	1,263,840	49,389	2,735	4,120,703	1,343,329	9,401	111,600	-	13,918,275	21,516,782
Securitisation Exposures	-	-	-	-	-	-	-	-	-	-	653,083	653,083
Equity Exposure	-	-	28,525	24,209	-	96	7,300	-	-	-	13,311	73,441
Total Standardised Approach	2,195,425	2,126,910	7,745,226	2,768,195	1,965,414	13,358,980	60,056,815	6,805,406	7,685,300	24,953,832	26,383,590	156,045,093
Exposures under IRB Approach												
Banks, Development Financial Institutions and Multilateral Development Banks	-	-	-	-	10,949,903	-	31,810,942	-	-	-	2,158,033	44,918,878
Corporate Exposures	3,716,770	1,033,960	25,350,299	14,491,891	5,547,775	16,507,534	44,317,789	9,323,665	1,761,159	-	5,592,353	127,643,193
a) Corporates (excluding Specialised Lending and firm-size adjustments)	1,239,423	810,532	15,158,096	6,682,745	4,727,693	5,557,699	26,184,103	5,269,433	661,988	-	4,156,647	70,448,361
b) Corporates (with firm-size adjustment)	2,477,347	223,428	10,192,203	7,809,146	820,081	10,949,835	18,133,685	4,054,232	1,099,170	-	683,673	56,442,800
c) Specialised Lending (Slotting Approach)	-	-	-	-	-	-	-	-	-	-	752,032	752,032
i) Project Finance	-	-	-	-	-	-	-	-	-	-	752,032	752,032
Retail Exposures	-	-	-	-	-	-	-	-	-	95,913,931	-	95,913,931
a) Residential Mortgages	-	-	-	-	-	-	-	-	-	32,834,399	-	32,834,399
b) Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	7,549,916	-	7,549,916
c) Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	30,933,544	-	30,933,544
d) Other Retail Exposures	-	-	-	-	-	-	-	-	-	24,596,071	-	24,596,071
Total IRB Approach	3,716,770	1,033,960	25,350,299	14,491,891	16,497,678	16,507,534	76,128,730	9,323,665	1,761,159	95,913,931	7,750,386	268,476,001
Total Standardised and IRB Approaches	5,912,195	3,160,870	33,095,525	17,260,086	18,463,092	29,866,513	136,185,546	16,129,071	9,446,459	120,867,763	34,133,976	424,521,095

credit risk

Table 10: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank

31.12.2011 Exposure Class	Agriculture	Mining and Quarrying	Manu-facturing	Constru-ction	Electricity, Gas and Water Supply	Wholesale, Retail trade, restaurants and hotels	Finance, Insurance, Real Estate and Business	Transport, Storage and Communi-cation	Education, health and others	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 and Multilateral Development Banks	–	–	–	–	–	–	–	–	–	–	–	–
Insurance Companies, Securities Firms and 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 and Multilateral Development Banks	–	–	–	–	–	–	56,028,000	–	–	–	784,224	56,812,224
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)	–	–	692,053	–	–	–	–	–	–	–	–	692,053
i) 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	350,617,328

Table 10: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank (cont'd.)

30.6.2011 Exposure Class	Agriculture RM'000	Mining and Quarrying RM'000	Manu-facturing RM'000	Constru-ction RM'000	Electricity, Gas and Water Supply RM'000	Wholesale, Retail trade, restaurants and hotels RM'000	Finance, Insurance, Real Estate and Business RM'000	Transport, Storage and Communi-cation RM'000	Education, health and others RM'000	Household RM'000	Others RM'000	Total RM'000
<u>Exposures under Standardised Approach</u>												
Sovereigns/Central Banks	–	14,990	–	–	–	555	30,575,261	–	2,847,016	–	892,940	34,330,762
Public Sector Entities	–	–	–	–	440	–	812,391	10,474	165,494	–	36,016	1,024,815
Banks, Development Financial Institutions and Multilateral Development Banks	–	–	–	–	–	–	–	–	–	–	–	–
Insurance Companies, Securities Firms and Fund Managers	–	2,051	14	–	–	–	236,846	21,513	–	–	–	260,424
Corporates	564,477	139,536	1,751,468	882,663	1,273,221	1,434,951	1,439,008	2,237,324	285,119	1,961,782	3,893,312	15,862,861
Regulatory Retail	434	–	–	462	325	2,407	150,674	370	547	9,278,672	92,224	9,526,117
Residential Mortgage	–	–	866	–	–	212	591	137	–	2,187,814	753	2,190,374
Higher Risk Assets	–	–	1,263	–	–	–	115,394	–	–	333,277	108,690	558,625
Other Assets	155,160	529,707	1,008,529	28,673	2,735	3,619,563	1,271,562	2,396	41,002	–	16,558,245	23,217,572
Securitisation Exposures	–	–	–	–	–	–	–	–	–	–	608,477	608,477
Equity Exposure	–	–	28,525	24,209	–	96	7,242	–	–	–	–	60,071
Total Standardised Approach	720,072	686,285	2,790,665	936,008	1,276,722	5,057,783	34,608,968	2,272,214	3,339,178	13,761,545	22,190,658	87,640,099
<u>**Exposures under IRB Approach**</u>												
Banks, Development Financial Institutions and Multilateral Development Banks	–	–	–	–	10,949,902	–	35,425,721	–	–	–	2,073,405	48,449,029
Corporate Exposures	3,132,965	1,010,609	21,101,580	12,419,678	5,136,501	14,756,133	40,127,668	8,056,571	1,426,881	–	5,382,176	112,550,763
a) Corporates (excluding Specialised Lending and firm-size adjustments)	832,248	809,331	12,745,346	5,393,029	4,676,377	4,815,264	23,711,523	5,055,746	658,670	–	4,086,878	62,784,412
b) Corporates (with firm-size adjustment)	2,300,717	201,278	8,356,234	7,026,650	460,124	9,940,869	16,416,145	3,000,825	768,210	–	586,952	49,058,004
c) Specialised Lending (Slotting Approach)	–	–	–	–	–	–	–	–	–	–	708,346	708,346
i) Project Finance	–	–	–	–	–	–	–	–	–	–	708,346	708,346
Retail Exposures	–	–	–	–	–	–	–	–	–	66,705,219	–	66,705,219
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	28,226,939	–	28,226,939
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	7,194,160	–	7,194,160
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	16,196,137	–	16,196,137
d) Other Retail Exposures	–	–	–	–	–	–	–	–	–	15,087,983	–	15,087,983
Total IRB Approach	3,132,965	1,010,609	21,101,580	12,419,678	16,086,403	14,756,133	75,553,390	8,056,571	1,426,881	66,705,219	7,455,581	227,705,011
Total Standardised and IRB Approaches	**3,853,037**	**1,696,894**	**23,892,246**	**13,355,686**	**17,363,125**	**19,813,917**	**110,162,358**	**10,328,785**	**4,766,059**	**80,466,764**	**29,646,239**	**315,345,110**

credit risk

Table 11: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Islamic

31.12.2011 Exposure Class	Agriculture	Mining and Quarrying	Manu-facturing	Constru-ction	Electricity, Gas and Water Supply	Wholesale, Retail trade, restaurants and hotels	Finance, Insurance, Real Estate and Business	Transport, Storage and Communi-cation	Education, health and others	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 Companies, Securities Firms and 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 and Multilateral Development Banks	–	–	–	–	–	–	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)	–	–	675,902	–	–	–	–	–	–	–	–	675,902
i) 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 11: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Islamic (cont'd.)

30.6.2011 Exposure Class	Agriculture	Mining and Quarrying	Manu-facturing	Constru-ction	Electricity, Gas and Water Supply	Wholesale, Retail trade, restaurants and hotels	Finance, Insurance, Real Estate and Business	Transport, Storage and Communi-cation	Education, health and others	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Exposures under Standardised Approach</u>												
Sovereigns/Central Banks	–	–	–	–	–	–	11,837,962	–	–	–	2,310,460	14,148,422
Public Sector Entities	–	–	–	616	–	–	84,753	–	6,606	–	1,754	93,730
Insurance Companies, Securities Firms and Fund Managers	–	–	–	–	–	–	–	953	–	–	–	953
Corporates	74,362	2,887	79,814	279,325	101,709	89,263	67,520	682,738	66,885	142,462	415,896	2,002,864
Regulatory Retail	–	–	–	–	–	–	–	–	–	1,269,365	–	1,269,365
Residential Mortgage	–	–	–	–	–	–	–	–	–	197,020	–	197,020
Higher Risk Assets	–	–	–	–	–	–	–	–	–	26,444	–	26,444
Other Assets	–	–	6,618	–	–	4,534	–	–	743	–	1,619,699	1,631,593
Total Standardised Approach	74,362	2,887	86,431	279,941	101,709	93,797	11,990,235	683,691	74,234	1,635,291	4,347,810	19,370,391
<u>Exposures under IRB Approach</u>												
Banks, Development Financial Institutions and Multilateral Development Banks	–	–	–	–	–	–	4,190,777	–	–	–	84,628	4,275,405
Corporate Exposures	583,805	23,351	4,248,719	2,072,212	411,274	1,751,401	4,190,120	1,267,094	334,278	–	210,177	15,092,431
a) Corporates (excluding Specialised Lending and firm-size adjustments)	407,176	1,201	2,412,750	1,289,716	51,316	742,434	2,472,580	213,687	3,318	–	69,770	7,663,949
b) Corporates (with firm-size adjustment)	176,629	22,151	1,835,968	782,496	359,958	1,008,966	1,717,540	1,053,406	330,960	–	96,721	7,384,796
c) Specialised Lending (Slotting Approach)	–	–	–	–	–	–	–	–	–	–	43,686	43,686
i) Project Finance	–	–	–	–	–	–	–	–	–	–	43,686	43,686
Retail Exposures	–	–	–	–	–	–	–	–	–	29,208,712	–	29,208,712
a) Residential Mortgages	–	–	–	–	–	–	–	–	–	4,607,460	–	4,607,460
b) Qualifying Revolving Retail Exposures	–	–	–	–	–	–	–	–	–	355,756	–	355,756
c) Hire Purchase Exposures	–	–	–	–	–	–	–	–	–	14,737,407	–	14,737,407
d) Other Retail Exposures	–	–	–	–	–	–	–	–	–	9,508,088	–	9,508,088
Total IRB Approach	583,805	23,351	4,248,719	2,072,212	411,274	1,751,401	8,380,898	1,267,094	334,278	29,208,712	294,805	48,576,549
Total Standardised and IRB Approaches	658,167	26,238	4,335,150	2,352,154	512,984	1,845,198	20,371,133	1,950,785	408,512	30,844,002	4,642,615	67,946,940

credit risk

Table 12: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank Group

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
Exposures on 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 and Multilateral Development Banks	1,877,940	2,165,302	48,027	4,091,270
Insurance Cos, Securities Firms and 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
Exposures on IRB Approach				
Banks, Development Financial Institutions and Multilateral Development Banks	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
d) Specialised Lending (Slotting Approach)	–	1,367,955	–	1,367,955
i) 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	303,532,339
Total Standardised and IRB Approaches	152,337,067	149,843,077	154,654,085	456,834,230

Table 12: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank Group (cont'd.)

30.6.2011 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	5,300,553	13,126,394	36,585,068	55,012,015
Public Sector Entities	142,020	810,108	216,893	1,169,021
Banks, Development Financial Institutions and Multilateral Development Banks	2,208,392	2,372,656	–	4,581,048
Insurance Companies, Securities Firms and Fund Managers	15,013	1,004,516	1,763	1,021,292
Corporates	13,264,737	24,728,588	4,579,255	42,572,581
Regulatory Retail	9,763,533	6,895,038	7,477,201	24,135,773
Residential Mortgage	576,652	790,123	3,194,065	4,560,839
Higher Risk Assets	130,761	405,916	212,542	749,219
Other Assets	13,345,422	7,971,849	199,510	21,516,781
Securitisation Exposures	–	–	608,477	608,477
Equity Exposure	–	118,047	–	118,047
Total Standardised Approach	44,747,082	58,223,236	53,074,774	156,045,093
IRB Approach				
Banks, Development Financial Institutions and Multilateral Development Banks	21,310,171	19,348,685	4,260,022	44,918,878
Corporate Exposures	57,172,974	40,121,859	30,348,360	127,643,193
a) Corporates (excluding Specialised Lending and firm-size adjustments)	31,141,383	24,452,754	14,854,224	70,448,361
b) Corporates (with firm-size adjustment)	26,004,520	15,669,105	14,769,175	56,442,800
c) Specialised Lending (Slotting Approach)	27,071	–	724,961	752,032
i) Project Finance	27,071	–	724,961	752,032
Retail Exposures	1,065,564	18,770,104	76,078,263	95,913,931
a) Residential Mortgages	29,944	1,267,761	31,536,694	32,834,399
b) Qualifying Revolving Retail Exposures	559,253	6,117,896	872,768	7,549,916
c) Hire Purchase Exposures	307,170	9,813,681	20,812,693	30,933,544
d) Other Retail Exposures	169,197	1,570,765	22,856,109	24,596,071
Total IRB Approach	79,548,709	78,240,648	110,686,645	268,476,002
Total Standardised and IRB Approaches	124,295,792	136,463,884	163,761,419	424,521,095

credit risk

Table 13: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank

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 and Multilateral Development Banks	–	–	–	–
Insurance Companies, Securities Firms and 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 and Multilateral Development Banks	35,895,911	18,068,030	2,848,282	56,812,224
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)	–	692,053	–	692,053
i) 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 13: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank (cont'd.)

30.6.2011 **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	1,489,000	8,039,577	24,802,184	34,330,762
Public Sector Entities	68,710	757,267	198,838	1,024,815
Banks, Development Financial Institutions and Multilateral Development Banks	–	–	–	–
Insurance Companies, Securities Firms and Fund Managers	15,003	243,658	1,763	260,424
Corporates	3,923,763	10,105,082	1,834,017	15,862,861
Regulatory Retail	2,039,379	1,530,596	5,956,142	9,526,117
Residential Mortgage	506,948	159,787	1,523,639	2,190,374
Higher Risk Assets	123,824	240,381	194,420	558,625
Other Assets	22,252,685	792,208	172,679	23,217,572
Securitisation Exposures	–	–	608,477	608,477
Equity Exposure	–	60,071	–	60,071
Total Standardised Approach	30,419,313	21,928,627	35,292,160	87,640,099
IRB Approach				
Banks, Development Financial Institutions and Multilateral Development Banks	24,990,513	19,203,506	4,255,011	48,449,030
Corporate Exposures	49,571,728	37,446,222	25,532,813	112,550,763
a) Corporates (excluding Specialised Lending and firm-size adjustments)	26,591,872	23,216,891	12,975,649	62,784,412
b) Corporates (with firm-size adjustment)	22,978,226	14,229,331	11,850,448	49,058,004
c) Specialised Lending (Slotting Approach)	1,630	–	706,716	708,346
i) Project Finance	1,630	–	706,716	708,346
Retail Exposures	979,372	14,398,945	51,326,902	66,705,219
a) Residential Mortgages	25,319	1,051,912	27,149,709	28,226,939
b) Qualifying Revolving Retail Exposures	555,807	5,769,200	869,153	7,194,160
c) Hire Purchase Exposures	234,575	6,419,229	9,542,333	16,196,137
d) Other Retail Exposures	163,671	1,158,604	13,765,708	15,087,983
Total IRB Approach	75,541,613	71,048,672	81,114,726	227,705,011
Total Standardised and IRB Approaches	105,960,925	92,977,299	116,406,886	315,345,110

credit risk

Table 14: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank Islamic

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 Companies, Securities Firms and Fund Managers	575	335	–	910
Corporates	541,498	1,126,661	1,269,532	2,937,690
Regulatory Retail	77,765	81,764	769,723	929,252
Residential Mortgage	6,819	12,738	174,084	193,640
Higher Risk Assets	13,816	457	17,665	31,938
Other Assets	2,360,490	7,623	–	2,368,113
Total Standardised Approach	9,339,137	6,006,371	3,708,443	19,053,952
IRB Approach				
Banks, Development Financial Institutions and Multilateral Development Banks	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)	–	675,902	–	675,902
i) Project Finance	–	675,902	–	675,902
Retail Exposures	96,810	11,808,545	20,508,306	32,413,661
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	15,436,438
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

Table 14: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank Islamic (cont'd.)

30.6.2011 **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	368,999	3,735,753	10,043,669	14,148,422
Public Sector Entities	73,310	2,366	18,055	93,730
Insurance Companies, Securities Firms and Fund Managers	9	944	–	953
Corporates	525,685	771,733	705,446	2,002,864
Regulatory Retail	79,364	90,674	1,099,327	1,269,365
Residential Mortgage	4,977	11,604	180,438	197,020
Higher Risk Assets	6,937	1,384	18,122	26,444
Other Assets	1,631,593	–	–	1,631,593
Total Standardised Approach	2,690,875	4,614,458	12,065,057	19,370,391
IRB Approach				
Banks, Development Financial Institutions and Multilateral Development Banks	4,125,215	145,179	5,011	4,275,405
Corporate Exposures	7,601,246	2,675,637	4,815,547	15,092,431
a) Corporates (excluding Specialised Lending and firm-size adjustments)	4,549,511	1,235,863	1,878,575	7,663,949
b) Corporates (with firm-size adjustment)	3,026,295	1,439,774	2,918,727	7,384,796
c) Specialised Lending (Slotting Approach)	25,441	–	18,245	43,686
i) Project Finance	25,441	–	18,245	43,686
Retail Exposures	86,192	4,371,159	24,751,360	29,208,712
a) Residential Mortgages	4,625	215,850	4,386,984	4,607,460
b) Qualifying Revolving Retail Exposures	3,446	348,696	3,615	355,756
c) Hire Purchase Exposures	72,595	3,394,453	11,270,360	14,737,407
d) Other Retail Exposures	5,526	412,162	9,090,401	9,508,088
Total IRB Approach	11,812,654	7,191,976	29,571,918	48,576,548
Total Standardised and IRB Approaches	14,503,529	11,806,434	41,636,975	67,946,938

credit risk

4.4 Credit Impairment Policy and New Classification and Impairment Allowances for Loans/Financing

The disclosures on impairment can be found in Note 45 (c) (8, 9, 10), of the financial statements.

4.5 Non-Retail Portfolios

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.

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.

Corporate exposures comprised 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 and Poor's ("S&P"), as per Table A below:

Table A

Non Retail

Risk Category	CRRS Grade	SandP Equivalent
	1	AA TO AAA
	2	AA-
	3	A+
	4	A
Very Low	5	A-
	6	BBB+ TO A-
	7	BBB TO BBB+
	8	BBB
	9	BBB- TO BBB
Low	10	BB+ TO BBB-
	11	BB+
	12	BB
	13	BB- TO BB
	14	BB-
Moderate	15	B+ TO BB-
	16	B TO B+
	17	B
	18	B- TO B
	19	B-
	20	CCC TO B-
High	21	CCC

credit risk

Rating Coverage for Corporate Exposures

The CRRS has been implemented by 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 2011.

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 modelling 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 SandP's and RAM rating is shown in Table B below.

Table B

BRRS Grade	SandP 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 and 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 and 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.

Application of internal ratings

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 versus 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 and concentration limits, 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.

Tables 15 through 17 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.

credit risk

Table 15: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank Group

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 (Grade 18)	**66,285**	**44.80**	**–**	**–**	**–**
Total for Bank Exposures	**56,741,255**			**11,139**	**19,262,933**
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**	**0.15**	**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**

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Table 15: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank Group (cont'd.)

30.6.2011 PD Range %	EAD Post CRM	Exposure Weighted Average LGD	Exposure Weighted Average Risk Weight	Undrawn commitments	RWA
	RM'000	%	%	RM'000	RM'000
Non-Retail Exposures					
Bank					
0.0000 - 0.0715	12,542,464	45.32	20.59	12	2,582,372
0.0715 - 0.3335	26,946,971	45.07	31.22	5,634	8,413,508
0.3335 - 4.8305	5,173,465	45.31	71.46	3,781	3,696,875
4.8305 - 24.0203	67,592	49.12	251.27	–	169,839
100	188,385	37.50	–	–	–
Total for Bank Exposures	44,918,877			9,427	14,862,594
Corporate (excluding Specialised Lending and firm-size adjustments)					
0.0000 - 0.1200	18,428,983	45.00	26.24	776,972	4,834,888
0.1200 - 0.6440	20,070,889	44.75	52.83	672,217	10,604,444
0.6440 - 2.4750	21,377,969	45.14	96.14	425,841	20,552,848
2.4750 - 100	8,117,376	49.34	159.22	92,177	12,924,834
100	2,453,143	36.62	0.13	9,996	3,104
Total for Corporate (excluding Specialised Lending and firm-size adjustments)	70,448,361			1,977,204	48,920,118
Corporate (with firm-size adjustment)					
0.0000 - 0.1200	3,010,216	44.43	20.50	423,058	617,058
0.1200 - 0.6440	18,218,133	41.31	43.83	939,857	7,985,117
0.6440 - 2.4750	22,070,414	42.93	75.57	704,909	16,678,494
2.4750 - 100	10,942,001	42.42	118.13	166,326	12,925,324
100	2,202,037	42.60	–	9,577	–
Total for Corporate (with firm-size adjustment)	56,442,800			2,243,726	38,205,993
Total Non-Retail Exposures	**171,810,038**			**4,230,352**	**101,988,705**

credit risk

Table 16: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank

31.12.2011 PD Range %	EAD Post CRM	Exposure Weighted Average LGD	Exposure Weighted Average Risk Weight	Undrawn commitments	RWA
	RM'000	%	%	RM'000	RM'000
<u>Non-Retail Exposures</u>					
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**
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 16: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank (cont'd.)

30.6.2011 PD Range %	EAD Post CRM RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weight %	Undrawn commitments RM'000	RWA RM'000
<u>Non-Retail Exposures</u>					
Bank					
0.0000 - 0.0715	11,125,669	45.63	20.55	12	2,286,506
0.0715 - 0.3335	30,603,386	45.14	34.10	5,634	10,437,229
0.3335 - 4.8305	6,443,325	45.61	81.78	2,500	5,269,137
4.8305 - 24.0203	88,264	53.24	247.27	–	218,247
100	188,385	30.00	–	–	–
Total for Bank Exposures	48,449,029			8,146	18,211,119
Corporate (excluding Specialised Lending and firm-size adjustments)					
0.0000 - 0.1200	15,990,254	45.00	26.02	645,871	4,160,873
0.1200 - 0.6440	18,135,057	44.41	52.76	603,402	9,567,411
0.6440 - 2.4750	19,241,884	44.90	96.73	337,312	18,613,170
2.4750 - 100	7,115,872	53.83	159.61	89,081	11,357,331
100	2,301,345	29.30	0.13	9,996	2,974
Total for Corporate (excluding Specialised Lending and firm-size adjustments)	62,784,412			1,685,662	43,701,759
Corporate (with firm-size adjustment)					
0.0000 - 0.1200	2,570,553	44.00	20.62	396,356	530,066
0.1200 - 0.6440	15,372,746	42.27	44.43	870,343	6,829,603
0.6440 - 2.4750	19,799,374	42.08	74.91	653,123	14,832,079
2.4750 - 100	9,476,973	41.36	113.98	156,720	10,801,547
100	1,838,358	41.69	–	9,203	–
Total for Corporate (with firm-size adjustment)	49,058,004			2,085,746	32,993,296
Total Non-Retail Exposures	**160,291,445**			**3,779,553**	**94,906,174**

credit risk

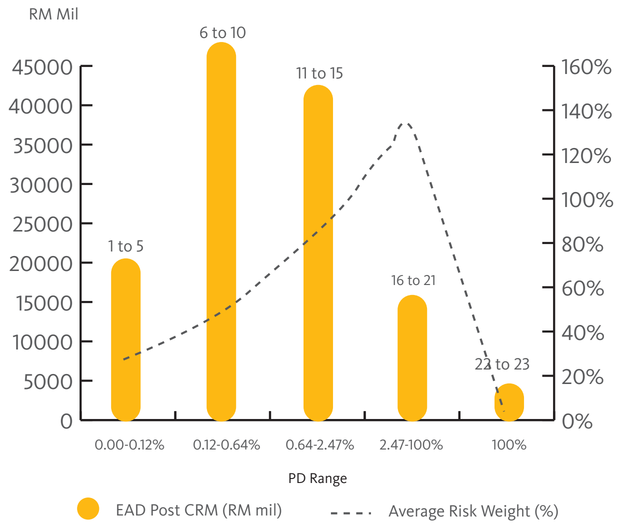
Table 17: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank Islamic

31.12.2011 PD Range %	EAD Post CRM	Exposure Weighted Average LGD	Exposure Weighted Average Risk Weight	Undrawn commitments	RWA
	RM'000	%	%	RM'000	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	8,769,320			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)	7,768,437			163,398	5,725,711
Total Non-Retail Exposures	24,603,004			448,718	14,834,502

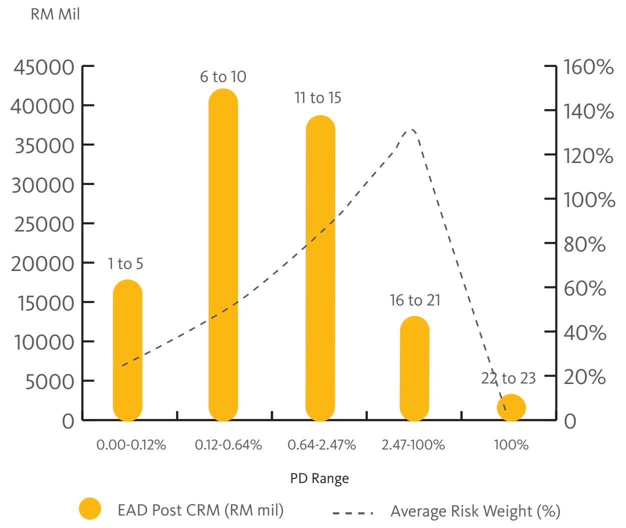
Table 17: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank Islamic

30.6.2011 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	1,416,795	45.00	20.88	–	295,866
0.0715 - 0.3335	1,836,785	45.00	36.30	–	666,674
0.3335 - 4.8305	1,020,698	45.00	78.87	1,281	805,003
4.8305 - 24.0203	1,127	45.00	190.40	–	2,146
100	–	45.00	–	–	–
Total for Bank Exposures	4,275,405			1,281	1,769,690
Corporate (excluding Specialised Lending and firm-size adjustments)					
0.0000 - 0.1200	2,438,729	45.00	27.64	131,102	674,015
0.1200 - 0.6440	1,935,832	45.09	53.57	68,816	1,037,033
0.6440 - 2.4750	2,136,086	45.38	90.81	88,529	1,939,677
2.4750 - 100	1,001,504	44.85	156.51	3,096	1,567,503
100	151,798	43.94	0.09	–	130
Total for Corporate (excluding Specialised Lending and firm-size adjustments)	7,663,949			291,543	5,218,359
Corporate (with firm-size adjustment)					
0.0000 - 0.1200	439,663	44.85	19.79	26,702	86,992
0.1200 - 0.6440	2,845,387	40.35	40.61	69,514	1,155,514
0.6440 - 2.4750	2,271,039	43.77	81.30	51,785	1,846,415
2.4750 - 100	1,465,027	43.49	144.97	9,605	2,123,777
100	363,679	43.50	–	374	–
Total for Corporate (with firm-size adjustment)	7,384,796			157,981	5,212,698
Total Non-Retail Exposures	**19,324,150**			**450,804**	**12,200,746**

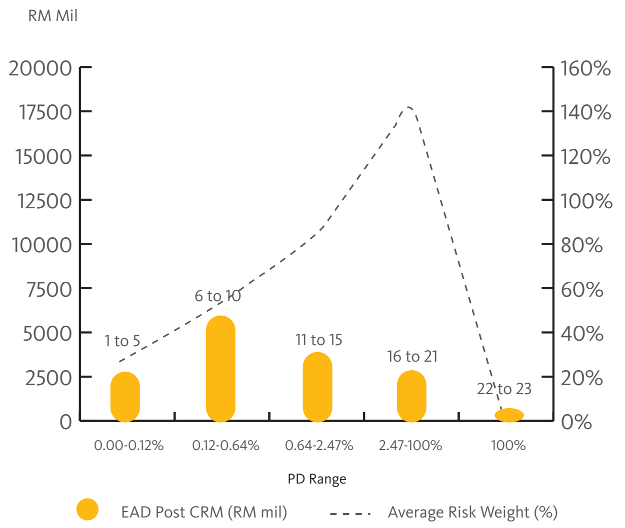
credit risk



Most of the Group's corporate exposures, amounting to 37% are concentrated on the better PD range of 0.12% to 0.64% and another 32% of the exposures are from PD ranges of >0.64% to 2.47%. Grade 22 and 23 are bad grades.



Similary at the Bank level, about 36.44% of the corporate exposures are concentrated on the better PD ranges of 0.12% to 0.64% and another 33.47% of the exposures are from PD ranges of >0.64% to 2.47%, whilst 11.39% are in the worst performing grade of 21.



For MIB, about 37.20% of the corporate exposures are concentrated on the better PD ranges of 0.12% to 0.64%, and another 24.88% of the exposures are from PD ranges of >0.64% to 2.47%, whilst 2.82% are in the range grade of 22 to 23.

4.6 Retail portfolios

The Group's Retail portfolios are under Basel II AIRB Approach. 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 and Singapore) • Other Property-Based Loan (Malaysia) • Staff Housing Loan (Malaysia)
Qualifying Revolving Retail Exposure (QRRE)	• Credit Card (Malaysia and Singapore)
Other Retail	• Auto Loan (Malaysia and 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 Standardised Approach (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 SandP'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	Rating Definition	Likely SandP Rating Equivalent	Likely RAM rating equivalent
Very Low	R1	Excellent	BBB to AAA	A to AAA
	R2	Very Strong	BBB-	A
Low	R3	Strong	BB+	A
	R4	Very Strong	BB- to BB	BBB
	R5	Good	BB-	
Moderate	R6	Moderate	B to B	BB
	R7	Satisfactory	B- to B	
	R8	Weak	CCC to B-	B
High	R9	Risky	CCC	C to B
	R10	Very Risky	C	C
	R11	Extremely Risky		

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.

credit risk

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 18 through 20 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.

At A Glance
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Table 18: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank Group

31.12.2011 PD Range %	EAD Post CRM	Exposure Weighted Average LGD	Exposure Weighted Average Risk Weight	Undrawn commitments	RWA
	RM'000	%	%	RM'000	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	37,757,461			283,564	14,557,052
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			–	11,515,694
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	114,449,123			7,961,212	38,934,691

credit risk

Table 18: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank Group (cont'd.)

30.6.2011 PD Range %	EAD Post CRM	Exposure Weighted Average LGD	Exposure Weighted Average Risk Weight	Undrawn commitments	RWA
	RM'000	%	%	RM'000	RM'000
Retail Exposures					
Residential Mortgages					
0.0000 - 0.5900	7,497,184	21.93	15.85	–	1,188,356
0.5900 - 3.3330	20,014,843	27.70	43.42	–	8,689,470
3.3330 - 18.750	3,631,548	27.02	96.82	–	3,516,184
18.750 - 100	947,134	21.39	117.90	–	1,116,659
100	743,691	74.34	68.16	–	506,910
Total for Residential Mortgages Exposures	32,834,399			–	15,017,578
Qualifying Revolving Retail Exposure					
0.0000 - 0.5900	2,983,507	77.73	13.03	1,766,357	388,846
0.5900 - 3.3330	3,239,662	77.14	40.05	1,261,666	1,297,442
3.3330 - 18.750	1,010,330	75.79	114.24	158,679	1,154,202
18.750 - 100	311,262	76.46	226.06	62,332	703,647
100	5,155	74.74	48.89	63	2,520
Total for Qualifying Revolving Retail Exposures	7,549,916			3,249,097	3,546,658
Hire Purchase Exposure					
0.0000 - 0.5900	17,910,058	50.78	21.94	–	3,929,234
0.5900 - 3.3330	9,534,102	52.52	54.04	–	5,152,356
3.3330 - 18.750	2,961,143	47.34	74.05	–	2,192,795
18.750 - 100	384,943	47.84	116.63	–	448,940
100	143,298	95.86	60.23	–	86,307
Total Hire Purchase Exposures	30,933,544			–	11,809,632
Other Retail Exposure					
0.0000 - 0.5900	896,370	28.48	19.63	3,917	175,949
0.5900 - 3.3330	8,945,042	22.29	28.32	2,683	2,532,876
3.3330 - 18.750	12,124,957	12.20	20.36	744	2,468,225
18.750 - 100	2,268,597	15.73	33.76	1,620	765,974
100	361,104	71.67	90.30	–	326,091
Total Other Retail Exposures	24,596,071			8,964	6,269,116
Total Retail Exposures	**95,913,930**			**3,258,061**	**36,642,984**

Table 19: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank

31.12.2011 PD Range %	EAD Post CRM	Exposure Weighted Average LGD	Exposure Weighted Average Risk Weight	Undrawn commitments	RWA
	RM'000	%	%	RM'000	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			225,783	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	7,842,662			3,521,893	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	6,709,671
Total Retail Exposures	81,990,530			7,234,805	27,741,084

credit risk

Table 19: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank (cont'd.)

30.6.2011 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	7,185,217	22.70	15.82	–	1,136,477
0.5900 - 3.3330	16,783,188	27.78	42.71	–	7,168,595
3.3330 - 18.750	2,879,773	26.60	95.94	–	2,762,839
18.750 - 100	748,884	20.82	116.52	–	872,603
100	629,878	75.09	68.14	–	429,220
Total for Residential Mortgages Exposures	28,226,939			–	12,369,734
Qualifying Revolving Retail Exposure					
0.0000 - 0.5900	2,889,165	80.82	13.08	1,766,357	378,001
0.5900 - 3.3330	3,067,332	79.66	40.09	1,261,666	1,229,679
3.3330 - 18.750	940,210	76.95	114.38	158,679	1,075,410
18.750 - 100	292,923	78.28	226.65	62,332	663,915
100	4,530	74.85	45.34	63	2,054
Total for Qualifying Revolving Retail Exposures	7,194,160			3,249,097	3,349,059
Hire Purchase Exposure					
0.0000 - 0.5900	7,396,531	49.01	22.29	–	1,648,797
0.5900 - 3.3330	6,529,513	49.18	52.19	–	3,407,801
3.3330 - 18.750	1,961,856	45.20	71.61	–	1,404,868
18.750 - 100	211,426	44.81	111.15	–	234,999
100	96,811	95.25	59.32	–	57,429
Total Hire Purchase Exposures	16,196,137			–	6,753,894
Other Retail Exposure					
0.0000 - 0.5900	831,636	29.74	19.73	3,917	164,062
0.5900 - 3.3330	7,020,807	23.23	28.91	2,683	2,029,931
3.3330 - 18.750	6,149,544	13.31	21.60	744	1,328,338
18.750 - 100	829,333	20.57	48.32	1,620	400,754
100	256,663	73.94	93.91	–	241,044
Total Other Retail Exposures	15,087,983			8,964	4,164,129
Total Retail Exposures	**66,705,219**			**3,258,061**	**26,636,815**

Table 20: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank Islamic

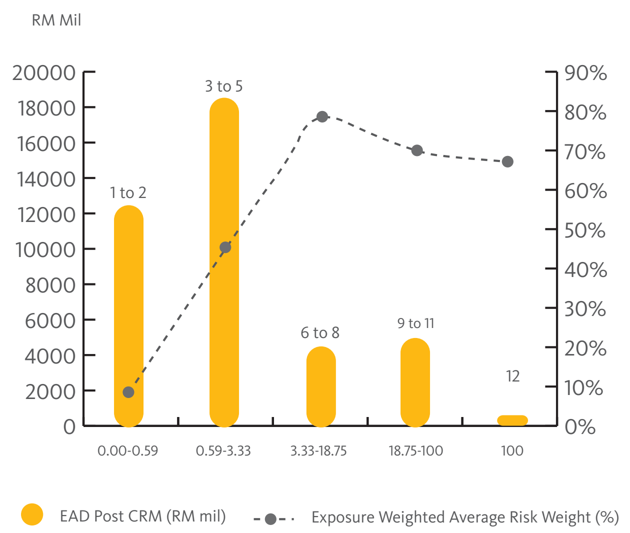
31.12.2011 PD Range %	EAD Post CRM	Exposure Weighted Average LGD	Exposure Weighted Average Risk Weight	Undrawn commitments	RWA
	RM'000	%	%	RM'000	RM'000
Retail Exposures					
Residential Mortgages					
0.0000 - 0.5900	451,175	20.64	12.77	4,174	57,601
0.5900 - 3.3330	3,908,832	25.64	52.34	33,844	2,045,832
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	3,342,245
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	15,436,438			–	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	32,413,661			726,407	11,193,607

credit risk

Table 20: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank Islamic (cont'd.)

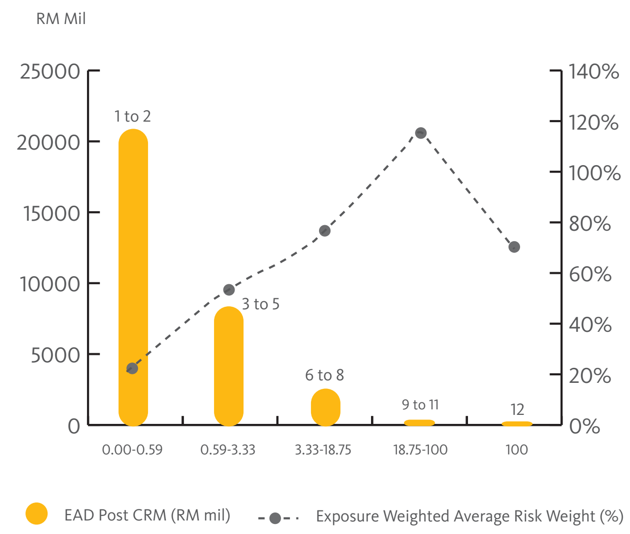
30.6.2011 PD Range %	EAD Post CRM	Exposure Weighted Average LGD	Exposure Weighted Average Risk Weight	Undrawn commitments	RWA
	RM'000	%	%	RM'000	RM'000
Retail Exposures					
Residential Mortgages					
0.0000 - 0.5900	311,967	21.16	16.63	–	51,879
0.5900 - 3.3330	3,231,654	27.62	47.06	–	1,520,875
3.3330 - 18.750	751,775	27.44	100.21	–	753,345
18.750 - 100	198,250	21.96	123.10	–	244,055
100	113,813	73.60	68.26	–	77,690
Total for Residential Mortgages Exposures	4,607,460			–	2,647,844
Qualifying Revolving Retail Exposure					
0.0000 - 0.5900	94,343	74.63	11.50	–	10,845
0.5900 - 3.3330	172,330	74.63	39.32	–	67,764
3.3330 - 18.750	70,120	74.63	112.37	–	78,792
18.750 - 100	18,339	74.63	216.65	–	39,732
100	625	74.63	74.64	–	467
Total for Qualifying Revolving Retail Exposures	355,756			–	197,600
Hire Purchase Exposure					
0.0000 - 0.5900	10,513,527	52.55	21.69	–	2,280,437
0.5900 - 3.3330	3,004,589	55.87	58.06	–	1,744,555
3.3330 - 18.750	999,287	49.49	78.85	–	787,926
18.750 - 100	173,518	50.88	123.30	–	213,941
100	46,487	96.46	62.12	–	28,878
Total Hire Purchase Exposures	14,737,407			–	5,055,738
Other Retail Exposure					
0.0000 - 0.5900	64,734	27.22	18.36	–	11,888
0.5900 - 3.3330	1,924,236	21.35	26.14	–	502,946
3.3330 - 18.750	5,975,414	11.09	19.08	–	1,139,887
18.750 - 100	1,439,264	10.89	25.38	–	365,220
100	104,441	69.40	81.43	–	85,047
Total Other Retail Exposures	9,508,088			–	2,104,987
Total Retail Exposures	**29,208,711**			**–**	**10,006,169**

Residential Mortgages by PD Bands for Maybank Group



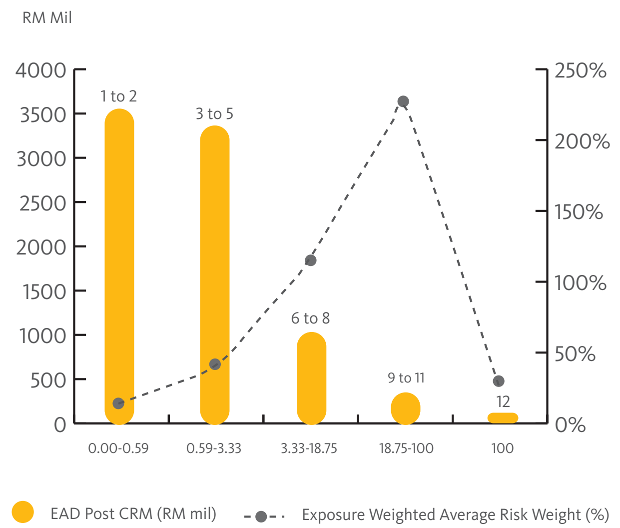
Maybank Group's residential mortgages profiles are concentrated in the better grades of 1 to 5, with PD ranges of 0.00 – 3.33%.

Hire Purchase Exposures by PD Bands for Maybank Group



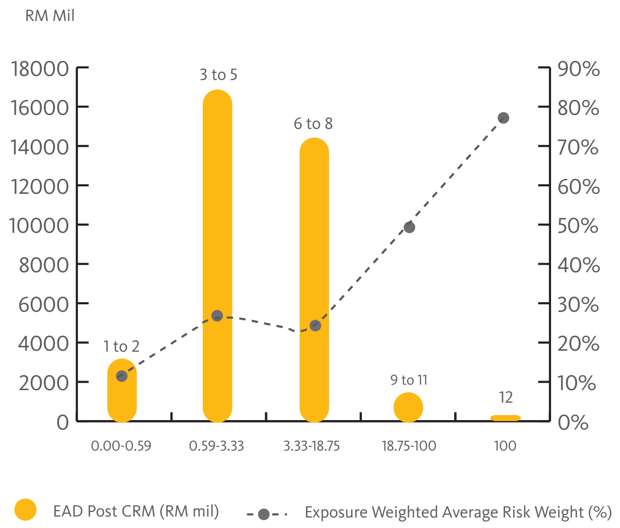
For Hire Purchase portfolio, the majority of the exposure are concentrated in the better grades of 1 to 2, with PD range of 0.00 – 0.59%.

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%.

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 3 to 8, with PD range of 0.59 – 18.75%.

credit risk

4.7 Independent Model Validation

At the Group, credit IRB models are validated at the initial development, and at least annually thereafter, 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 (MVAC) for deliberation and subsequently to the ERC for endorsement and RMC for approval. Validation techniques include both quantitative and qualitative analyses to test the appropriateness and effectiveness of the IRB models used.

Scope and Frequency of Model Validation

Validation of credit risk models refers to a range of processes and 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 required.

The validation processes are also subject to an independent review by the Internal Auditors, which is performed on a regular basis.

4.8 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 21 through 23 show the credit risk mitigation analysis under SA approach for the Group, the Bank and MIB, respectively, whilst Tables 23 through 25 show the credit risk mitigation analysis under the IRB approach.

Table 21: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank Group

31.12.2011 Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	RM'000	RM'000	RM'000	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 and Multilateral Development Banks	3,771,959	–	384	–
Insurance Companies, Securities Firms and 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	**147,715,627**	**112,187**	**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	**153,301,891**	**112,243**	**1,897,931**	**245,141**

credit risk

Table 21: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank Group (cont'd.)

30.6.2011 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	54,705,562	–	–	5,407,598
Public Sector Entities	1,151,834	–	6,233	–
Banks, Development Financial Institutions and Multilateral Development Banks	4,488,478	–	4,622	1,020,903
Insurance Companies, Securities Firms and Fund Managers	824,292	–	641	–
Corporates	40,029,502	1,907,750	3,539,262	–
Regulatory Retail	23,403,352	–	1,845,737	8,623,194
Residential Mortgage	4,484,692	–	909	2,172,086
Higher Risk Assets	668,565	–	–	–
Other Assets	21,407,711	–	387,043	420,454
Securitisation Exposures	608,477	–	–	–
Equity Exposure	118,047	–	–	–
Defaulted Exposures	419,670	60,232	6,650	–
Total On-Balance Sheet Exposures	152,310,182	1,967,982	5,791,095	17,644,234
Off-Balance Sheet Exposures				
OTC Derivatives	276,090	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,458,709	69	166,899	114,421
Defaulted Exposures	112	–	–	–
Total for Off-Balance Sheet Exposures	3,734,911	69	166,899	114,421
Total On and Off-Balance Sheet Exposures	**156,045,093**	**1,968,052**	**5,957,995**	**17,758,655**

Table 22: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank

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 and Multilateral Development Banks	–	–	–	–
Insurance Companies, Securities Firms and 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**	**912,214**	**245,141**

credit risk

Table 22: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank (cont'd.)

30.6.2011 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	34,024,308	–	–	–
Public Sector Entities	1,021,772	–	2,298	–
Banks, Development Financial Institutions and Multilateral Development Banks	–	–	–	–
Insurance Companies, Securities Firms and Fund Managers	64,000	–	641	–
Corporates	13,699,173	215,594	370,705	–
Regulatory Retail	9,317,368	–	396,578	–
Residential Mortgage	2,118,081	–	207	–
Higher Risk Assets	481,634	–	–	–
Other Assets	23,114,178	–	–	–
Securitisation Exposures	608,477	–	–	–
Equity Exposure	60,071	–	–	–
Defaulted Exposures	225,090	56,887	5,203	–
Total On-Balance Sheet Exposures	84,734,152	272,481	775,631	–
Off-Balance Sheet Exposures				
OTC Derivatives	276,090	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	2,629,745	69	165,256	–
Defaulted Exposures	112	–	–	–
Total for Off-Balance Sheet Exposures	2,905,947	69	165,256	–
Total On and Off-Balance Sheet Exposures	**87,640,099**	**272,550**	**940,888**	**–**

Table 23: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank Islamic

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 Companies, Securities Firms and 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**	**–**

credit risk

Table 23: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank Islamic (cont'd.)

30.6.2011 **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	14,148,422	–	–	–
Public Sector Entities	92,791	–	3,935	–
Insurance Companies, Securities Firms and Fund Managers	377	–	–	–
Corporates	1,847,808	2,865	3,970	–
Regulatory Retail	1,266,916	–	14,898	–
Residential Mortgage	193,166	–	–	–
Higher Risk Assets	22,781	–	–	–
Other Assets	1,631,593	–	–	–
Defaulted Exposures	10,949	3,345	1,044	–
Total On-Balance Sheet Exposures	19,214,803	6,210	23,847	–
Off-Balance Sheet Exposures				
OTC Derivatives	–	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	155,588	–	1,643	–
Defaulted Exposures	–	–	–	–
Total for Off-Balance Sheet Exposures	155,588	–	1,643	–
Total On and Off-Balance Sheet Exposures	**19,370,391**	**6,210**	**25,490**	**–**

Table 24: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Group

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 and Multilateral Development Banks	**50,251,862**	–	–	–
Corporate Exposures	**111,203,418**	**1,272,858**	**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)	**1,367,955**	–	–	–
i) 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**	**1,368,710**	**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**	**1,372,034**	**3,002,409**	**10,826,916**

credit risk

Table 24: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Group (cont'd.)

30.6.2011 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 and Multilateral Development Banks	39,066,005	–	–	–
Corporate Exposures	110,094,051	641,778	1,987,753	12,387,953
a) Corporates (excluding Specialised Lending and firm-size adjustments)	61,517,760	626,613	190,552	4,716,568
b) Corporates (with firm-size adjustment)	47,851,331	15,166	1,797,201	7,671,385
c) Specialised Lending (Slotting Approach)	724,961	–	–	–
i) Project Finance	724,961	–	–	–
Retail Exposures	90,908,875	–	–	–
a) Residential Mortgages	32,090,708	–	–	–
b) Qualifying Revolving Retail Exposures	4,233,154	–	–	–
c) Hire Purchase Exposures	30,356,492	–	–	–
d) Other Retail Exposures	24,228,521	–	–	–
Defaulted Exposures	4,080,641	4,715	3,756	31,542
Total On-Balance Sheet Exposures	244,149,572	646,494	1,991,509	12,419,495
Off-Balance Sheet Exposures				
OTC Derivatives	5,163,650	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	19,067,868	13,027	275,058	289,893
Defaulted Exposures	94,911	–	–	583
Total for Off-Balance Sheet Exposures	24,326,428	13,027	275,058	290,475
Total On and Off-Balance Sheet Exposures	**268,476,001**	**659,520**	**2,266,568**	**12,709,970**

Table 25: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank

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 and Multilateral Development Banks	**50,469,618**	–	–	–
Corporate Exposures	**96,521,273**	643,082	2,292,216	9,835,968
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)	**692,053**	–	–	–
i) Project Finance	**692,053**	–	–	–
Retail Exposures	**74,494,069**	–	–	–
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	**225,376,461**	**732,838**	**2,465,593**	**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	**254,635,128**	**735,974**	**2,860,935**	**10,296,659**

credit risk

Table 25: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank (cont'd.)

30.6.2011 Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	RM'000	RM'000	RM'000	RM'000
Credit Risk				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions and Multilateral Development Banks	42,715,334	–	–	–
Corporate Exposures	97,912,704	610,155	1,649,393	11,716,186
a) Corporates (excluding Specialised Lending and firm-size adjustments)	55,574,853	594,990	177,324	4,687,875
b) Corporates (with firm-size adjustment)	41,631,135	15,166	1,472,069	7,028,310
c) Specialised Lending (Slotting Approach)	706,716	–	–	–
i) Project Finance	706,716	–	–	–
Retail Exposures	62,465,358	–	–	–
a) Residential Mortgages	27,597,061	–	–	–
b) Qualifying Revolving Retail Exposures	3,944,010	–	–	–
c) Hire Purchase Exposures	16,099,325	–	–	–
d) Other Retail Exposures	14,824,961	–	–	–
Defaulted Exposures	3,408,119	–	–	–
Total On-Balance Sheet Exposures	206,501,515	610,155	1,649,393	11,716,186
Off-Balance Sheet Exposures				
OTC Derivatives	5,013,674	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	16,094,912	11,142	261,645	284,611
Defaulted Exposures	94,911	–	–	583
Total for Off-Balance Sheet Exposures	21,203,496	11,142	261,645	285,194
Total On and Off-Balance Sheet Exposures	**227,705,011**	**621,297**	**1,911,038**	**12,001,379**

Table 26: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Islamic

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 and Multilateral Development Banks	**8,622,533**	–	–	–
Corporate Exposures	**14,682,146**	**629,776**	**112,698**	**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)	**675,902**	–	–	–
i) Project Finance	**675,902**	–	–	–
Retail Exposures	**30,398,140**	–	–	–
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**	**118,151**	**525,818**
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	**3,468,707**	**188**	**23,322**	**4,439**
Total On and Off-Balance Sheet Exposures	**57,692,566**	**636,060**	**141,473**	**530,257**

credit risk

Table 26: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Islamic (cont'd.)

30.6.2011 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 and Multilateral Development Banks	4,204,353	–	–	–
Corporate Exposures	13,489,062	31,623	338,360	671,767
a) Corporates (excluding Specialised Lending and firm-size adjustments)	7,036,720	31,623	13,228	28,692
b) Corporates (with firm-size adjustment)	6,434,097	–	325,132	643,075
c) Specialised Lending (Slotting Approach)	18,245	–	–	–
i) Project Finance	18,245	–	–	–
Retail Exposures	28,877,270	–	–	–
a) Residential Mortgages	4,493,647	–	–	–
b) Qualifying Revolving Retail Exposures	289,144	–	–	–
c) Hire Purchase Exposures	14,690,920	–	–	–
d) Other Retail Exposures	9,403,559	–	–	–
Defaulted Exposures	675,550	4,715	3,756	31,542
Total On-Balance Sheet Exposures	47,246,235	36,338	342,116	703,309
Off-Balance Sheet Exposures				
OTC Derivatives	69,053	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,261,260	1,885	13,414	5,282
Defaulted Exposures	–	–	–	–
Total for Off-Balance Sheet Exposures	1,330,313	1,885	13,414	5,282
Total On and Off-Balance Sheet Exposures	48,576,548	38,223	355,530	708,591

4.9 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 in accordance to the Group's Basel II Master Plan.

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 and 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+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-	B+ to B-
5	CCC and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below	CCC+ and below
6	Unrated					

Rating Category	S & P	Moody's	Fitch	RAM	MARC	Rating and 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 27 through 29 show the disclosure on risk weights under SA for the Group, the Bank and MIB, respectively.

Tables 30 through 32 further show the rated exposures by ECAIs for the Group, the Bank and MIB, respectively.

credit risk

Table 27: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank Group

31.12.2011

Exposures after Netting and Credit Risk Mitigation

Risk weights	Sovereigns and Central Banks	PSEs	Banks, Multilateral development Banks and FDIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Securiti-sation	Equity	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	62,014,330	1,013,303	4,090,534	554,297	45,572,270	14,796,768	2,101,454	611,777	19,195,945	1,012,355	580,746	151,543,780	70,655,915

Table 27: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank Group (cont'd.)

30.6.2011	Exposures after Netting and Credit Risk Mitigation												
Risk weights	Sovereigns and Central Banks	PSEs	Banks, Multilateral development Banks and FDIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Securiti-sation	Equity	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	49,616,495	–	–	–	2,767,694	247,794	1,601	–	16,998,439	–	–	69,632,022	–
10%	–	–	–	–	–	–	–	–	–	–	–	–	–
20%	317,184	156,740	1,627,801	–	356,417	10,093	151	–	2,234,020	–	–	4,702,407	940,481
35%	–	–	–	–	–	–	3,085,595	–	–	–	–	3,085,595	1,079,958
50%	27,651	–	1,887,727	30,393	1,320,412	23,440	151,489	–	–	–	–	3,441,113	1,720,556
75%	–	–	–	–	–	19,812,252	1,158,197	–	–	–	–	20,970,449	15,727,837
90%	–	–	–	–	–	–	–	–	–	–	–	–	–
100%	5,050,685	992,689	815,978	990,244	27,298,010	580,295	81,572	–	2,313,823	–	61,013	38,184,308	38,184,308
110%	–	–	–	–	–	479	–	–	–	–	–	479	527
125%	–	–	–	–	–	–	–	–	–	–	–	–	–
135%	–	–	–	–	–	–	–	–	–	–	–	–	–
150%	–	13,204	30,414	–	531,783	27,537	–	749,219	14,220	–	57,917	1,424,293	2,136,440
Total	55,012,015	1,162,633	4,361,919	1,020,637	32,274,315	20,701,890	4,478,605	749,219	21,560,502	–	118,930	141,440,667	59,790,108

credit risk

Table 28: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank

31.12.2011	Exposures after Netting and Credit Risk Mitigation												
Risk weights	Sovereigns and Central Banks	PSEs	Banks, Multilateral Development Banks and FDIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securiti-sation	Equity	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	43,475,648	864,351	–	223,660	25,545,435	5,093,890	768,023	472,896	17,425,057	–	1,012,355	567,104	95,448,418	38,834,291

Table 28: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank (cont'd.)

30.6.2011	Exposures after Netting and Credit Risk Mitigation													
Risk weights	Sovereigns and Central Banks	PSEs	Banks, Multilateral Development Banks and FDIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securiti-sation	Equity	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	33,530,102	–	–	–	33,380	–	–	–	15,810,736	–	–	–	49,374,218	–
10%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
20%	256,724	140,708	–	–	223,956	–	–	–	2,063,843	–	–	–	2,685,231	537,046
35%	–	–	–	–	–	–	953,952	–	–	–	–	–	953,952	333,883
50%	–	–	–	30,393	1,254,755	21,890	123,474	–	–	–	–	–	1,430,513	715,256
75%	–	–	–	–	–	9,085,760	1,052,864	–	–	–	–	–	10,138,624	7,603,968
90%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
100%	543,936	881,654	–	229,376	13,774,396	–	59,877	–	5,329,136	–	–	60,071	20,878,448	20,878,448
110%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
125%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
135%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150%	–	–	–	–	56,471	796	–	558,625	13,857	–	–	–	629,749	944,623
Total	34,330,762	1,022,362	–	259,770	15,342,959	9,108,446	2,190,167	558,625	23,217,572	–	–	60,071	86,090,735	31,393,376
0%	**12,498,099**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,842,280**	**–**	**–**	**–**	**14,340,379**	**–**

Table 29: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank Islamic

31.12.2011	Exposures after Netting and Credit Risk Mitigation													
Risk weights	Sovereigns and Central Banks	PSEs	Banks, Multilateral Development Banks and FDIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securiti-sation	Equity	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	–	–	–	18,767,374	4,153,679

Table 29: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank Islamic (cont'd.)

30.6.2011	Exposures after Netting and Credit Risk Mitigation													
Risk weights	Sovereigns and Central Banks	PSEs	Banks, Multilateral Development Banks and FDIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securiti-sation	Equity	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	14,087,962	–	–	–	–	–	–	–	926,458	–	–	–	15,014,419	–
10%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
20%	60,460	16,033	–	–	–	–	–	–	169,247	–	–	–	245,740	49,148
35%	–	–	–	–	–	–	60,730	–	–	–	–	–	60,730	21,255
50%	–	–	–	–	–	1,398	27,357	–	–	–	–	–	28,755	14,377
75%	–	–	–	–	–	1,252,018	105,333	–	–	–	–	–	1,357,351	1,018,013
90%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
100%	–	73,763	–	953	1,997,258	–	3,600	–	535,888	–	–	–	2,611,462	2,611,462
110%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
125%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
135%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150%	–	–	–	–	–	–	–	26,444	–	–	–	–	26,444	39,666
Total	14,148,422	89,796	–	953	1,997,258	1,253,416	197,020	26,444	1,631,593	–	–	–	19,344,901	3,753,922

credit risk

Table 30: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank Group

31.12.2011	Rating Categories 1	2	3	4	5	6	Total
Exposure Class	**RM'000**	**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 Companies, Securities Firms and 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	62,014,330
c) Ratings of Banking Institutions							
Banks, Multilateral Development Banks and FDIs	1,112,643	103,081	–	248,932	5,212	2,620,666	4,090,534
2 Unrated Exposures							
Total Exposures	60,422,154	2,006,802	1,096,878	372,037	5,212	49,340,378	113,243,461

	Rating Categories 1	2	3	4	5	Total
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1 Rated Exposures						
a) Short Term Ratings of Banking Institutions and Corporate:						
Banks, Multilateral Development Banks and FDIs	–	–	–	–	–	–
2 Unrated Exposures						
Total Exposures	–	–	–	–	–	–

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Table 30: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank Group (cont'd.)

30.6.2011	Rating Categories						
	1	2	3	4	5	6	Total
Exposure Class	**RM'000**	**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	156,740	–	–	–	1,005,892	–	1,162,633
Insurance Companies, Securities Firms and Fund Managers	–	30,393	–	–	990,244	–	1,020,638
Corporates	356,417	1,320,412	94,755	204,319	27,530,528	–	29,506,431
b) Ratings of Sovereigns and Central Banks:							
Sovereigns and Central Banks	47,618,064	317,185	27,651	3,154,768	–	3,894,348	55,012,016
c) Ratings of Banking Institutions							
Banks, Multilateral Development Banks and FDIs	1,246,530	211,026	21,743	785,563	–	1,653,281	3,918,144
2 Unrated Exposures	–	–	–	–	–	–	–
Total Exposures	49,377,752	1,879,016	144,149	4,144,650	29,526,665	5,547,629	90,619,861

	Rating Categories					
	1	2	3	4	5	Total
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off Balance Sheet Exposures						
1 Rated Exposures						
a) Short Term Ratings of Banking Institutions and Corporate:						
Banks, Multilateral Development Banks and FDIs	411,685	1,677	30,414	–	–	443,776
2 Unrated Exposures	–	–	–	–	–	–
Total Exposures	411,685	1,677	30,414	–	–	443,776

credit risk

Table 31: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank

	Rating Categories						
31.12.2011	**1**	**2**	**3**	**4**	**5**	**6**	**Total**
Exposure Class	**RM'000**	**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 Companies, Securities Firms and Fund Managers	**–**	**–**	**–**	**–**	**–**	**223,660**	**223,660**
Corporates	**62,074**	**1,622,248**	**1,042,943**	**–**	**–**	**22,818,171**	**25,545,435**
b) Ratings of Sovereigns and Central Banks:							
Sovereigns and Central Banks	**41,971,172**	**102,053**	**–**	**–**	**–**	**1,402,422**	**43,475,648**
c) Ratings of Banking Institutions							
Banks, Multilateral Development Banks and FDIs	–	–	–	–	–	–	–
2 Unrated Exposures	–	–	–	–	–	–	–
Total Exposures	**42,237,674**	**1,724,301**	**1,042,943**	**–**	**–**	**25,104,177**	**70,109,094**

	Rating Categories					
	1	**2**	**3**	**4**	**5**	**Total**
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1 Rated Exposures						
a) Short Term Ratings of Banking Institutions and Corporate:						
Banks, Multilateral Development Banks and FDIs	–	–	–	–	–	–
2 Unrated Exposures	–	–	–	–	–	–
Total Exposures	–	–	–	–	–	–

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Table 31: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank (cont'd.)

30.6.2011	Rating Categories						
	1	2	3	4	5	6	Total
Exposure Class	**RM'000**	**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	140,708	–	–	–	–	881,654	1,022,362
Insurance Companies, Securities Firms and Fund Managers	–	30,393	–	–	–	229,376	259,770
Corporates	223,956	1,254,755	–	56,471	–	13,774,396	15,309,579
b) Ratings of Sovereigns and Central Banks:							
Sovereigns and Central Banks	33,530,102	256,725	–	–	–	543,936	34,330,763
c) Ratings of Banking Institutions							
Banks, Multilateral Development Banks and FDIs	–	–	–	–	–	–	–
2 Unrated Exposures	–	–	–	–	–	–	–
Total Exposures	33,894,766	1,541,874	–	56,471	–	15,429,363	50,922,474

	Rating Categories					
	1	2	3	4	5	Total
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1 Rated Exposures						
a) Short Term Ratings of Banking Institutions and Corporate:						
Banks, Multilateral Development Banks and FDIs	–	–	–	–	–	–
2 Unrated Exposures	–	–	–	–	–	–
Total Exposures	–	–	–	–	–	–

credit risk

Table 32: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank Islamic

	Rating Categories						
31.12.2011	**1**	**2**	**3**	**4**	**5**	**6**	**Total**
Exposure Class	**RM'000**	**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 Companies, Securities Firms and 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, Multilateral Development Banks and FDIs	–	–	–	–	–	–	–
2 Unrated Exposures	–	–	–	–	–	–	–
Total Exposures	**12,513,109**	–	–	–	–	**2,833,832**	**15,346,941**

	Rating Categories					
	1	**2**	**3**	**4**	**5**	**Total**
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1 Rated Exposures						
a) Short Term Ratings of Banking Institutions and Corporate:						
Banks, Multilateral Development Banks and FDIs	–	–	–	–	–	–
2 Unrated Exposures	–	–	–	–	–	–
Total Exposures	–	–	–	–	–	–

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Table 32: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank Islamic (cont'd.)

	Rating Categories						
30.6.2011	**1**	**2**	**3**	**4**	**5**	**6**	**Total**
Exposure Class	**RM'000**	**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	16,033	–	–	–	–	73,763	89,796
Insurance Companies, Securities Firms and Fund Managers	–	–	–	–	–	953	953
Corporates	–	–	–	–	–	1,997,258	1,997,258
b) Ratings of Sovereigns and Central Banks:							
Sovereigns and Central Banks	14,087,962	60,460	–	–	–	–	14,148,422
c) Ratings of Banking Institutions	–	–	–	–	–	–	–
Banks, Multilateral Development Banks and FDIs	–	–	–	–	–	–	–
2 Unrated Exposures	–	–	–	–	–	–	–
Total Exposures	**14,103,994**	**60,460**	**–**	**–**	**–**	**2,071,974**	**16,236,428**

	Rating Categories					
	1	**2**	**3**	**4**	**5**	**Total**
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1 Rated Exposures						
a) Short Term Ratings of Banking Institutions and Corporate:						
Banks, Multilateral Development Banks and FDIs	–	–	–	–	–	–
2 Unrated Exposures	–	–	–	–	–	–
Total Exposures	–	–	–	–	–	–

credit risk

4.10 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 originates 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 Guidelines 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 derivatives' 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.

Credit Support Annexes (CSA) is negotiated with counterparties on a case-by-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 or government securities.

Tables 33 through 35 show the off-balance sheet and counterparty credit risk exposures for the Group, the Bank and MIB, respectively.

Table 33: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank Group

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	4,924,288	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	306,278,569	38,313,638	21,078,127

credit risk

Table 33: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank Group (cont'd.)

30.6.2011 Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
Direct credit substitutes	6,228,691	6,227,511	4,099,984
Transaction related contingent items	10,865,076	5,432,538	4,249,138
Short-term self liquidating trade related contingencies	4,132,780	823,220	466,841
Assets sold with recourse	623,085	623,085	226,105
Foreign exchange related contracts	86,594,085	1,152,267	459,821
One year or less	73,596,336	999,219	341,316
Over one year to five years	12,391,864	98,952	65,569
Over five years	605,885	54,096	52,937
Interest/profit rate related contracts	65,140,980	4,302,465	2,201,983
One year or less	42,098,665	625,318	389,499
Over one year to five years	17,922,122	2,944,133	1,495,547
Over five years	5,120,193	733,014	316,936
Equity related contracts	964,258	–	–
One year or less	808,651	–	–
Over one year to five years	155,607	–	–
Over five years	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	30,229,097	6,027,366	2,818,245
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	16,888,745	3,377,523	1,577,558
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	9,679,934	–	–
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	476,824	95,365	71,442
Total	231,823,555	28,061,340	16,171,116

Table 34: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank

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	**84,574,566**	**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	**–**	**–**	**–**
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	**282,613,903**	**32,911,040**	**18,125,975**

credit risk

Table 34: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank (cont'd.)

30.6.2011 Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
Direct credit substitutes	5,900,949	5,899,769	3,915,147
Transaction related contingent items	9,871,258	4,935,629	3,801,327
Short-term self liquidating trade related contingencies	3,880,483	772,760	443,172
Assets sold with recourse	–	–	–
Foreign exchange related contracts	81,551,568	1,127,556	449,353
One year or less	69,241,688	974,508	330,847
Over one year to five years	11,703,995	98,952	65,569
Over five years	605,885	54,096	52,937
Interest/profit rate related contracts	62,464,765	4,251,097	2,176,864
One year or less	39,794,395	618,202	386,088
Over one year to five years	17,674,164	2,899,881	1,473,840
Over five years	4,996,206	733,014	316,936
Equity related contracts	964,258	–	–
One year or less	808,651	–	–
Over one year to five years	155,607	–	–
Over five years	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	28,619,320	5,723,864	2,722,111
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,078,910	2,615,782	1,369,225
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	8,033,577	–	–
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	476,824	95,365	71,442
Total	214,841,912	25,421,822	14,948,641

Table 35: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank Islamic

31.12.2011 Nature of Item	Principal/ Notional Amount	Credit Equivalent Amount	RWA
	RM'000	RM'000	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	60,225
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	13,711,552	4,063,210	1,810,410

credit risk

Table 35: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank Islamic (cont'd.)

30.6.2011 Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
Direct credit substitutes	258,825	258,825	153,932
Transaction related contingent items	949,627	474,813	425,774
Short term self liquidating trade related contingencies	103,480	20,696	14,814
Assets sold with recourse	623,084	623,085	226,105
Foreign exchange related contracts	1,009,539	17,994	7,837
One year or less	1,009,539	17,994	7,837
Over one year to five years	–	–	–
Over five years	–	–	–
Interest/profit rate related contracts	2,173,300	51,059	25,046
One year or less	323,300	6,806	3,339
Over one year to five years	1,850,000	44,252	21,707
Over five years	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	961,089	173,764	58,462
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,730,655	345,905	208,332
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	1,646,357	–	–
Total	9,455,956	1,966,142	1,120,301

market risk

5.0 Market Risk

5.1 Introduction

The Group recognises market risk as the risk of losses for on and off-balance sheet positions 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:

- **Interest rate risk** – arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
- **Foreign exchange rate risk** – arising from changes in exchange rates and implied volatilities on foreign exchange options;
- **Commodity price risk** – arising from changes in commodity prices and commodity option implied volatilities; and
- **Equity price risk** – arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

5.2 Market Risk Governance

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 a 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 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 objectives are to facilitate risk/return decisions, reduce volatility in earnings,and highlight transparent market risk profile to senior management, ALCO, ERC, RMC, Board and regulators.

5.3 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.

5.3.1 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.

- **Value at Risk**
  Value at Risk ("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. 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.

- **Risk Sensitivities**
  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 there are valuation adjustments to incorporate counterparty risk, bid/ask spreads and market liquidity, which is in line with FRS 139 standards. The Bank also performs Independent Price Verification ("IPV") to ensure the consistency and accuracy of the valuations of all trading positions.

market risk

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

- **Other Risk Controls**
  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, sensitivities limits, Greek limits and FX NOP limits are emplaced to cap the size of potential and actual loss arising from trading activities.

  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 business continuity plan ("BCP") to deal with the consequences of realised residual risks. BCP test that involves the front office, middle office and back office is conducted periodically to ensure that business continuity is sustainable.

5.3.2 Management of Interest Rate / Rate of Return Risk in the Banking Book (the "IRR/RoR")

Interest rate risk ("IRR") (or rate of return risk ("RoR") in the case of MIB) in the banking book arises from the changes in market interest rates that adversely impact the Group's financial condition in terms of economic value or earnings, 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. 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.

5.3.2.1 Measurement of Interest Rate / Rate of Return Risk in the Banking Book ("IRR/RoR")

IRR/RoR in the banking book is measured and monitored proactively, using the following principal measurement techniques:

- **Repricing Gap Analysis**
  The Group quantifies IRR/RoR in the banking book by analysing the repricing mismatch between rate sensitive assets and rate sensitive liabilities. One of the challenges in this analysis is about the quality and validity of the underlying assumptions with embedded optionality of certain products such as pre-payment of housing loans and hire purchase loans and effective duration of liabilities which are contractually repayable on demand such as current accounts and saving accounts.

- **Dynamic Simulation**
  Another critical element of the IRR/RoR in the banking book management is the monitoring of the sensitivity of projected net interest income/net fund based income under varying interest rate scenarios (including the standardised rate shock of ±200 basis points per Basel II requirements) from the Bank's pro-forma balance sheet. The analysis incorporates business assumptions obtained from various lines of business and behavioral assumptions established based on statistical and non-statistical methods for the Bank. The impact on earnings is measured against approved Earnings-at-Risk (EaR) limit where new business and hedging strategies are carried out to mitigate the increasing IRR/RoR.

- **Economic Value at Risk**
  By taking a more holistic view to potential long term effects for the Group's overall exposure, the impact on Economic Value is also measured under ±200 basis points rate shock. This measurement focuses on how the Economic Value of assets, liabilities and off-balance sheet instruments changes with movement in interest rate. It requires all future cash flows associated with the Group's assets, liabilities and off-balance sheet positions to be discounted at relevant market rates and then summed to determine an overall net present value figure for the Group. The impact on Economic Value for the Bank is well below the internal limit and way below the Basel's recommended 20% of total Tier 1 and Tier 2 capital.

- **Stress Testing**
  The vulnerability under stressed market conditions like abrupt changes in the level of the term structure of interest rates are also measured by performing stress tests on the Bank's current position on a regular basis.

5.3.2.2 Proactive IRR/RoR in the Banking Book Management

The Bank also proactively manages the IRR/RoR by applying Funds Transfer Pricing ("FTP") to transfer Interest Rate Risk 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.

Tables 36 (a) through (c) show the impact of changes in IRR/RoR to earnings and economic value for the Group, the Bank and MIB respectively.

market risk

Table 36 (a): Interest Rate Risk in the Banking Book for Maybank Group RM'000

Currency	31.12.2011 Impact on Global Position + 200 bps parellel shock		30.6.2011 Impact on Global Position + 200 bps parellel shock	
	Potential Earning Volatility (PEV)	Impact on Economic Value (IEV)	Potential Earning Volatility (PEV)	Impact on Economic Value (IEV)
MYR	**60,682**	**2,520,569**	157,132	1,798,896
USD	**123,504**	**(9,703)**	122,655	167,645
SGD	**143,795**	**242,157**	143,795	242,157
IDR	**23,072**	**(7,269)**	23,072	(7,269)
Others *	**(99,624)**	**93,568**	(89,176)	135,691
Total	**251,429**	**2,839,322**	357,479	2,337,120

* Inclusive of GBP, HKD, BND, VND, CNY, EUR, PHP, PGK and other Currencies.

Table 36 (b): Interest Rate Risk in the Banking Book for Maybank RM'000

Currency	31.12.2011 Impact on Global Position + 200 bps parellel shock		30.6.2011 Impact on Global Position + 200 bps parellel shock	
	Potential Earning Volatility (PEV)	Impact on Economic Value (IEV)	Potential Earning Volatility (PEV)	Impact on Economic Value (IEV)
MYR	**510,138**	**800,759**	227,759	1,545,387
USD	**(63,570)**	**271,776**	95,061	413
SGD	**213,248**	**(88,281)**	143,795	242,157
Others *	**(99,180)**	**145,929**	(98,049)	76,985
Total	**560,636**	**1,130,183**	**368,567**	**1,864,943**

* Inclusive of GBP, HKD, BND, VND, CNY, EUR, PHP, PGK and other Currencies.

Table 36 (c): Interest Rate Risk in the Banking Book for Maybank Islamic RM'000

Currency	31.12.2011 Impact on Global Position + 200 bps parellel shock		30.6.2011 Impact on Global Position + 200 bps parellel shock	
	Potential Earning Volatility (PEV)	Impact on Economic Value (IEV)	Potential Earning Volatility (PEV)	Impact on Economic Value (IEV)
Total	**(193,310)**	**892,019**	**(167,098)**	**975,118**

5.3.3 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 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.

5.4 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.

5.4.1 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.

5.4.2 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 value of the particular investments arising from unfavourable movements in the stock market dynamics or other specific factors.

5.5 Capital Treatment for Market Risk

At Maybank Group and Maybank Global level, we also compute 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 37 shows the Market Risk RWA and Minimum Capital Charge for the Group, the Bank and MIB respectively.

Table 37: Market Risk RWA and Minimum Capital Charge at 8% RM'000

Market Risk Categories	Maybank Group		Maybank	
	RWA	Capital	RWA	Capital
Interest Rate Risk	5,747,763	459,821	4,764,167	381,134
Foreign Currency Risk	4,163,413	338,073	3,345,510	267,641
Equity Risk	196,089	15,687	8,599	688
Commodity Risk	1,012	81	1,012	81
Options Risk	270,988	21,679	257,386	20,591

Market Risk Categories	Maybank Islamic	
	RWA	Capital
Benchmark Rate Risk	284,442	22,755
Foreign Currency Risk	23,500	1,880
Equity Risk	–	–
Options Risk	–	–

market risk

5.6 Liquidity Risk Management

Liquidity risk 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 Risk Governance

Liquidity policies and frameworks are reviewed annually and endorsed by ALCO and approved by RMC prior to implementation. The Group 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 Approach

The Group has taken BNM's 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.

Generally, the Group has a diversified liability structure to meet its funding requirements. The primary source of funding include customer deposits, interbank deposits, debt securities, swap market, bank 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.

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.

Besides that, 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 entity and Group 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 that includes strategies, decision-making authorities, internal and external communication, and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting CFP testing to examine the effectiveness and robustness of the plans.

The recent 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. Even though, the formal observation period commences 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 will be 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.

operational risk

6.0 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.

6.1 Management of Operational Risk

During the period ended 31 December 2011, 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 overall governance model for operational risk management is premised on the concept of Three Lines of Defence:-

- 1st Line of Defence: – Risk Taking Units
  - i) Business/Support Units
- 2nd Line of Defence: – Risk Control Units
  - i) Operational Risk Management ("ORM")
  - ii) Compliance
- 3rd Line of Defence: – Internal Audit

As the first line of defence, Risk taking units (Business/Support Sectors) take ownership and responsibility to manage the day-to-day management of operational risk within their business operations. These units are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken comply with the Group's operational risk management framework.

Operational Risk Officers ("ORO") are appointed within the various Business and Support Sectors ("BSSs") of the Group to act as the key interface between ORM and the respective BSSs in the implementation and execution of the operational risk management framework, policies and tools as well as business continuity planning for their business operations. They are also responsible to implement and execute operational risk mitigation controls and strategies for their business operations and to conduct risk awareness programme for their staff on operational risk management framework, governance, policies and tools.

As the second line of defence, ORM function is responsible for the formulation and implementation of the operational risk framework within the Group. These encompass 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 undertaking the following key roles:-

- Ensure effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks;
- Ensure proper usage of ORM tools by business/support sectors/units during compliance review; and
- Develop, review and enhance compliance-related training programme as well as conduct training through ongoing awareness creation.

Internal Audit plays the third line of defence and provides independent assurance whose key roles are:-

- Perform independent review and periodic validation of ORM framework and process to ensure adequacy and effectiveness; and
- Conduct regular review on implementation of OR tools by ORM and the respective business units.

operational risk

6.2 Operational Risk Management Framework

The Group's Operational Risk Management Framework focuses on the five causal factors of operational risk, i.e. internal processes, people, systems, external events and legal. It provides a transparent and formalised framework aligned to business objectives within which the Board, management teams, staff and contractors can discharge their operational risk management responsibilities.

6.3 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 Group's product approval programme, all risks inherent in new/enhanced products/services and financing packages are identified prior to the launch of the product/services and financing package, with risk mitigation measures emplaced.
- 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 and 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 Group.

BSSs 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 sector level risk profiling exercises are compiled to establish the Group Risk Profile on a half-yearly basis. The consolidated Risk Profile is presented to the ERC and RMC.

- **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. BSSs 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 BSSs to develop and validate the KRIs to ensure appropriate thresholds are set.

  KRIs are tracked at Group, Business and Operating levels. The main sources of KRIs are from the periodic RCSA process, i.e. Incident Management and Data Collection ("IMDC") database, BSS experiences, internal/external audit findings and BNM examination findings.

- **Incident Management and Data Collection ("IMDC")**
  IMDC provides a structured process and system to identify and focus attention on operational "hotspots" and facilitates the minimisation of risk impact.

  With the implementation of the IMDC and the availability of a centralised operational risk loss database, ORM and BSSs are able to analyse operational incidents based on causal factors as well as Basel II loss event types and identify "operational hotspots" for appropriate action plans to address the critical areas.

6.4 Operational Risk Mitigation and Control

Risk Mitigation tools and techniques are used to minimise risk to an acceptable level and are focused on:

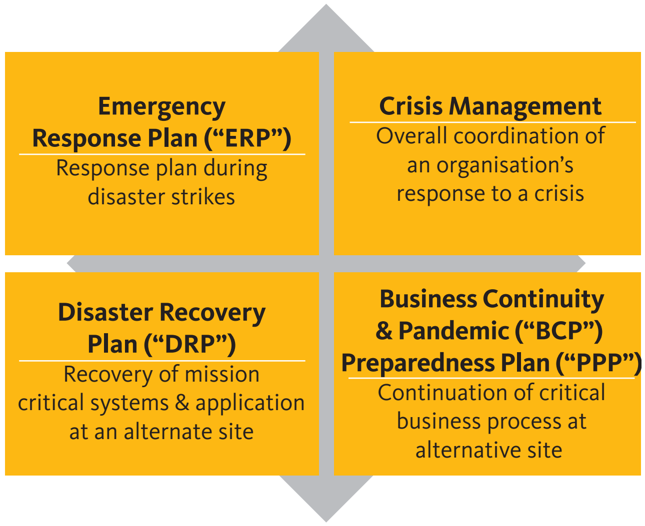
- Faster resumption of business in the event of a disaster/incident; and
- Decreasing the impact on the business, should it occur.

The control tools and techniques to mitigate operational risk are as follows:

- **Business Continuity Management ("BCM")**

The Group has developed a Business Continuity Management ("BCM") Framework based on Bank Negara Malaysia's BCM Guidelines and internationally best BCM practices. The BCM includes integrated processes and responsibilities which covers the following:

BCM Integrated processes and responsibilities



The Maybank Group's BCM Programme aims at ensuring business continuity and people safety in the event of disruptions and disaster. The Programme covers the implementation of various BCM initiatives that have been developed in line with Bank Negara Malaysia's requirements and best BCM practices.

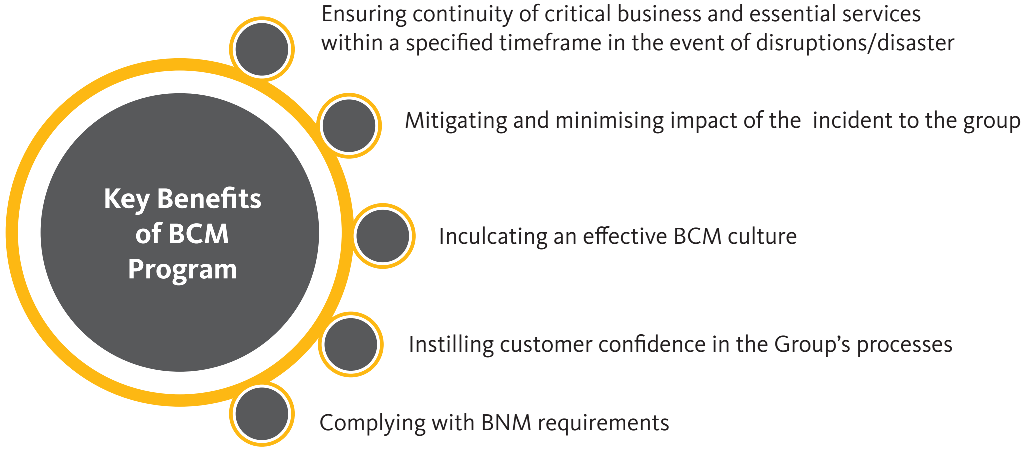
Under BCM implementation, Business Continuity Plans ("BCP") has been developed for all critical sectors, including subsidiaries and overseas operations. The BCP documents and exercises are reviewed on a yearly basis. The Board also provides attestation on the BCM readiness for Malaysia and Singapore operations.

To coordinate the crisis escalation procedures and recovery efforts, we have established the BCM Command Centre and Recovery Centres that are able to provide minimum service level for business units in the event of disaster or operational disruption.

operational risk

Apart from regular Crisis Simulation Exercise ("CSE") for each sector, there were 2 successful CSEs conducted at enterprise level in the Group since 2005, involving all critical business functions with participants close to 400 staffs mobilised to various alternate sites within Klang Valley. The exercises demonstrated the readiness of people and also the workability of business processes and system infrastructure.

Apart from BCM documentation and plan, BCM channels such as BCM Wallet Card, e-Learning and BCM articles were introduced to complement the BCM Programme in the Group.



By having a proper BCM Programme in place, we are able to respond effectively and in a structured manner in the event of disruptions/disaster, hence ensuring the Group's business continuity.

- **Outsourcing**
  Outsourcing is a technique used by the 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.

  Several key functions outsourced by the Group include IT infrastructure services, ATM cash replenishment, cash management processes as well as processing of outward clearing cheques.

  For effective operational risk management, the Group's Outsourcing Policy which is designed in accordance with local regulatory requirements and international leading practices has been put in place. All new outsource services introduced is subject to rigorous risk review by the risk taking unit proposing the outsourcing service and independent risk review by ORM.

  Continuous review, monitoring and reporting to the ERC and RMC are also carried out by Risk Management to ensure 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 approach to deal with fraud incidences in a decisive, timely and systematic manner.

  The Group has established an Anti-Fraud Framework that provides robust and comprehensive anti-fraud programmes and controls for the Group. It provides the broad principle, strategy and policy for the Group to adopt in relation to fraud.

  It covers the following principles/areas to be adopted in order to promote high standard of integrity:-

  a. The strategy adopted to combat fraud which would be based on prevention, detection, investigation and remedy, while instilling a strong anti-fraud culture.

  b. The anti-fraud tools, infrastructure and policies related to fraud management.

c. Roles and responsibilities of Board of Directors, Senior Management (EXCO), Group Audit, Group Compliance, Legal, Risk Management, Head/Line Managers, Group Human Capital, and all employees.

Following this, several initiatives have been undertaken by the Group to promote the Anti-Fraud culture in the bank. These initiatives started with the "Tone from the Top" led by the Chairman, followed through by the PCEO and Senior Management with on-going Anti-Fraud messages across the Group.

The Integrity Hotline provides all employees of the Group a framework and avenue to report actual or suspected misconduct or violations of the Group's policies and regulations in a safe and protected manner. The purpose of implementing Integrity Hotline is to promote a culture where it is safe and acceptable for all employees to raise concerns regarding fraud, criminal activities, dishonesty and malpractice committed by another employee or any other person who has dealings with the Group via a dedicated reporting mechanism.

6.5 Treatment for Operational Risk (OR) Capital Charge

Operational Risk capital charge is calculated using the BIA as per BNM RWCAF. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Group. The RWA amount is computed by multiplying the minimum capital required with a multiplier of 12.5 (reciprocal of 8%).

The Group is aiming to move towards The Standardised Approach (TSA) for Operational Risk Capital Charge Calculation in due course. For this purpose, the Group has mapped its business activities into the eight business lines as prescribed by Basel II and the BNM RWCAF TSA requirements.

The Group has also automated the operational risk capital charge calculation process to produce accurate and reliable Operational Risk capital charge figures across the Group under both the BIA and TSA.

shariah governance

7.0 Shariah Governance

7.1 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. Comprehensive compliance with Shariah principles will ensure stakeholders confidence in Islamic Financial Institutions' business activities and operations.

In accordance to Bank Negara Malaysia's (BNM) regulatory requirements, Maybank Islamic Berhad (MIB) 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.

7.2 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;
- Oversight, guidance and observance by Executive Committees and the Shariah Working Committee;
- Lines of defense as detailed in the table below:

1st Line Business Line Management (across the House of Maybank)
Responsible for identifying and managing the risk inherent in the products, services and activities which they are responsible.

2nd Line Shariah Management Team
Ensuring that all structures, terms and conditions, legal documentation and operational process flow and 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 periodical checking of risk and compliance.

7.3 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 Manuals.
- To endorse and validate relevant documentations.
- To assist related parties on Shariah matters for advice upon request.
- To advise on matters to be 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
Dr. Ahcene Lahsasna	Member
En. Sarip bin Abdul	Member

7.4 Rectification Process of Shariah Non-Compliant Income

There is no purification of income and event associated with Shariah non-compliance for the six months' period ended 31 December 2011.

forward looking statements

8. Forward Looking Statements

This report 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.

awards & recognition: 2010

Refer to page 43 for Awards & Recognition for 2011.

2010

MALAYSIAN INSTITUTE OF HUMAN RESOURCE MANAGEMENT
- HR Excellence Category (Gold Award)
- HR Innovation Category (Silver Award)

MALAYSIAN RATING CORPORATION BERHAD
- Top Lead Managers Award (Jan-Jun 2010)
  – No. 1 by Issue Count
  – No. 1 by Issue Value

ASIAMONEY PRIVATE BANKING POLL
- Best Domestic Private Banking in Malaysia
- Overall Best Domestic Private Bank in Malaysia (Asset under management of US$1 million – US$5 million)
- Overall Best Private Bank in Malaysia (Asset under management of US$5.01 million – US$25 million)

CREDIT GUARANTEE CORPORATION MALAYSIA
- Top SMI Supporter Award
  - Commercial Bank Category
  - Bumiputera SMI Supporter
  - Best Financial Partner
- Best Financial Partner Award

READER'S DIGEST TRUSTED BRANDS AWARDS
- Bank Category – Gold Award
- Credit Card Issuing Bank – Gold Award

ASSOCIATION OF ACCREDITED ADVERTISING AGENTS MALAYSIA/ MALAYSIA'S MOST VALUABLE BRANDS – PUTRA BRAND AWARDS 2010
- Finance Gold Award : Maybank

THE ASSET TRIPLE A AWARD
- Best SME Bank in Malaysia
- Best e-Commerce Bank in Malaysia

ASIAN BANKER EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS
- Excellence in Employee Engagement for Asia Pacific, Central Asia and Gulf Regions (Maybank Singapore)

ASIAMONEY AWARDS
- Best FX Bank in Indonesia (Bank Internasional Indonesia)

EUROMONEY AWARDS
- Best Private Banking Services Overall – Malaysia

KLIFF ISLAMIC FINANCE AWARDS
- Most Outstanding Retail Islamic Bank Award (Maybank Islamic Berhad)

FRIEND OF HERITAGE AWARD (MAYBANK SINGAPORE)

EXCELLENT SERVICE AWARD (MAYBANK SINGAPORE)

WORK-LIFE EXCELLENCE AWARD (MAYBANK SINGAPORE)

DISTINGUISHED DEFENCE PARTNER AWARD (DDPA) (MAYBANK SINGAPORE)

EXEMPLARY EMPLOYER AWARD – TRIPARTITE ALLIANCE FOR FAIR EMPLOYMENT PRACTICES (TAFEP) (MAYBANK SINGAPORE)

analysis of shareholdings & classification of shareholders

as at 8 February 2012

Authorised Share Capital	:	10,000,000,000
Paid-Up Share Capital	:	7,639,441,083
Class of Shares	:	Ordinary Share of RM1 each
Voting Right	:	1 vote per Ordinary Share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	2,711	4.50	83,612	–
100 to 1,000 shares	11,877	19.73	8,049,865	0.11
1,001 to 10,000 shares	34,494	57.31	120,332,387	1.58
10,001 to 100,000 shares	9,707	16.13	255,251,845	3.34
100,001 to less than 5% of issued shares	1,395	2.32	2,464,250,262	32.26
5% and above of issued shares	3	0.01	4,791,473,112	62.71
TOTAL	**60,187**	**100.00**	**7,639,441,083**	**100.00**

Substantial Shareholders as per the Register of Substantial Shareholders

No.	Name of Shareholders	No. of Shares Held	% of Shares
1.	AmanahRaya Trustees Berhad (Skim Amanah Saham Bumiputera)	3,518,250,277	46.05
2.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board)	874,902,570	11.45
3.	Permodalan Nasional Berhad	398,320,265	5.21

Top Thirty Shareholders as per the Record of Depositors

No.	Name of Shareholders	No. of Shares Held	% of Shares
1.	AmanahRaya Trustees Berhad (Skim Amanah Saham Bumiputera)	3,518,250,277	46.05
2.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board)	874,902,570	11.45
3.	Permodalan Nasional Berhad	398,320,265	5.21
4.	Kumpulan Wang Persaraan (Diperbadankan)	251,605,180	3.29
5.	Lembaga Kemajuan Tanah Persekutuan (FELDA)	168,638,313	2.21
6.	Valuecap Sdn Bhd	137,369,020	1.80
7.	AmanahRaya Trustees Berhad (Amanah Saham Wawasan 2020)	131,385,300	1.72

analysis of shareholdings & classification of shareholders

Top Thirty Shareholders as per the Record of Depositors (cont'd.)

No.	Name of Shareholders	No. of Shares Held	% of Shares
8.	AmanahRaya Trustees Berhad (Amanah Saham Malaysia)	105,543,581	1.38
9.	Cartaban Nominees (Asing) Sdn Bhd (Exempt AN for State Street Bank & Trust Company (West Clt OD67))	88,050,193	1.15
10.	AmanahRaya Trustees Berhad (AS 1Malaysia)	69,097,126	0.91
11.	Malaysia Nominees (Tempatan) Sendirian Berhad (Great Eastern Life Assurance (Malaysia) Berhad (Par 1))	61,417,397	0.81
12.	HSBC Nominees (Asing) Sdn Bhd (BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund)	58,366,108	0.76
13.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Lend))	46,590,793	0.61
14.	Cartaban Nominees (Asing) Sdn Bhd (Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C))	43,109,544	0.56
15.	Citigroup Nominees (Tempatan) Sdn Bhd (Exempt AN for Prudential Fund Management Berhad)	41,061,069	0.54
16.	Lembaga Tabung Angkatan Tentera	33,837,400	0.44
17.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.A.E))	30,835,296	0.40
18.	Pertubuhan Keselamatan Sosial	23,772,664	0.31
19.	HSBC Nominees (Asing) Sdn Bhd (BNY Brussels for Wisdomtree Emerging Markets Equity Income Fund)	23,028,900	0.30
20.	Citigroup Nominees (Tempatan) Sdn Bhd (Exempt AN for American International Assurance Berhad)	20,408,242	0.27
21.	Citigroup Nominees (Asing) Sdn Bhd (Legal & General Assurance (Pensions Management) Limited (A/C 1125250001))	20,247,990	0.27
22.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association (U.S.A))	17,192,074	0.23
23.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board (CIMB Prin))	16,848,979	0.22
24.	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for The Bank of New York Mellon (Mellon Acct))	16,686,083	0.22
25.	Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board (NOMURA))	16,091,890	0.21
26.	Yong Siew Yoon	15,552,963	0.21

Top Thirty Shareholders as per the Record of Depositors (cont'd.)

No.	Name of Shareholders	No. of Shares Held	% of Shares
27.	Citigroup Nominees (Asing) Sdn Bhd (CBLDN for Stichting PGGM Depositary)	14,943,026	0.20
28.	AmanahRaya Trustees Berhad (Sekim Amanah Saham Nasional)	13,962,620	0.18
29.	HSBC Nominees (Asing) Sdn Bhd (Credit Suisse International)	13,861,880	0.18
30.	Tokio Marine Life Insurance Malaysia Bhd (As Beneficial Owner (PF))	13,088,883	0.17
	TOTAL	**6,284,065,626**	**82.26**

classification of shareholders

as at 8 February 2012

Category	No. of Shareholders		No. of Shareholdings		% of Total Shareholdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
INDIVIDUAL						
a. Bumiputera	3,382		24,669,444		0.33	
b. Chinese	40,545		290,387,514		3.80	
c. Indian	1,644		10,067,053		0.13	
d. Others	248	2,119	1,704,204	46,054,122	0.02	0.60
BODY CORPORATE						
a. Banks/Finance	88	2	4,697,518,593	31,000	61.49	0.00
b. Investment/Trust	10		1,074,652		0.01	
c. Societies	20		946,381		0.01	
d. Industrial	722	50	98,943,906	18,390,754	1.30	0.24
GOVERNMENT AGENCIES/ INSTITUTION	15		208,799,835		2.73	
NOMINEES	8,083	3,259	1,275,648,260	965,205,365	16.70	12.64
TOTAL	**54,757**	**5,430**	**6,609,759,842**	**1,029,681,241**	**86.52**	**13.48**

changes in share capital

Authorised Share Capital

The present authorised share capital of the Bank is RM10,000,000,000 divided into 10,000,000,000 ordinary shares of RM1-00 each. Details of changes in its authorised share capital since its incorporation are as follows:-

Date	Increase in Authorised Share Capital	Total Authorised Share Capital
31-05-1960	20,000,000	20,000,000
06-09-1962	30,000,000	50,000,000
09-04-1977	150,000,000	200,000,000
17-01-1981	300,000,000	500,000,000
06-10-1990	500,000,000	1,000,000,000
09-10-1993	1,000,000,000	2,000,000,000
19-06-1998	2,000,000,000	4,000,000,000
11-08-2004	6,000,000,000	10,000,000,000

Issued and Paid-Up Share Capital

Details of changes in the Bank's issued and paid-up share capital since its incorporation are as follows:-

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Resultant Total Issued and Paid-Up Capital RM'000
31-05-1960	1,500,000	5.00	Cash	7,500,000
18-05-1961	500,000	5.00	Cash	10,000,000
31-05-1962	1,000,000	5.00	Rights Issue (1:2) at RM7.00 per share	15,000,000
21-08-1968	1,500,000	5.00	Rights Issue (1:2) at RM7.00 per share	22,500,000
04-01-1971	22,500,000	1.00*	Rights Issue (1:1) at RM1.50 per share	45,000,000
06-05-1977	15,000,000	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:3)	60,000,000
23-06-1977	30,000,000	1.00	Rights Issue (1:2) at RM3.00 per share	90,000,000
21-02-1981	30,000,000	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:3)	120,000,000
10-04-1981	60,000,000	1.00	Rights Issue (1:2) at RM4.00 per share	180,000,000
14-11-1984	45,000,000	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:4)	225,000,000
28-12-1984	45,000,000	1.00	Rights Issue (1:4) at RM6.00 per share	270,000,000
31-11-1985	68,249	1.00	Conversion of Unsecured Notes	270,068,249
15-11-1986	9,199,999	1.00	Issued in exchange for purchase of Kota Discount Berhad *(Now known as Mayban Discount Berhad)*	279,268,248
01-12-1986	10,550	1.00	Conversion of Unsecured Notes	279,278,798
29-07-1987 to 20-10-1987	90,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	279,368,798

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Resultant Total Issued and Paid-Up Capital RM'000
30-11-1987	11,916	1.00	Conversion of Unsecured Notes	279,380,714
08-06-1988	27,938,071	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:10)	307,318,785
30-11-1988	10,725	1.00	Conversion of Unsecured Notes	307,329,510
16-03-1989 to 21-06-1989	9,198,206	1.00	Exchange for Kwong Yik Bank Berhad ("KYBB") shares	316,527,716
11-07-1989 to 23-11-1989	7,555,900	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	324,083,616
30-11-1989	46,174,316	1.00	Conversion of Unsecured Notes	370,257,932
01-12-1989 to 24-10-1990	4,508,900	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	374,766,832
16-11-1990	187,383,416	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:2)	562,150,248
27-11-1990	11,550	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	562,161,798
30-11-1990	280,497	1.00	Conversion of Unsecured Notes	562,442,295
03-01-1991	3,300	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	562,445,595
03-01-1991	188,991,002	1.00	Rights Issue (1:2) at RM5.00 per share	751,436,597
04-01-1991	4,950	1.00	Rights Issue (1:2) upon ESOS at RM5.00 per share	751,441,547
25-01-1991 to 28-11-1991	726,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	752,167,547
30-11-1991	35,197	1.00	Conversion of Unsecured Notes	752,202,744
11-12-1991 to 20-05-1992	5,566,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	757,768,744
30-11-1992 to 30-11-1993	3,153,442	1.00	Conversion of Unsecured Notes	760,922,186
18-01-1994	380,461,093	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:2)	1,141,383,279
29-12-1994	2,030,428	1.00	Conversion of Unsecured Notes	1,143,413,707
19-06-1998	1,143,413,707	1.00	Capitalisation of Share Premium and Retained Profit Account (Bonus Issue 1:1)	2,286,827,414
21-09-1998 to 09-10-2001	72,909,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	2,359,736,414
23-10-2001	1,179,868,307	1.00	Capitalisation of Retained Profit Account (Bonus Issue 1:2)	3,539,604,721
25-10-2001 to 05-08-2003	60,567,200	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	3,600,171,921
29-09-2004 to 14-02-2008	304,058,100	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	3,904,230,021
20-02-2008	976,057,505	1.00	Capitalisation of Share Premium Account (Bonus Issue 1:4)	4,880,287,526
27-02-2008 to 30-10-2008	859,625	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	4,881,147,151
27-04-2009	2,196,516,217	1.00	Rights Issue (9:20) at RM2.74 per share	7,077,663,368

changes in share capital

Issued and Paid-Up Share Capital (cont'd.)

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Resultant Total Issued and Paid-Up Capital RM'000
29-07-2009 to 26-08-2009	319,400	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	7,077,982,768
20-12-2010	244,257,623	1.00	Dividend Reinvestment Plan ("DRP") at RM7.70 per share	7,322,240,391
12-05-2011	155,965,676	1.00	Dividend Reinvestment Plan ("DRP") at RM7.70 per share	7,478,206,067
05-07-2011 to 09-12-2011	10,000	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	7,478,216,067
28-12-2011	161,221,416	1.00	Dividend Reinvestment Plan ("DRP") at RM7.30 per share	7,639,437,483
10-01-2012 to 26-01-2012	3,600	1.00	Exercise of Employees' Share Option Scheme ("ESOS")	7,639,441,083

* The par value of the Bank's shares was changed from RM5.00 to RM1.00 on 25 November 1968.

properties owned by Maybank group

Area	No of Properties Freehold	No of Properties Leasehold	Land Area (sq. m.)	Book Value as at 31.12.2011 (RM)
Maybank				
Kuala Lumpur	11	13	48,546.58	201,379,037.91
Johor Darul Takzim	29	10	18,716.86	55,566,021.89
Kedah Darul Aman	11	6	6,361.83	10,007,810.76
Kelantan Darul Naim	1	4	1,691.00	2,703,377.22
Melaka	1	4	3,253.00	5,101,357.15
Negeri Sembilan Darul Khusus	12	5	23,655.20	8,143,117.77
Pahang Darul Makmur	9	15	16,471.80	12,238,781.44
Perak Darul Ridzuan	13	8	9,828.85	13,257,205.54
Perlis Indera Kayangan	1	3	1,475.00	1,634,337.00
Pulau Pinang	24	3	13,788.89	25,348,881.93
Sabah	-	17	15,102.36	25,060,105.38
Sarawak	9	14	6,962.97	19,923,389.38
Selangor Darul Ehsan	25	18	104,235.27	126,907,373.97
Terengganu Darul Iman	6	2	4,329.00	4,441,893.12
Hong Kong	-	2	193.00	HKD1,179,112.75
London	1	5	1,215.00	GBP4,347,159.36
Singapore	11	12	20,858.00	SGD104,570,480.40
Aurea Lakra Holdings Sdn Bhd				
(Formerly known as Mayban P.B. Holdings Sdn Bhd)				
Kuala Lumpur	-	1	294.00	785,991.72
Johor Darul Takzim	2	1	1,330.00	2,289,257.53
Pahang Darul Makmur	1	2	595.42	1,003,652.16
Perak Darul Ridzuan	1	1	857.74	2,503,063.77
Pulau Pinang	1	-	445.93	781,300.39
Sabah	-	1	257.62	1,093,837.88
Sarawak	-	1	314.00	921,947.59
Selangor Darul Ehsan	2	1	1,269.13	3,181,542.10
Maybank International (L) Ltd				
W.P. Labuan	-	3	1,089.81	USD190,133.16
Maybank Investment Bank Berhad				
Negeri Sembilan Darul Khusus	1	2	549.25	433,412.01
Pahang Darul Makmur	1	1	229.11	310,826.32
Pulau Pinang	1	-	84.04	145,080.00
Perak Darul Ridzuan	-	1	260.00	228,991.54
ETIQA				
Kuala Lumpur	2	4	24,258.47	578,427,025.00
Johor Darul Takzim	1	-	286.00	740,000.00
Kedah Darul Aman	2	1	1,127.97	1,254,433.00
Melaka	-	1	452.00	1,189,583.00
Negeri Sembilan Darul Khusus	3	1	1,659.64	2,598,292.00
Pahang Darul Makmur	1	2	18,334.57	2,839,167.00
Pulau Pinang	1	1	624.00	3,400,000.00
Sabah	-	1	222.22	1,324,384.00
Selangor Darul Ehsan	1	1	38,927.49	32,460,661.00

list of top 10 properties owned by Maybank group

as at 31 December 2011

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Building	Land Area (sq.m.)	Year of Acquisition	Net Book Value (RM)
Etiqa Twins No.11 Jalan Pinang Kuala Lumpur	27-storey Twin Office Buildings	Office & Rented out	Freehold	–	16 years	6,612	1994	320,000,000.00
Maybank Tower 2 Battery Road Singapore	32-storey Office Building	Office	Leasehold 999 years	816 years (expiring 2825)	9 years	1,135.70	1962	SGD69,098,942.52
Dataran Maybank No.1 Jalan Maarof Bangsar	2 Blocks of 20 storey and a block 22 storey Office Buildings	Office & Rented out	Leasehold 99 years	75 years (expiring 3.12.2085)	10 years	9,918	2000	134,885,647.31
Menara Maybank 100 Jalan Tun Perak Kuala Lumpur	58-storey Office Building	Head office & Rented out	Freehold	–	23 years	35,494	1978	126,572,000.26
Lot 153 Section 44 Jalan Ampang Kuala Lumpur	Commercial Land	Vacant	Freehold	–	–	3,829.00	2008	77,000,000.00
Akademi Etiqa 23 Jalan Melaka Kuala Lumpur	25-storey Office Building	Office & Rented out	Leasehold 99 years	56 years (expiring 2065)	15 years	1,960.47	1994	55,000,000.00
1079, Section 13 Shah Alam	Commercial Land	Vacant	Leasehold 99 years	93 years (expiring 11.3.2102)	–	38,417.00	1994	31,000,000.00
Lot 379 Section 96 Bangsar Kuala Lumpur	Vacant Land	Rented out	Leasehold 99 years	56 years (expiring 25.7.2065)	–	4,645.00	1975	27,000,000.00
Johor Bahru City Square Level 1 (M1-22) 2(M2-15) 3(M3-25) and Level 8 City Square Johor Bahru	Retail Units – Level 1 (podium) Level 2 (podium) Level 3 (podium) Level 8 (office tower)	Office	Leasehold 99 years	82 years (expiring 14.6.2091)	10 years	3,972	2000	26,649,374.25
Jalan Air Itam Bangi Kajang Selangor	5-storey Building	Maybank Academy	Leasehold 99 years	77 years (expiring 18.12.2086)	23 years	80,692	1987	22,937,738.31

corporate information

BOARD OF DIRECTORS

TAN SRI DATO' MEGAT ZAHARUDDIN MEGAT MOHD NOR
DPCM, PJN, PSM
Non-Independent Non-Executive Chairman

DATO' MOHD SALLEH HJ HARUN
DSDK
Independent Non-Executive Vice Chairman

DATO' SRI ABDUL WAHID OMAR
SSAP, DSAP
Non-Independent Executive Director (President & Chief Executive Officer)

TAN SRI DATUK DR HADENAN A. JALIL
PSM, PNBS, SIMP, DMSM, JMN, KMN, AMN
Independent Non-Executive Director

DATO' SERI ISMAIL SHAHUDIN
SPMP
Independent Non-Executive Director

DATO' DR TAN TAT WAI
PhD DMPN
Independent Non-Executive Director

ZAINAL ABIDIN JAMAL
Non-Independent Non-Executive Director

ALISTER MAITLAND
Independent Non-Executive Director

CHEAH TEIK SENG
Independent Non-Executive Director

DATO' JOHAN ARIFFIN
DPTJ
Independent Non-Executive Director

DATO' SREESANTHAN ELIATHAMBY
DPNS
Non-Independent Non-Executive Director

DATUK MOHAIYANI SHAMSUDIN
PJN
Independent Non-Executive Director

MOHD NAZLAN MOHD GHAZALI
(LS0008977)
General Counsel & Company Secretary

REGISTERED OFFICE

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Tel : (6)03-2070 8833
Fax : (6)03-2031 5949 (Investor Relations)
: (6)03-2711 3421 (Customer Feedback Management)
: 1300-88-8899 (Maybank Group Customer Care)
: (6)03-2031 0071 (Group Corporate Secretarial)
SWIFT : MBBEMYKL
Website : http://www.maybank.com
E-Mail : publicaffairs@maybank.com.my

SHARE REGISTRAR

Malayan Banking Berhad
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Tel : (6)03-2074 7822
Fax : (6)03-2072 0079

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
(Listed since 17 February 1962)

EXTERNAL AUDITORS

Messrs. Ernst & Young (AF : 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Tel : (6)03-7495 8000
Fax : (6)03-2095 9076/78

AGM Helpdesk
Tel : (6)03-2264 3883 (Tricor Investor Services Sdn Bhd)
: (6)03-2074 8256 (Group Corporate Secretarial, Maybank)

group directory

COMMERCIAL BANKING

Malayan Banking Berhad
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel: (6)03-2070 8833
Fax: (6)03-2031 0071
Corporate website: www.maybank.com
Email: publicaffairs@maybank.com.my

Maybank Islamic Berhad
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel: (6)03-2070 8833
Fax: (6)03-2031 0071
Website: www.maybankislamic.com.my

P.T. Bank Maybank Syariah Indonesia
1st Floor – 3rd Floor, Sona Topas Building
Jalan Jenderal Sudirman Kav. 26
Jakarta 12920
Indonesia
Tel: (62)-21-250 6446
Fax: (62)-21-250-6445
Corporate website: www.maybank.com

Maybank Philippines Incorporated
Legaspi Towers 300
P. Ocampo Sr
St. Corner Roxas Boulevard
Manila 1004
Philippines
Tel: (632)-523 7777
Fax: (632)-521 7449
Website: www.maybank2u.com.ph

Maybank (PNG) Ltd
Port Moresby Branch
Corner Waigani Road/Islander Drive
P.O. Box 882 Waigani
National Capital District
Papua New Guinea
Tel: (675)-325 0101
Fax: (675)-325 6128
Corporate website: www.maybank.com
Email: maybankpom@datec.net.pg

Maybank International (L) Ltd
Level 16 (B), Main Office Tower
Financial Park Complex
Jalan Merdeka
87000 Wilayah Persekutuan Labuan
Tel: (6)087-414 406
Fax: (6)087-414 806
Corporate website: www.maybank.com
Email: millmit@streamyx.com

P.T. Bank Internasional Indonesia Tbk
Plaza BII, Tower 2, 6th Floor
Jl.MH.Thamrin No. 51
Jakarta 10350
Indonesia
Tel: (62)-21-230 0888
Fax: (62)-21-3193 34609
Website: www.bii.co.id
Email: cs@bii.co.id

INVESTMENT BANKING

Maybank Investment Bank Berhad
32nd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel: (6)03-2059 1888
Fax: (6)03-2078 4194
Website: www.maybank-ib.com
Email: helpdesk@maybank-ib.com

Maybank IB Holdings Sdn Bhd
(formerly known as Mayban IB Holdings Sdn Bhd)
32nd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel: (6)03-2059 1888
Fax: (6)03-2031 5633

Maybank Kim Eng Holdings Limited
Kim Eng Securities Pte. Ltd.
50, North Canal Road
#03-01, Singapore 059304
Tel: (65)- 6231 5000
Fax: (65)- 63396003
Website: www.maybank-ke.com or www.kimeng.com.sg

Maybank Kim Eng Securities (Thailand) Public Company Limited
999/9 The Offices at Central World
20th-21st, 24th Floor Rama 1 Road
Pathumwan
Bangkok, 10330 Thailand
Tel: (+66)-2 658 6899
Fax: (+66)-2 658 6855
Website: www.maybank-ke.co.th
Email: IB@maybank-ke.co.th

Maybank ATR KimEng Financial Corporation
(formerly known as ATR KimEng Financial Corporation)
Unit 811, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines
Tel: (632)-893 1150/810 0106
Fax: (632)-893 1145
Website: www.atrkimengfinancial.com
Email: atrke_financial@atr.com.ph

Maybank ATR Kim Eng Capital Partners, Inc
17th Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines
Tel: (632)-849 8988 / 849 8888
Websites: www.atrkimeng.com

Maybank ATR Kim Eng Securities, Inc
17th Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines
Tel: (632)-849 8988 / 849 8888
Websites: www.atrkimeng.com

P.T. Kim Eng Securities
Plaza Bapindo-Citibank Tower 17th Floor
Jalan Jenderal Sudirman Kav 54-55
Jakarta 12190 Indonesia
Tel: (62)-21-2557-1188
Fax: (62)-21-2557-1189
Website: www.kimeng.co.id
Email: cs@kimeng.co.id

INSURANCE

Mayban Ageas Holdings Berhad
(formerly known as Mayban Ageas Holdings Berhad)
Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel: (6)03-2297 3888
Fax: (6)03-2297 3800
Website: www.etiqa.com.my
Email: info@etiqa.com.my

Etiqa Life International (L) Ltd
Etiqa Offshore Insurance (L) Ltd
Level 11B, Block 4 Office Tower
Financial Park Labuan Complex
Jalan Merdeka
87000 Wilayah Persekutuan Labuan
Tel: (6)087-582 588
Fax: (6)087-583 588
Website: www.etiqa.com.my
Email: info@etiqa.com.my

Etiqa Insurance Berhad
Etiqa Takaful Berhad
Level 19, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel: (6)03-2297 3888
Fax: (6)03-2297 3800
Website: www.etiqa.com.my
Email: info@etiqa.com.my

OTHERS

Mayban Investment Management Sdn Bhd
Level 12, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel: (6)03-2297 7888
Fax: (6)03-2297 7880
Corporate website: www.maybank.com

Maybank Trustees Berhad
(formerly known as Mayban Trustees Berhad)
34th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel: (6)03-2078 8363
Fax: (6)03-2070 9387
Corporate website: www.maybank.com
Email: mtb@maybank.com.my

Maybank Ventures Sdn Bhd
(formerly known as Mayban Ventures Sdn Bhd)
Maybank Venture Capital Company Sdn Bhd
(formerly known as Mayban Venture Capital Company Sdn Bhd)
41st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel: (6)03-2032 2188
Fax: (6)03 -2031 2188
Website: www.mayban-ventures.com.my

Mayban-JAIC Capital Management Sdn Bhd
Mayban-JAIC Management Ltd
Maybank Agro Fund Sdn Bhd
(formerly known as Mayban Agro Fund Sdn Bhd)
41st Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Tel: (6)03-2032 2188
Fax: (6)03-2031 2188

Maybank (Nominees) Sdn Bhd
(formerly known as Mayban (Nominees) Sdn Bhd)
Maybank Nominees (Tempatan) Sdn Bhd
(formerly known as Mayban Nominees (Tempatan) Sdn Bhd)
Maybank Nominees (Asing) Sdn Bhd
(formerly known as Mayban Nominees (Asing) Sdn Bhd)
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel: (6)03-2070 8833
Fax: (6)03-2031 0071
Website: www.mayban.com

Maybank Securities Nominees (Tempatan) Sdn Bhd
(formerly known as Mayban Securities Nominees (Tempatan) Sdn Bhd)
Maybank Securities Nominees (Asing) Sdn Bhd
(formerly known as Mayban Securities Nominees (Asing) Sdn Bhd)
Level 8, Tower C
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel: (6)03-2297 8888
Fax: (6)03-2282 5136

notice of the 52nd annual general meeting

NOTICE IS HEREBY GIVEN THAT the 52nd Annual General Meeting of Malayan Banking Berhad (Maybank/the Company) will be held at the Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 29 March 2012 at 10.00 a.m. for the following businesses:-

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial period ended 31 December 2011 together with the Reports of the Directors and Auditors thereon.
(Ordinary Resolution 1)

2. To approve the payment of a Final Dividend of 36 sen per share less 25% income tax, for the six-month financial period ended 31 December 2011 as recommended by the Board.
(Ordinary Resolution 2)

3. To re-elect the following Directors, each of whom retires by rotation in accordance with Articles 96 and 97 of the Company's Articles of Association:-

   i) Dato' Johan Ariffin **(Ordinary Resolution 3)**
   ii) Dato' Sri Abdul Wahid Omar **(Ordinary Resolution 4)**
   iii) Tan Sri Datuk Dr Hadenan A. Jalil **(Ordinary Resolution 5)**

4. To consider and, if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:-

   "That Mr Alister Maitland, retiring pursuant to Section 129(6) of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting." **(Ordinary Resolution 6)**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 December 2012 and to authorise the Directors to fix their remuneration.
(Ordinary Resolution 7)

AS SPECIAL BUSINESS:

To consider, and if thought fit, to pass the following resolutions:-

6. **AUTHORITY TO DIRECTORS TO ISSUE SHARES**

   "THAT subject always to the Companies Act, 1965, the Company's Articles of Association and approval of the relevant government/regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being."
(Ordinary Resolution 8)

7. **ALLOTMENT AND ISSUANCE OF NEW ORDINARY SHARES OF RM1.00 EACH IN MAYBANK ("MAYBANK SHARES") IN RELATION TO THE RECURRENT AND OPTIONAL DIVIDEND REINVESTMENT PLAN THAT ALLOWS SHAREHOLDERS OF MAYBANK ("SHAREHOLDERS") TO REINVEST THEIR DIVIDEND TO WHICH THE DIVIDEND REINVESTMENT PLAN APPLIES, IN NEW ORDINARY SHARES OF RM1.00 EACH IN MAYBANK ("DIVIDEND REINVESTMENT PLAN")**

   "THAT pursuant to the Dividend Reinvestment Plan as approved by the Shareholders at the Extraordinary General Meeting held on 14 May 2010, approval be and is hereby given to the Company to allot and issue such number of new Maybank Shares for the Dividend Reinvestment Plan until the conclusion of the next AGM upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit and in the interest of the Company PROVIDED THAT the issue price of the said new Maybank Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5)-day volume weighted average market price ("VWAMP") of

Maybank Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the Dividend Reinvestment Plan with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments or at the discretion of the Directors in the best interest of the Company."

(Ordinary Resolution 9)

8. **PROPOSED AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY**

That subject to the relevant approvals being obtained, the proposed amendments to Memorandum and Articles of Association ("M&A") of the Company in the manner as set out in Appendix 1 to this Annual Report ("Proposed Amendments") be and are hereby approved and in consequence thereof, the new set of M&A incorporating all appropriate amendments be adopted AND THAT the Directors and Secretary be and hereby authorised to sign, do and execute all relevant documents, acts and things as may be required for or in connection with and to give effect to the Proposed Amendments with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities. **(Special Resolution)**

9. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

MOHD NAZLAN MOHD GHAZALI
LS0008977
Company Secretary

Kuala Lumpur
7 March 2012

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and on a show of hands or on a poll, to vote in his stead. A proxy shall be a member of the Company, an Advocate, an approved Company Auditor or a person approved by the Companies Commission of Malaysia. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal or in some other manner approved by its directors.

2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the meeting provided that where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least one proxy but not more than two proxies each in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

3. Duly completed Form of Proxy must be deposited at the office of the appointed share registrar for this AGM, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur no later than 27 March 2012 at 10.00 a.m.

4. For a Form of Proxy executed outside Malaysia, the signature must be attested by a Solicitor, Notary Public, Consul or Magistrate.

5. Only members registered in the Record of Depositors as at 23 March 2012 shall be eligible to attend the AGM or appoint proxy to attend and vote on his/her behalf.

6. If the proxy or proxies appointed is/are not a member of Maybank, please ensure that the proof of eligibility (referred to in Note 1 above) of the proxy or proxies is/are enclosed with the Form of Proxy submitted and the original counterpart of such proof of eligibility is/are presented by your proxy or proxies for verification purposes during the registration process.

7. **Payment of Final Dividend**
   The proposed gross dividend as per Resolution 2 consists of an electable portion of 32 sen (24 sen net per ordinary share) which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan as disclosed in Note 29(b) of the financial statements.

   Pursuant to Paragraph 8.26 of the Main Market Listing Requirements, the final dividend, if approved, will be paid/implemented no later than three (3) months from the shareholders' approval. The Book Closure Date will be announced by the Company after the Annual General Meeting.

notice of the 52nd annual general meeting

8. **Explanatory notes on Special Businesses:-**
Ordinary Resolution 8 - Authority to Directors to Issue Shares

The Company has not issued any new shares under the general mandate for issuance and allotment of shares up to 10% of the issued and paid-up capital of the Company, which was approved at the 51st AGM held on 29 September 2011 and which will lapse at the conclusion of the 52nd AGM to be held on 29 March 2012. A renewal of this mandate is sought at the 52nd AGM under proposed Ordinary Resolution 8.

The proposed Ordinary Resolution 8, if passed, will give powers to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.

The purpose of the proposed mandate from shareholders is to provide the Bank flexibility to undertake any share issuance during the financial year that is not material in nature under exceptional circumstances i.e. in the event of any strategic opportunities involving equity deals which may require the Bank to allot and issue new shares on urgent basis – and which is only to be undertaken if the Board considers it to be in the best interest of the Company.

Special Resolution – Proposed Amendments to Memorandum and Articles of Association of the Company

This Special Resolution, if passed, will bring the Company's Memorandum and Articles of Association in line with the recent amendments prescribed under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as to reflect the scope of business and present practice concerning designation of key positions of the Bank.

9. **Statement Accompanying the Notice of Annual General Meeting**
Additional information pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is set out in Annexure A in Maybank's Annual Report 2011 (for the 6-month financial period ended 31 December 2011).

APPENDIX 1

PROPOSED AMENDMENTS TO MALAYAN BANKING BERHAD ("MAYBANK/THE COMPANY")'S MEMORANDUM AND ARTICLES OF ASSOCIATION

Rationale: The proposed amendments to the Company's Memorandum and Articles of Association are in line with the recent amendments prescribed under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as to reflect the scope of business and present practice concerning designation of key positions in the Bank.

The details of the proposed amendments to the Memorandum of Association ("Memorandum") of the Company are as follows:-

Reference	Existing Clause	Proposed Amendments to Memorandum	Rationale
Clause 3(b)	To carry on the business of banking in all its branches and departments, including borrowing, raising or taking up money; lending or advancing money with or without security; discounting, buying, selling and dealing in bills of exchange, promissory notes, coupons, drafts, bills of lading, warrants, debentures, certificates, scripts and other instruments and securities, whether transferable or negotiable, or not; granting and issuing letters of credit and circular notes; buying, selling and dealing in exchange bullion and specie; acquiring, holding issuing on commission, underwriting and dealing with stocks, funds, shares, debentures, debenture stocks, bonds, obligations securities and investments of all kinds, the negotiating of loans and advances; receiving money and valuables on deposit, or for safe custody, or otherwise; collecting and transmitting money and securities; managing property, and transacting all kinds of agency business commonly transacted by bankers;	To carry on the business of banking in all its branches and departments, including borrowing, raising or taking up money; lending or advancing money with or without security; discounting, buying, selling and dealing in bills of exchange, promissory notes, coupons, drafts, bills of lading, warrants, debentures, certificates, scripts and other instruments and securities, whether transferable or negotiable, or not; granting and issuing letters of credit and circular notes; buying, selling and dealing in exchange bullion and specie; acquiring, holding issuing on commission, underwriting and dealing with stocks, funds, shares, debentures, debenture stocks, bonds, obligations securities and investments of all kinds, the negotiating of loans and advances; receiving money and valuables on deposit, or for safe custody, or otherwise; collecting and transmitting money and securities<u>; entering into any derivatives (including credit derivatives) or futures transactions, in the ordinary course of business or for any purpose ancillary or incidental thereto, and whether for itself or for a customer, and whether through an exchange, over the counter or otherwise howsoever, and to provide receive and/or hold collateral and enter into any title transfer credit support agreement of any kind in connection therewith;</u> managing property, and transacting all kinds of agency business commonly transacted by bankers;	To provide more clearly and to be consistent with the present business of the Bank particularly in respect of derivatives transactions

notice of the 52nd annual general meeting

APPENDIX 1 (CONT'D.)

The details of the proposed amendments to the Articles of Association ("Articles") of the Company are as follows:-

Reference	Existing Articles	Proposed Amendments to Articles	Rationale
Article 2	**Interpretation**	**Interpretation** "Omnibus Account" means Securities Account in which ordinary shares are held in the Company for multiple beneficial owners in one securities account	Pursuant to Paragraph 7.21(1) of the amended Main Market Listing Requirement ("MMLR") dated 22 September 2011.
Article 33	**Closing of registers** Subject to the requirements of the Act, the Central Depositories Act, the Rules, and the rules and requirements of the Bursa Malaysia Securities Berhad, the Register of Transfer and Register of Members shall be closed at such other times (if any) for such reasons and for such period as the Directors may from time to time determine, provided always that the Registers shall not be closed for more than thirty days in any year. At least twelve (12) market days' notice of such closure shall be given by advertisement in a daily newspaper and to the Bursa Malaysia Securities Berhad stating the period and the purpose or purposes of such closure. The Company shall give written notice of such closure to the Central Depository in accordance with the Central Depositories Act, the Rules and the rules and requirements of the Bursa Malaysia Securities Berhad, to enable the Central Depository to prepare the appropriate Record of Depositors.	**Closing of registers** Subject to the requirements of the Act, the Central Depositories Act, the Rules, and the rules and requirements of the Bursa Malaysia Securities Berhad, the Register of Transfer and Register of Members shall be closed at such other times (if any) for such reasons and for such period as the Directors may from time to time determine, provided always that the Registers shall not be closed for more than thirty days in any year. At least ~~twelve (12)~~ ten (10) market days' notice of such closure shall be given by advertisement in a daily newspaper and to the Bursa Malaysia Securities Berhad stating the period and the purpose or purposes of such closure. The Company shall give written notice of such closure to the Central Depository in accordance with the Central Depositories Act, the Rules and the rules and requirements of the Bursa Malaysia Securities Berhad, to enable the Central Depository to prepare the appropriate Record of Depositors.	Pursuant to Paragraph 9.19 (1) of the MMLR dated 14 December 2006.
Article 55(5)	**Member's right to appoint proxy** In every notice calling a Meeting there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy shall also be a Member.	**Member's right to appoint proxy** In every notice calling a Meeting there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him at the Meeting. ~~and that proxy shall also be a Member~~. There shall be no restriction as to the qualification of the proxy.	Pursuant to Paragraph 7.21A(1) of the amended MMLR dated 22 September 2011.

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APPENDIX 1 (CONT'D.)

Reference	Existing Articles	Proposed Amendments to Articles	Rationale
Article 70	**Poll and proxy** On a poll, votes may be given either personally or by proxy. A proxy shall be a Member of the Company, an Advocate, an Approved Company Auditor or a person approved by the Registrar of Companies in a particular case and such proxy shall be entitled to vote on a show of hands or on a poll.	**Poll and proxy** On a poll, votes may be given either personally or by proxy. A proxy shall ~~be a Member of the Company, an Advocate, an Approved Company Auditor or a person approved by the Registrar of Companies in a particular case~~ be any person appointed by a Member and who shall not necessarily be a Member and such proxy shall be entitled to vote on a show of hands or on a poll.	Pursuant to Paragraph 7.21A(1) of the amended MMLR dated 22 September 2011.
Article 72	**Appointment of proxy** The instrument appointing a proxy shall be in the form or to the effect following or in any other form which the Directors may approve:- **"MALAYAN BANKING BERHAD"** I,......of.........being a member of the abovementioned Company, hereby appoint.............of................(also being a Member of the Company, an Advocate and Solicitor, an approved Company Auditor or a person approved by the Registrar of Companies in a particular case) as my proxy, to vote for me and on my behalf, at the Annual (or Extraordinary as the case may be) General Meeting of the Company to be held on the ....day of ....and at any adjournment thereof. As witness my hand, this ......day of.........19.......... Signed by the said ....in the presence of:"	**Appointment of proxy** The instrument appointing a proxy shall be in the form or to the effect following or in any other form which the Directors may approve:- **"MALAYAN BANKING BERHAD"** I,......of.........being a member of the abovementioned Company, hereby appoint.............of................~~(also being a Member of the Company, an Advocate and Solicitor, an approved Company Auditor or a person approved by the Registrar of Companies in a particular case)~~ as my proxy, to vote for me and on my behalf, at the Annual (or Extraordinary as the case may be) General Meeting of the Company to be held on the ....day of ....and at any adjournment thereof. As witness my hand, this ......day of..........~~19~~ 20.......... Signed by the said ....in the presence of:"	Pursuant to Paragraph 7.21A(1) of the amended MMLR dated 22 September 2011.

notice of the 52nd annual general meeting

APPENDIX 1 (CONT'D.)

Reference	Existing Articles	Proposed Amendments to Articles	Rationale
New Article 72(B)		**Appointment of multiple proxies** Where a Member of the Company is an exempt authorised nominee who holds ordinary shares in Omnibus Account, there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.	Pursuant to Paragraph 7.21(1) and (2) of the amended MMLR dated 22 September 2011.
Article 75	**Extent of authority** The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and generally to act the Meeting for the Member giving the proxy and a proxy shall be entitled to vote on a show of hands or on a poll on any question at any General Meeting.	**Extent of authority** The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and generally to act at the General Meeting for the Member giving the proxy and a proxy shall be entitled to attend and to vote on a show of hands or on a poll on any question at ~~any General~~ the Meeting and shall have the same rights as the Member to speak at the Meeting.	Pursuant to Paragraph 7.21A(2) of the amended MMLR dated 22 September 2011.
Article 84 (1)	**MANAGING DIRECTOR, ASSISTANT MANAGING DIRECTORS AND EXECUTIVE DIRECTORS** **Power to appoint Managing Director, Assistant Managing Directors and Executive Director** The Directors may from time to time appoint one or more of their body to be: (a) The Managing Director or Managing Directors (and such Executive Directors, Managing Director or Managing Directors if appointed and whilst acting as such shall be the Chief Executive Officer or Officers of the Company), (b) an Assistant Managing Director or Managing Directors, or (c) an Executive Director or Directors.	**MANAGING DIRECTOR~~, ASSISTANT MANAGING DIRECTORS~~ AND EXECUTIVE DIRECTORS** **Power to appoint ~~Managing Director, Assistant Managing Directors and~~ Executive Directors, Managing Director or President & Chief Executive Officer ("PCEO")** The Directors may from time to time appoint one or more of their body to be ~~(a) The Managing Director or Managing Directors (and such Executive Directors, Managing Director or Managing Directors if appointed and whilst acting as such shall be the Chief Executive Officer or Officers of the Company,~~ ~~(b) an Assistant Managing Director or Managing Directors, or~~ ~~(c) an Executive Director or Directors.~~ Executive Directors and shall appoint one of such Executive Directors to be the Managing Director or President & Chief Executive Officer ("PCEO") of the Company or whatsoever designation called to that effect.	To be consistent with the present practice concerning designation of President & Chief Executive Officer

APPENDIX 1 (CONT'D.)

Reference	Existing Articles	Proposed Amendments to Articles	Rationale
Article 84 (2)	**Term of office and remuneration of Managing Director** A Managing Director be subject to the control of the Board of Directors. Any such appointment or appointments shall be for such period which shall not exceed the residue of his current term of office as a Director under the provisions of these Articles, and shall ipso facio terminate if and when he vacates office under the provision of Article 95, at such remuneration and upon such terms as to the duties to be performed, the powers to be exercised, and all other matters as the Directors think fit, but so that no appointee shall be invested with any powers or entrusted with any duties which the Directors themselves could not have exercised or performed.	**Term of office and remuneration of Managing Director <u>or PCEO</u>** <u>The</u> Managing Director <u>or the PCEO</u> be subject to the control of the Board of Directors. Any such appointment or appointments shall be for such period which shall not exceed the residue of his current term of office as a Director under the provisions of these Articles, and shall ipso ~~facio~~ <u>facto</u> terminate if and when he vacates office under the provision of Article 95, at such remuneration and upon such terms as to the duties to be performed, the powers to be exercised, and all other matters as the Directors think fit, but so that no appointee shall be invested with any powers or entrusted with any duties which the Directors themselves could not have exercised or performed.	To be consistent with the present practice concerning designation of President & Chief Executive Officer
Article 84 (3)	**Managing Director subject to retirement by rotation** A Managing Director shall, even while he continues to hold such office, be subject to retirement by rotation and he shall be taken into account in determining the rotation or retirement of Directors, and he shall also, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal from office as the other Directors of the Company and if he shall cease to hold the office of Director he shall ipso facto and immediately cease to be a Managing Director.	**<u>The</u> Managing Director <u>or the PCEO</u> subject to retirement by rotation** <u>The</u> Managing Director <u>or the PCEO</u> shall, even while he continues to hold such office, be subject to retirement by rotation and he shall be taken into account in determining the rotation or retirement of Directors, and he shall also, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal from office as the other Directors of the Company and if he shall cease to hold the office of Director he shall ipso facto and immediately cease to be a Managing Director <u>or a PCEO</u>.	To be consistent with the present practice concerning designation of President & Chief Executive Officer

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APPENDIX 1 (CONT'D.)

Reference	Existing Articles	Proposed Amendments to Articles	Rationale
Article 85	**GENERAL MANAGERS** **Power to appoint General Managers** The Directors may from time to time appoint one or more persons (who need not be a Director or Directors) to be Senior General Managers, General Managers, Deputy General Managers, Assistant General Managers or whatsoever designation called for the purpose of the business of the Company or of any particular branch or department of such business and may remove and discharge any such person or persons and appoint a substitute or substitutes. The Director may from time to time fix and alter the terms of any such appointment, and the duties to be performed and the powers to be exercised by any such appointee but so that no appointee shall be invested with any power or entrusted with any duties which the Directors themselves could not have exercised or performed.	**~~GENERAL~~ <u>SENIOR</u> MANAGERS** **Power to appoint ~~General~~ <u>Senior</u> Managers** The Directors may from time to time appoint one or more persons (who need not be a Director or Directors) to be ~~Senior General Managers, General Managers, Deputy General Managers, Assistant General Managers~~ <u>Deputy Presidents, Senior Executive Vice Presidents and Executive Vice Presidents</u> or whatsoever designation called for the purpose of the business of the Company or of any particular branch or department of such business and may remove and discharge any such person or persons and appoint a substitute or substitutes. The Director may from time to time fix and alter the terms of any such appointment, and the duties to be performed and the powers to be exercised by any such appointee but so that no appointee shall be invested with any power or entrusted with any duties which the Directors themselves could not have exercised or performed.	To be consistent with the present practice concerning designation of senior managers in the Bank
Article 107 (1)	**"The Executive Committee"** All those of the Directors who for the time being are holding any of the appointments referred to in Article 84 shall together constitute a Committee to be known as "The Executive Committee" of the Directors.	**~~"The Executive Committee"~~** ~~All those of the Directors who for the time being are holding any of the appointments referred to in Article 84 shall together constitute a Committee to be known as "The Executive Committee" of the Directors~~. <u>"The Board Executive Committee"</u> <u>The Directors may appoint a Committee of the Directors consisting of such members of their body to be known as "The Board Executive Committee".</u>	To be consistent with the present practice relating to Board Committees and to differentiate between the existing Management Executive Committee and the Board Executive Committee
Article 107 (3)	**Power to delegate powers to Committees** The Directors may delegate any of their powers, other than the powers to borrow and make calls, to the Executive Committee or to any other Committee appointed as aforesaid as they shall from time to time think fit.	**Power to delegate powers to Committees** The Directors may delegate any of their powers, other than the powers to borrow and make calls, to the <u>Board</u> Executive Committee or to any Committee appointed as aforesaid as they shall from time to time think fit.	To be consistent with the present practice relating to Board Committees
Article 107 (4)	**Committees to conform to regulations** The Executive Committee and any other Committee so appointed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon them by the Board.	**Committees to conform to regulations** The <u>Board</u> Executive Committee and any other Committee so appointed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon them by the Board.	To be consistent with the present practice relating to Board Committees

annexure a
statement accompanying notice of the 52nd annual general meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The profiles of the Directors who are standing for re-election (as per Ordinary Resolutions 3 to 5 as stated above) and re-appointment (as per Ordinary Resolution 6 as stated above) at the 52nd Annual General Meeting of Malayan Banking Berhad which will be held at the Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 29 March 2012 at 10.00 a.m. are stated on pages 102 to 108 of the Annual Report 2011 (for the 6-month financial period ended 31 December 2011).

The details of any interest in the securities of Maybank and its subsidiaries (if any) held by the said Directors are stated on page 152 of the Annual Report 2011 (for the 6-month financial period ended 31 December 2011).

financial calendar

22 AUGUST 2011
Announcement of the audited results of Maybank and of the Group and announcement of the final dividend for the financial year ended 30 June 2011

7 SEPTEMBER 2011
Notice of the 51st Annual General Meeting and issuance of annual report for the financial year ended 30 June 2011

29 SEPTEMBER 2011
51st Annual General Meeting

14 NOVEMBER 2011
Announcement of the unaudited results of Maybank and the Group for the first 3-month period of the 6-month period ending 31 December 2011

28 DECEMBER 2011
Date of payment of the final cash dividend of 32 sen per share (less 25% Malaysian Income Tax) of which the Dividend Reinvestment Plan was applied to the dividend payment and the gross electable portion is 28 sen per Maybank Share held in respect of the financial year ended 30 June 2011

23 FEBRUARY 2012
Announcement of the audited results of Maybank and the Group and announcement of final dividend for the 6-month period ended 31 December 2011

7 MARCH 2012
Notice of the 52nd Annual General Meeting and issuance of annual report for the 6-month period ended 31 December 2011

29 MARCH 2012
52nd Annual General Meeting

Maybank

MALAYAN BANKING BERHAD
(Company No. 3813-K)
(Incorporated in Malaysia)

For the 52nd ANNUAL GENERAL MEETING

form of proxy

Number of shares held	CDS Account No.
	- -

Please refer to the notes below before completing this Form of Proxy.

I/We ______________________________ NRIC/Passport/Co. No. ______________
(full name in block letters)

of ______________________________ Telephone No. ______________
(full address)

a shareholder/shareholders of MALAYAN BANKING BERHAD, hereby appoint ______________________________

______________________________ NRIC/Passport/Co. No. ______________
(full name in block letters)

of ______________________________
(full address)

or failing him/her ______________________________ NRIC/Passport/Co. No. ______________
(full name in block letters)

of ______________________________
(full address)

or failing him/her, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the 52nd Annual General Meeting of Malayan Banking Berhad to be held at Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 29 March 2012 and at 10.00am any adjournment thereof for the following resolutions as set out in the Notice of Annual General Meeting:-

No.	Resolution	For	Against
	Ordinary Resolutions:		
1	Receipt of Audited Financial Statements and Reports.		
2	Declaration of Final Dividend.		
	Re-election of the following Directors in accordance with Articles 96 and 97:-		
3	i. Dato' Johan Ariffin		
4	ii. Dato' Sri Abdul Wahid Omar		
5	iii. Tan Sri Datuk Dr Hadenan A. Jalil		
	Re-appointment of the following Director in accordance with Section 129 (6) of the Companies Act, 1965:-		
6	i. Mr Alister Maitland		
7	Re-appointment of Messrs Ernst & Young as Auditors.		
8	Authorisation for Directors to issue shares pursuant to Section 132D of Companies Act, 1965.		
9	Allotment and issuance of new ordinary shares of RM1.00 each in Maybank in relation to the recurrent and optional dividend reinvestment plan (Dividend Reinvestment Plan).		
	Special Resolution:		
	Proposed amendments to Memorandum and Articles of Association of the Company.		

My/Our proxy is to vote on the resolutions as indicated by an "X" in the appropriate space above. If no indication is given, my/our proxy shall vote or abstain as he/she thinks fit.

Dated this ____________ day of ______________ 2012

____
Signature(s) of shareholder(s)

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and on a show of hands or on a poll, to vote in his stead. A proxy shall be a member of the Company, an Advocate, an approved Company Auditor or a person approved by the Companies Commission of Malaysia. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal or in some other manner approved by its directors.

2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the meeting provided that where a member is an authorised nominee as defined under the Securities Industry (Central Depository) Act 1991, it may appoint at least one proxy but not more than two proxies each in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

3. Duly completed Form of Proxy must be deposited at the office of the appointed share registrar for this AGM, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur no later than 27 March 2012 at 10.00 a.m.

4. For a Form of Proxy executed outside Malaysia, the signature must be attested by a Solicitor, Notary Public, Consul or Magistrate.

5. Only members registered in the Record of Depositors as at 23 March 2012 shall be eligible to attend the AGM or appoint proxy to attend and vote on their behalf.

6. If the proxy or proxies appointed is/are not a member of Maybank, please ensure that the proof of eligibility (referred to in Note 1 above) of the proxy or proxies is/are enclosed with the Form of Proxy submitted and the original counterpart of such proof of eligibility is/are presented by your proxy or proxies for verification purposes during the registration process.

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Affix Stamp

Share Registrar for Maybank's 52nd AGM

Tricor Investor Services Sdn Bhd

Level 17, The Gardens

North Tower, Mid Valley City

Lingkaran Syed Putra

59200 Kuala Lumpur

Malaysia

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