

Serial No: 001

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This Information Memorandum is not an offer to sell securities and is not soliciting an offer to buy securities described herein in any jurisdiction where the offer or sale is not permitted



**MALAYAN BANKING BERHAD
(Company No. 3813-K)**

INFORMATION MEMORANDUM

**PROPOSED ISSUANCE OF SUBORDINATED NOTES UNDER THE SUBORDINATED NOTE
PROGRAMME
OF UP TO RM7.0 BILLION IN NOMINAL VALUE**

Principal Adviser & Lead Arranger



**MAYBANK INVESTMENT BANK BERHAD
(Company No. 15938-H)**

22 February 2012

RESPONSIBILITY STATEMENT

This Information Memorandum has been approved by the directors of Malayan Banking Berhad (“**Maybank**” or the “**Issuer**” or the “**Bank**”) and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries in the circumstances, and to the best of their knowledge, information and belief, there are no false or misleading statements or other material facts the omission of which would make any statement in this Information Memorandum false or misleading and that there are no material omissions in this Information Memorandum in the context of the issue, offer, sale or invitation to subscribe or purchase the subordinated notes (“**Subordinated Notes**”) under the RM7,000,000,000.00 Subordinated Note Programme to be established by the Issuer (“**Subordinated Note Programme**”). The opinions expressed in this Information Memorandum with regard to the Issuer have been reached after considering all relevant circumstances and are based on reasonable assumptions. Enquiries have been made by the Issuer to ascertain all material facts and to verify the accuracy of all such information and statements. In this context, the Issuer accepts responsibility for such information contained in this Information Memorandum.

IMPORTANT NOTICE AND GENERAL STATEMENTS OF DISCLAIMER

This Information Memorandum is provided to prospective investors by the Issuer on a private and confidential basis for use solely in connection with the issue, offer, sale or invitation to subscribe or purchase the Subordinated Notes under the Subordinated Note Programme.

The Issuer has authorised Maybank Investment Bank Berhad (Company No. 15938-H) as principal adviser, lead arranger and lead manager (“**Lead Arranger**”) to distribute this Information Memorandum, which is now being provided by the Lead Arranger on a confidential basis to potential investors for the sole purpose of assisting them to decide whether to subscribe or purchase the Subordinated Notes. The Subordinated Notes shall not be offered, sold, transferred or otherwise disposed, directly or indirectly in Malaysia other than to persons falling within any of the categories of persons or in the circumstances specified under Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)) and Schedule 9 (or Section 257(3)) of the Capital Markets and Services Act, 2007 (as may be amended from time to time) (“**CMSA**”) if they consider purchasing the Subordinated Notes at issuance and Schedule 6 (or Section 229(1)(b)) and Schedule 9 (or Section 257(3)) of the CMSA if they consider purchasing the Subordinated Notes after issuance.

The rating of the Subordinated Notes Programme is AA1 by RAM Rating Services Berhad. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency.

This Information Memorandum shall not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior written consent of the Lead Arranger unless as may be required under Malaysian laws, regulations and/or guidelines.

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No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Lead Arranger or any other person.

This Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia (“**Foreign Jurisdiction**”), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an issue, offer or sale of, or an invitation to subscribe or purchase the Subordinated Notes or any other securities of any kind by any party in any Foreign Jurisdiction.

This Information Memorandum is not intended to be a prospectus and has not been registered or lodged under the laws of Malaysia or of any Foreign Jurisdiction as a prospectus. Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is current as at the date hereof. No action has been or will be taken in any country or jurisdiction by the Issuer or the Lead Arranger that would permit an issue or offering or an invitation to subscribe for or purchase the Subordinated Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Information Memorandum comes are required by the Issuer and the Lead Arranger to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Subordinated Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The distribution or possession of this Information Memorandum in or from certain jurisdictions may be restricted or prohibited by law. Each recipient is required to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer nor the Lead Arranger accepts any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any such Foreign Jurisdiction.

None of the Issuer and the Lead Arranger represents that the Subordinated Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that:

- (a) it will keep confidential all of such information and data and will not reproduce it howsoever and whatsoever manner, without the consent of the Issuer and the Lead Arranger;
- (b) it is lawful for the recipient to subscribe for or purchase the Subordinated Notes under all jurisdictions to which the recipient is subject;
- (c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Subordinated Notes;
- (d) the Issuer and the Lead Arranger and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Subordinated Notes, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Subordinated Notes is or shall become unlawful, unenforceable, voidable or void;
- (e) it is aware that the Subordinated Notes can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws;
- (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Subordinated Notes, and is able and is prepared to bear the economic and financial risks of investing in or holding the Subordinated Notes;
- (g) it is subscribing or accepting the Subordinated Notes for its own account; and
- (h) it is a person to whom an issue, offer or invitation to subscribe or purchase the Subordinated Notes would constitute a person falling within any one or more of the categories of persons specified in Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)) and Schedule 9 (or Section 257(3)) of the CMSA as amended from time to time.

Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject. For the avoidance of doubt, the Information Memorandum shall not constitute an offer or invitation to subscribe or purchase the Subordinated Notes in relation to any recipient who does not fall within item (h) above.

Neither this Information Memorandum nor any other information supplied in connection with the Subordinated Notes is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer and/or the Lead Arranger that any recipient of this Information Memorandum should purchase any of the Subordinated Notes. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive.

Each recipient contemplating purchasing the Subordinated Notes should perform and is deemed to have made its own independent investigation and analysis of the financial condition, status and affairs, and its own appraisal of the creditworthiness and nature, of the Issuer and of its subsidiaries and associated companies, the terms of the offering of the Subordinated Notes, including the merits and risks involved, and all other relevant matters, and each recipient should consult its own professional advisers. All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Subordinated Notes shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Subordinated Notes is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Lead Arranger nor any other advisers for the issue of Subordinated Notes undertake to review the financial condition or affairs of Issuer or to advise any investor in any Subordinated Notes of any information coming to their respective attention.

This Information Memorandum includes certain historical information, estimates, or reports thereon derived from sources mentioned in this Information Memorandum and other parties with respect to the material businesses in which Issuer and its subsidiaries operate and certain other matters. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and or report thereon derived from such and other third party sources.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “*INVESTMENT CONSIDERATIONS*” IN SECTION 4 HEREOF.

Certain statements in this Information Memorandum are based on historical data, which may not be reflective of the future, and others are forward-looking in nature and are subject to risks and uncertainties. While the Issuer believes that these forward-looking statements are reasonable, these statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements. The Issuer is not under any obligation to update or revise such forward-looking statements to reflect any change in expectations or circumstances. In light of all this, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer that the plans and objectives of the Issuer will be achieved.

ACKNOWLEDGEMENT

The Issuer hereby acknowledges that it has authorised the Lead Arranger to circulate or distribute this Information Memorandum on its behalf in respect of or in connection with the proposed offer or invitation to subscribe for and issue of the Subordinated Notes to prospective investors to whom an issue, offer or invitation to subscribe or purchase the Subordinated Notes would constitute persons falling within any one or more of the categories specified in Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)) and Schedule 9 (or Section 257(3)) of the CMSA as amended from time to time and that no further evidence of authorisation is required.

STATEMENTS OF DISCLAIMER BY THE SECURITIES COMMISSION

In accordance with the CMSA, a copy of this Information Memorandum will be deposited with the Securities Commission, which takes no responsibility for its contents.

The issue, offer or invitation in relation to the Subordinated Notes in this Information Memorandum or otherwise is subject to the fulfillment of various conditions precedent including without limitation the approval of the SC.

The Securities Commission vide its letter dated 15 February 2012 has approved the establishment of the Subordinated Note Programme pursuant to Section 212(5) of the CMSA. Please note that the approval of the Securities Commission shall not be taken to indicate that the Securities Commission recommends the subscription or purchase of the Subordinated Notes under the Subordinated Note Programme.

The Securities Commission shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Information Memorandum.

EACH TRANCHE OF THE SUBORDINATED NOTES CARRY DIFFERENT RISKS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING OR SUBSCRIBING THE SUBORDINATED NOTES.

CONFIDENTIALITY

To the recipient of this Information Memorandum:

This Information Memorandum and its contents are strictly confidential and are provided strictly on the basis that the recipient will ensure the same remains confidential. Accordingly, this Information Memorandum and its contents, and/or any information which is made available in connection with any further enquiries, must be held in complete confidence.

THIS INFORMATION MEMORANDUM IS SUBMITTED TO SELECTED PERSONS SPECIFICALLY TO WHOM AN ISSUE, OFFER OR INVITATION TO SUBSCRIBE OR PURCHASE THE SUBORDINATED NOTES WOULD CONSTITUTE PERSONS FALLING WITHIN ANY ONE OR MORE OF THE CATEGORIES SPECIFIED IN SCHEDULE 6 (OR SECTION 229(1)(B)) SCHEDULE 7 (OR SECTION 230(1)(B)) AND SCHEDULE 9 (OR SECTION 257(3)) OF THE CMSA AS AMENDED FROM TIME TO TIME AND MAY NOT BE REPRODUCED OR USED, IN WHOLE OR IN PART, FOR ANY PURPOSE, NOR FURNISHED TO ANY PERSON OTHER THAN THOSE TO WHOM COPIES HAVE BEEN SENT BY THE LEAD ARRANGER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF APPLICABLE LAWS. IF YOU HAVE RECEIVED THIS INFORMATION MEMORANDUM CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, each of the Issuer and the Lead Arranger may, at their discretion apply for any remedy available to the Issuer whether at law or equity, including without limitation, injunctions. Each of the Issuer and the Lead Arranger are entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard on a full indemnity basis. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's

professional advisors, directors, employees and any other persons who may receive this Information Memorandum (or any part of it) from the recipient.

The recipient must return this Information Memorandum and all copies whether in whole or in part and any other information in connection therewith to the Lead Arranger promptly upon the Lead Arranger's or the Issuer's request.

FORWARD-LOOKING STATEMENTS

The Issuer has included statements in this Information Memorandum which contain words or phrases such as "will", "would", "aimed", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "seeking to", "target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may" and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the expectations of the Issuer with respect to, but not limited to, their ability to successfully implement their strategy, their ability to integrate future mergers or acquisitions into their operations, future levels of non-performing assets and restructured assets, their growth and expansion, the adequacy of their allowance for credit and investment losses, technological changes, investment income, their ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings they are or becomes a party to, the future impact of new accounting standards, their ability to implement their dividend policy, their ability to roll over their short-term funding sources, their exposure to market risks and the market acceptance of and demand for property.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Information Memorandum include, but are not limited to general economic and political conditions in Malaysia and the other countries which have an impact on the Issuer's business activities or investments, political or financial instability in Malaysia or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by any country, inflation, deflation, unanticipated turbulence in interest rates, changes in foreign exchange rate, equity prices or other rates or prices, the performance of the financial markets in Malaysia and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and pricing environment in Malaysia and regional or general changes in asset valuations. For a further discussion on the factors that could cause actual results to differ, see the discussion under "*Investment Considerations*" contained in this Information Memorandum.

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GLOSSARY OF DEFINITIONS AND ABBREVIATIONS

Except where the context otherwise requires, the following abbreviations shall apply throughout this Information Memorandum:

“ATM(s)”	Automated teller machines
“BNM”	Bank Negara Malaysia
“Board”	Board of directors of Maybank
“Bursa Securities”	Bursa Malaysia Securities Berhad (Company No. 635998-W)
“Call Date”	Any coupon payment date in the five (5) years prior to the maturity date of that tranche of Subordinated Notes (where applicable)
“Call Option”	Each issuance of Subordinated Notes (other than the Subordinated Notes issued on a 10-year non-callable basis) under the Subordinated Note Programme shall have a callable option to allow the Issuer to redeem (in whole but not in part) that tranche of Subordinated Notes on the Call Date
“Central Depository”	BNM
“CMSA”	Capital Markets and Services Act, 2007 of Malaysia (as amended from time to time)
“CSDPAR”	Central Securities Depository and Paying Agency Rules that provides a set of rules and procedures to govern central securities depository and paying agency services provided by MyClear, as agent for BNM, in relation to the Securities deposited in RENTAS. For the purpose of this definition, “Securities” refers to debt securities, <i>sukuk</i> and other financial instruments, issued in pursuance to the approved facility and which are deposited and settled through RENTAS
“Facility Agent”	Maybank IB
“Government”	The Government of Malaysia
“Lead Arranger”	Maybank IB
“Lead Manager”	Maybank IB
“Material Subsidiaries”	Maybank Islamic Berhad (Company No. 787435-M) and Mayban Ageas Holdings Berhad (Company No. 33361-W)
“Maybank” or the “Bank” or the “Issuer”	Malayan Banking Berhad (Company No. 3813-K)
“Maybank Group” or the “Group”	Maybank and its Subsidiaries
“Maybank IB”	Maybank Investment Bank Berhad (Company No. 15938-H)
“Maybank Kim Eng”	Maybank Kim Eng Holdings Limited

“MyClear”	Malaysian Electronic Clearing Corporation Sdn Bhd (Company No. 836743-D), a wholly owned subsidiary of BNM incorporated in October 2008
“Noteholders”	The bearer for the time being of that tranche of Subordinated Notes or the person for the time being entitled to that tranche of Subordinated Notes
“Paying Agent”	BNM
“Programme Agreement”	The programme agreement between the Issuer, the Lead Arranger, the Facility Agent and the Lead Manager in relation to the Subordinated Note Programme
“RAM Rating”	RAM Rating Services Berhad (Company No. 763588-T)
“RENTAS”	Real Time Electronic Transfer of Funds and Securities System
“RMC”	Risk Management Committee of Maybank
“RWCA Framework”	Risk Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components) guideline issued by BNM
“SC”	Securities Commission of Malaysia
“Securities Lodgement Form”	Securities Lodgement Form for central securities depository and paying agency services substantially in the form set out in Appendix 1 of the CSDPAR
“SMEs”	Small and medium scale enterprise
“Subordinated Indebtedness”	All indebtedness which is subordinated, in the event of the winding-up or liquidation of the Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer, and for this purpose indebtedness shall include all liabilities, whether actual or contingent
“Subordinated Notes”	Subordinated notes to be issued under the Subordinated Note Programme
“Subordinated Note Programme”	Subordinated Note Programme of up to RM7.0 billion in nominal value established by the Issuer with a tenure of up to twenty (20) years from the date of first issue of the Subordinated Notes
“Subsidiaries”	Has the meaning ascribed to it in the Companies Act 1965
“Transaction Documents”	Collectively, the Programme Agreement, the Trust Deed and any other documents in connection with the Subordinated Note Programme agreed by the Issuer and the Lead Arranger
“Trust Deed”	The trust deed between the Issuer and Trustee in relation to the Subordinated Note Programme
“Trust Deed Guidelines”	Trust Deed Guidelines issued by the SC on 12 July 2011
“Trustee”	Malaysian Trustees Berhad (Company No. 21666-V)

“USD”

“United States Dollar”, which is the lawful currency of the United States of America.

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1.0 EXECUTIVE SUMMARY

The summary below aims to provide an overview of the information contained in the Information Memorandum. As such, it does not contain all the information that may be important to you and should therefore be read with this entire Information Memorandum.

1.1 Introduction

Maybank was incorporated on 31 May 1960 and is registered with the Companies Commission of Malaysia. Maybank is the Group's holding company and the main operating entity. Maybank was officially listed on the Kuala Lumpur Stock Exchange (now known as Bursa Securities) on 17 February 1962.

Maybank is principally engaged in the business of banking and finance in all its aspects. The subsidiaries of Maybank are principally engaged in the businesses of banking and finance, Islamic banking, investment banking including stock broking, general and life insurance, general and family takaful, trustee and nominee services, asset management and venture capital.

Maybank intends to issue Subordinated Notes of up to RM7.0 billion in nominal value under the Subordinated Note Programme. 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 RWCA Framework.

1.2 The Subordinated Note Programme

The tenor of the Subordinated Note Programme is up to twenty (20) years from the first issue date of the Subordinated Notes. Each Subordinated Note issued under the Subordinated Note Programme shall have a tenor of either of the following:

- (i) 10-year non-callable basis; or
- (ii) 15 years on a 15 non-callable 10 basis ("15NC10"); or
- (iii) 12 years on a 12 non-callable 7 basis ("12NC7"); or
- (iv) 10 years on a 10 non-callable 5 basis ("10NC5")

subject to the Call Option if applicable, and provided that the maturity of the Subordinated Notes shall not extend beyond the expiry of the Subordinated Note Programme.

The coupon rate shall be determined prior to each issuance of the Subordinated Notes and will be applicable throughout the tenor of the relevant Subordinated Notes up to its maturity date. The Subordinated Notes will not be underwritten.

The minimum level of subscription for each issue which is made on private placement basis shall be 100% of the nominal value of a particular issue. The minimum level of subscription for each issue which is issued via book-building shall be 5% of the nominal value of a particular issue. In the event that any issue, offer or invitation is undersubscribed and does not meet the minimum level of subscription, the same shall be aborted and where applicable, any consideration received for the purpose of subscription shall be immediately returned to the respective subscribers/investors.

The Subordinated Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking pari passu without any preference among themselves.

In the event of the winding-up or liquidation of the Issuer, the claims of the Noteholders against the Issuer in respect of the Subordinated Notes will be subordinated in right of payment to the claims of depositors and all other unsubordinated creditors of the Issuer and will rank at least pari passu in right of payment with all other Subordinated Indebtedness, present and future, of the Issuer. Claims in respect of the Subordinated Notes will rank in priority to the rights and claims of holders of subordinated liabilities which by their terms rank or expressed to rank in right of payment junior to the Subordinated Notes and all classes of equity securities of the Issuer, including holders of preference shares.

The Subordinated Notes may be listed on Bursa Securities under an exempt regime pursuant to Chapter 4B of Bursa Securities's Main Market Listing Requirements.

1.3 Utilisation of the Proceeds

The proceeds from the Subordinated Notes will be utilised to fund Maybank's working capital, general banking and other corporate purposes.

1.4 Rating by RAM Rating

The Subordinated Note Programme has been accorded a long term rating of AA1 by RAM Rating.

1.5 Approvals Required

The following approvals have been sought for the Subordinated Note Programme:

- 1.5.1 BNM for the proposed issuance of Subordinated Notes of up to RM7.0 billion in nominal value under the Subordinated Note Programme. The approval from BNM for the above has been obtained on 14 December 2011 ("**BNM Approval**").

BNM Approval is subject to the following:

- (i) Compliance with the requirements as specified in RWCA Framework, particularly on the amount and limit that qualifies as Tier 2 capital;
 - (ii) Requirement that Maybank is to incorporate in the terms and conditions of the Subordinated Note Programme that in exercising the Call Option that:-
 - (a) Maybank replaces the called instrument with a capital of same or better quality and the replacement of that capital is done at conditions which are sustainable for the income capacity of Maybank;
 - (b) Maybank demonstrates that its capital position is well above the minimum requirements after the Call Option is exercised;
 - (iii) Obtain approval from BNM prior to subsequent issuance of the capital instruments under the Subordinated Note Programme when there are changes to the structure and the terms and conditions of the said issuance. Otherwise, Maybank is only required to notify BNM prior to the issuance of each tranche under the Subordinated Note Programme.
- 1.5.2 SC for the proposed issue of Subordinated Notes of up to RM7.0 billion in nominal value under the Subordinated Note Programme pursuant to section 212 of the CMSA. The approval from the SC for the above was obtained on 15 February 2012.

2.0 PRINCIPAL TERMS AND CONDITIONS OF THE SUBORDINATED NOTE PROGRAMME

Background Information of the Issuer

- (i) **Name** : Malayan Banking Berhad (“**Maybank**” or “**Issuer**”)
- (ii) **Address** : 14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
- (iii) **Business registration no.** : 3813-K
- (iv) **Date and place of incorporation** : 31 May 1960 / Malaysia
- (v) **Date of listing** : 17 February 1962
- (vi) **Status**
Resident / non-resident controlled company : Resident controlled company
- (vii) **Principal activities** : Maybank is the holding company and the major operating entity of the Maybank group of companies.
- Maybank is principally engaged in the business of banking and finance. The subsidiaries of Maybank are principally engaged in the businesses of banking and finance, Islamic banking, investment banking including stock broking, general and life insurance, general and family takaful, trustee and nominee services, asset management and venture capital.
- (viii) **Board of directors** : The Board of Directors of Maybank as at 31 October 2011 are as follows:
1. Tan Sri Dato’ Megat Zaharuddin bin Megat Mohd Nor (Chairman)
 2. Dato’ Mohd Salleh bin Haji Harun
 3. Dato’ Sri Abdul Wahid bin Omar
 4. Tan Sri Dr. Hadenan bin A. Jalil
 5. Dato’ Seri Ismail bin Shahudin
 6. Dato’ Dr. Tan Tat Wai
 7. Zainal Abidin bin Jamal
 8. Alister Thirlestane Lauderdale Maitland
 9. Cheah Teik Seng
 10. Dato’ Johan bin Ariffin
 11. Dato’ Sreesanthan A/L Eliathamby
 12. Datuk Mohaiyani binti Shamsudin

- (ix) **Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders** : The substantial shareholders (with shareholding of 5% and above) as at 31 October 2011 are as follows:

Name	No. of shares held	% of share-holding
Amanah Raya Trustees Berhad (B/O: Skim Amanah Saham Bumiputera)	3,227,465,725	43.16
Citigroup Nominees (Tempatan) Sdn Bhd (B/O: Employees Provident Fund Board)	846,816,646	11.32
Permodalan Nasional Berhad	639,861,601	8.56

- (x) **Authorised and paid up capital** : Authorised and paid-up capital of the Issuer as at 31 October 2011:

Authorised Share Capital

RM10,000,000,000.00 comprising 10,000,000,000 ordinary shares of RM1.00 each.

Issued and Fully Paid-up Share Capital

RM7,478,215,967.00 comprising 7,478,215,967 ordinary shares of RM1.00 each

- (a) **Names of parties involved in the proposed transaction (where applicable)**

- (i) **Principal adviser** : Maybank Investment Bank Berhad (“**Maybank IB**”)
- (ii) **Lead arranger** : Maybank IB
- (iii) **Co-arranger** : Not applicable
- (iv) **Solicitor** : Adnan Sundra & Low
- (v) **Financial adviser** : Not applicable
- (vi) **Technical adviser** : Not applicable
- (vii) **Trustee** : Malaysian Trustees Berhad
- (viii) **Guarantor** : Not applicable
- (ix) **Valuer** : Not applicable

- | | | |
|--------|---|-------------------------------------|
| (x) | Facility agent | : Maybank IB |
| (xi) | Primary subscriber (under a bought-deal arrangement) and amount subscribed | : Not applicable |
| (xii) | Underwriter and amount underwritten | : Not applicable |
| (xiii) | Central depository | : Bank Negara Malaysia (“BNM”) |
| (xiv) | Paying agent | : BNM |
| (xv) | Reporting accountant | : Not applicable |
| (xvi) | Calculation agent | : Not applicable |
| (xvii) | Others (please specify) | : <u>Lead Manager</u>
Maybank IB |
- (b) **Facility description** : Up to RM7.0 billion in nominal value Subordinated Notes (“**Subordinated Notes**”) under the Subordinated Note Programme (“**Subordinated Note Programme**”).
- 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) published by BNM.
- (c) **Issue/programme size** : Up to RM7.0 billion in nominal value. The aggregate nominal value of outstanding Subordinated Notes issued pursuant to the Subordinated Note Programme shall not exceed RM7.0 billion at any one point in time.
- (d) **Tenure of issue/debt programme (or facility)** : Tenure of the Subordinated Note Programme
- Up to twenty (20) years from the date of first issue of Subordinated Notes under the Subordinated Note Programme. The first issue shall be done within twenty four (24) months from the date of approval by the Securities Commission (“SC”).
- Tenure of the Subordinated Notes
- Each Subordinated Note issued under the Subordinated Note Programme shall have a tenure of either the following:
- (i) 10-year non-callable basis; or

- (ii) 15 years on a 15 non-callable 10 basis (“**15NC10**”); or
- (iii) 12 years on a 12 non-callable 7 basis (“**12NC7**”); or
- (iv) 10 years on a 10 non-callable 5 basis (“**10NC5**”);

subject to the Call Option as described below, if applicable, and provided that the maturity of the Subordinated Notes shall not extend beyond the expiry of the Subordinated Note Programme.

Call Option

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 (“**Call Option**”) to allow the Issuer to redeem (in whole, but not in part) that tranche of Subordinated Notes on the Call Date.

“**Call Date**” is defined as any coupon payment date in the five (5) years prior to the maturity date of that tranche of Subordinated Notes.

- (e) **Availability period of debt programme (or facility)** : Up to 10 years from the date of first issuance under the Subordinated Notes Programme.
- (f) **Interest / coupon rate** : To be determined prior to each issuance of the Subordinated Notes.

The coupon rate shall be applicable from the issue date of the respective tranche Subordinated Notes up to (but excluding) the date of early redemption or the maturity date of that tranche of Subordinated Notes, whichever is earlier.

The coupon rate shall be applicable throughout the tenure of each issue of the Subordinated Notes.

- (g) **Interest / coupon payment frequency** : Coupon payment frequency

Payable semi-annually in arrears from the issue date of that tranche of Subordinated Notes with the last coupon payment to be made on the date falling on the maturity date or on the date of early redemption of that tranche of Subordinated Notes, whichever is earlier.
- (h) **Interest / coupon payment basis** : Actual number of days over 365 days basis.
- (i) **Security/collateral (if any)** : None.
- (j) **Details on utilisation of proceeds by issuer** : The proceeds from the Subordinated Notes will be utilised to fund Maybank’s working capital, general

banking and other corporate purposes.

- (k) **Sinking fund and designated account (if any)** : None
- (l) **Rating**
- **Credit rating assigned [Please specify if this is an indicative rating or if the credit rating is not assigned for the full amount in the case of debt programme]** : AA1
 - **Name of rating agency** : RAM Rating Services Berhad (Company No. 763588-T) (“**RAM Rating**”)
- (m) **Mode of issue** : The Subordinated Notes shall be issued via book-building on a best effort basis and/or private placement on a best effort basis without prospectus in accordance with the MyClear Rules and Procedures (“**My Clear**”).
- (n) **Selling restriction, including tradability (i.e. tradable or non-tradable)** : Selling Restrictions at Issuance
- The Subordinated Notes shall not be offered, sold, transferred or otherwise disposed, directly or indirectly in Malaysia other than to persons falling within any of the categories of persons or in the circumstances specified under:
- (i) Schedule 6 (or Section 229(1)(b)); or
 - (ii) Schedule 7 (or Section 230(1)(b)); and
 - (iii) Schedule 9 (or Section 257(3))
- of the Capital Markets and Services Act, 2007 (“**CMSA**”), as amended from time to time.
- Selling Restrictions After Issuance
- The Subordinated Notes shall not be offered, sold, transferred or otherwise disposed directly or indirectly in Malaysia other than to persons falling within any of the categories of persons or in the circumstances specified under:
- (i) Schedule 6 (or Section 229(1)(b)); and
 - (ii) Schedule 9 (or Section 257(3))
- of the CMSA, as amended from time to time.
- (o) **Listing status and types of listing** : The Subordinated Notes may be listed on Bursa Malaysia Securities Berhad under an Exempt Regime pursuant to Chapter 4B of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements. The SC will be notified accordingly in the event of such listing.

- (p) **Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained** : BNM's approval for the proposed issuance of Subordinated Notes of up to RM7.0 billion under the Subordinated Note Programme. BNM's approval (upon terms and conditions imposed by BNM) has been obtained via its letter dated 14 December 2011.
- (q) **Conditions precedent** : Conditions precedent usual and customary for an issuance of such nature, which shall include but not limited to the following:-

Conditions Precedent For First Issue of Subordinated Notes

A. Main Documentation

- (i) The Transaction Documents (as defined below) have been signed and, where applicable, stamped or endorsed as exempted from stamp duty.

B. The Issuer

- (i) Certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer;
- (ii) Certified true copies of the latest Forms 24 and 49 of the Issuer;
- (iii) A certified true copy of a board of directors' resolution, authorising, amongst others, the execution of the Transaction Documents;
- (iv) A list of the Issuer's authorised signatories and their respective specimen signatures;
- (v) A report of the relevant company search of the Issuer; and
- (vi) A report of the relevant winding up search or the relevant statutory declaration in relation thereto.

C. General

- (i) Written approval from the SC for the establishment of the Subordinated Note Programme;
- (ii) Written approval from BNM for the issuance of the Subordinated Notes under the Subordinated Note Programme;
- (iii) Evidence that the Subordinated Note Programme has been accorded a minimum rating of AA1 by RAM Rating;

- (iv) The Lead Arranger has received from the Solicitors a legal opinion addressed to it with respect to, amongst others, the legality, validity and enforceability of the Transaction Documents and a confirmation addressed to it that all the required conditions precedent have been fulfilled;
 - (v) The duly completed Securities Lodgement Form (substantially in the form set out in Appendix 1 of the Central Securities Depository and Paying Agency Rules issued by MyClear) has been delivered to the Facility Agent; and
 - (vi) Such other conditions precedent as advised by the Solicitors and agreed by the Issuer.
- (r) **Representations and warranties** : Representations and warranties usual and customary for an issuance of such nature, which shall include but not limited to the following:-
 - (i) The Issuer (a) has been duly incorporated and validly exists under the Companies Act 1965 of Malaysia, (b) has full power and authority to engage in the business of banking and finance in Malaysia and each other jurisdiction where it is so engaged and conduct its business, and (c) is duly qualified to transact business under the laws of Malaysia and each other jurisdiction in which it owns or leases properties, or conduct any business, so as to require such qualification, other than where the failure to be so qualified would not have a material adverse effect on the Issuer's ability to perform its obligations under the Transaction Documents;
 - (ii) The issuance of the Subordinated Notes have been duly authorised, and when issued and delivered pursuant to the Transaction Documents, will have been duly executed, authenticated, issued and delivered and will constitute valid and binding obligations of the Issuer entitled to the benefits provided by the Transaction Documents;
 - (iii) No event has occurred which would constitute an event of default under the Subordinated Notes or which with the giving of notice or the lapse of time or other condition would constitute an event of default;
 - (iv) The Issuer is not in breach of the provisions of any law or regulations governing such approvals, consents, authorisation and/or such licenses and, after due and careful consideration, the Issuer is not aware of any reason why such approval,

consent, authorisation and/or license should be withdrawn or cancelled or any conditions attached thereto adversely altered, other than where the absence of such approval, consent, authorisation and/or license would not have a material adverse effect on the Issuer's ability to perform its obligations under the Transaction Documents;

- (v) There are no legal or governmental proceedings pending or, to the knowledge of the Issuer, threatened, to which the Issuer is or may be a party or to which any property or asset of the Issuer is or may be the subject which, if determined adversely to the Issuer, could individually or in the aggregate reasonably be expected to have a material adverse effect on the business, financial position, shareholders' funds or results of operations of the Issuer;
- (vi) The Issuer has all licenses, franchises, permits, authorisations, approvals, orders and other concessions of and from all governmental and regulatory officials and bodies that are necessary to own or lease its properties and conduct its business, other than where the failure to obtain such licenses, franchises, permits, authorisations, approvals, orders and other concessions would not have a material adverse effect on the Issuer's ability to perform its obligations under the Transaction Documents; and
- (vii) The Issuer and its obligations under the Transaction Documents and the Subordinated Notes are subject to commercial law and to suit in Malaysia and neither the Issuer nor any of its properties, assets or revenues has any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any court, from set off or counterclaim, from the jurisdiction of any court, or other legal process or proceeding for the giving of any relief or for the enforcement of judgment, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Transaction Documents and the Subordinated Notes.

For the purpose of this clause, "material adverse effect" means the occurrence of any event which materially and adversely affects the ability of the Issuer to perform any of its obligations under any of the Transaction Documents or which materially and adversely affects the business, financial position, shareholders' funds or results of the operations of the Issuer.

- (s) **Events of Default (or enforcement event, where applicable)** : The events of defaults shall be:
- (a) If the Issuer fails to pay any principal or coupon or any other amount under a tranche of Subordinated Notes when due and payable and such default continues for a period of fourteen (14) days, the Trustee may, subject to the terms of the Trust Deed, institute proceedings to enforce the payment obligations under that tranche of Subordinated Notes and may institute proceedings in Malaysia for the winding-up of the Issuer, provided that neither the Trustee nor any of the holders of that tranche of Subordinated Notes shall have the right to accelerate payment of that tranche of Subordinated Notes in the case of such default in the payment of amount owing under that tranche of Subordinated Notes or any default in the performance of any condition, provision or covenant under that tranche of Subordinated Notes or the Transaction Documents; and
 - (b) If:
 - (i) a court or an agency or regulatory authority in Malaysia having jurisdiction in respect of the same shall have instituted any proceeding or entered a decree or order for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, or similar arrangements involving the Issuer or all or substantially all of its property, or for the winding up of or liquidation of its affairs and such proceeding, decree or order shall not have been vacated or shall have remained in force, undischarged or unstayed for a period of sixty (60) days; or
 - (ii) the Issuer shall file a petition to take advantage of any insolvency statute,the Trustee may, subject to the terms of the Trust Deed, by written notice to the Issuer declare that the Subordinated Notes shall immediately become due and payable at their respective nominal value together with the accrued but unpaid coupon (if any) notwithstanding the stated maturity of the Subordinated Notes.

For avoidance of doubt, the occurrence of event of default (a) above for any tranche of the Subordinated Notes will not trigger the event of default for other tranches of the Subordinated Notes outstanding.

However, occurrence of event of default (b) above will trigger event of default for all tranches of the Subordinated Notes outstanding.

(t) Covenants

: The Issuer shall comply with such applicable covenants as may be advised by the Solicitors and/or which are required in order to comply with the SC's Trust Deeds Guidelines, including but not limited to the following:

- (i) At all times comply with its obligations under the Transaction Documents;
- (ii) Redeem in full all outstanding Subordinated Notes in accordance with the terms and conditions of the Transaction Documents;
- (iii) At all times provide the Trustee such information as it may reasonably require in order to discharge of its duties and obligations as trustee relating to the Issuer's affairs to the extent permitted by law;
- (iv) At all times exercise reasonable diligence in carrying on its business in a proper and efficient manner which should ensure, amongst others, that all necessary approvals or relevant licences are obtained and maintained;
- (v) At all times maintain a paying agent who is based in Malaysia;
- (vi) Procure that the paying agent shall notify the Trustee, through the Facility Agent, in the event that the paying agent does not receive payment from the Issuer on the due dates as required under the Transaction Documents;
- (vii) At all times keep proper books and accounts and to provide the trustee and any person appointed by it (e.g. auditors) access to such books and accounts to the extent permitted by law;
- (viii) Notify the Trustee in the event that the Issuer becomes aware of the following:
 - (a) any event of default or that such other right or remedy under the terms, provisions and covenants of the Subordinated Notes and the Trust Deed have become immediately enforceable;
 - (b) any circumstance that has occurred that would materially prejudice the Issuer or any security included in or created by the Subordinated Notes or the Trust Deed (where applicable);

- (c) any substantial change in the nature of the business of the Issuer;
 - (d) any change in the utilisation of proceeds from the Subordinated Notes other than for the purpose stipulated in the information memorandum and the Transaction Documents; and
 - (e) of any other matter that may materially prejudice the interest of the holders of the Subordinated Notes;
- (ix) Deliver to the Trustee a copy of its annual audited accounts within 180 days after the end of each financial year, and any other accounts, reports, notices, statements or circulars issued to shareholders; and
 - (x) Deliver to the Trustee annually a certificate that the Issuer has complied with its obligations under the Trust Deed and the terms and conditions of the Subordinated Notes and that there did not exist or had not existed, from the date the Subordinated Notes were issued, any event of default and if such is not the case, to specify the same.

(u) Provisions on buy-back and early redemption of bonds

- (1) **Optional Redemption** : For each tranche of Subordinated Notes where Call Option is applicable, the Issuer may, at its option, and subject to the Redemption Conditions (as defined below) being satisfied, redeem that tranche of Subordinated Notes (in whole, but not in part) on the Call Date at their principal amount together with accrued but unpaid coupon (if any). The optional redemption of one tranche of Subordinated Notes shall not trigger the redemption of other tranches of Subordinated Notes.
- (2) **Redemption on maturity** : Unless previously redeemed on the Call Date, or redeemed pursuant to a Regulatory Redemption (as defined below) or purchased from the market and cancelled, the tranche of Subordinated Notes will be redeemed by Maybank (in whole, but not in part) at the principal amount together with accrued but unpaid coupon (if any) on the maturity date.
- (3) **Regulatory Redemption** : The Issuer may, at its option, redeem a tranche of Subordinated Notes (in whole, but not in part), subject to the Redemption Conditions being satisfied if a Regulatory Event occurs at the principal amount together with accrued but unpaid coupon (if any).

“**Regulatory Event**” means any time there is more than an insubstantial risk, as determined by the Issuer, that:

- (i) that or any tranche of Subordinated Notes (in whole or in part) will, either immediately or with the passage of time or upon either the giving of notice or fulfillment of a condition, no longer qualify as Tier 2 Capital of the Issuer for the purposes of BNM’s capital adequacy requirements under any applicable regulations;
- (ii) changes in law will make it unlawful to continue performing its obligations under that or any tranche of Subordinated Notes; or
- (iii) changes in tax law will impose a new tax obligation on the Issuer or modify an existing tax obligation of the Issuer by reason of that or any tranche of Subordinated Notes.

(4) Redemption Conditions

: Redemption Conditions means:

- (i) the Issuer is solvent at the time of any redemption of that tranche of Subordinated Notes and immediately thereafter;
- (ii) the Issuer has obtained the written approval of BNM prior to redemption of that tranche of Subordinated Notes; and
- (iii) the Issuer:
 - (a) shall replace that tranche of Subordinated Notes to be redeemed with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the Issuer; or
 - (b) demonstrates that its capital position is well above the minimum requirements after the Call Option is exercised.

(v) Other principal terms and conditions for the issue

(1) Status of Subordinated Notes

: The Subordinated Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking pari passu without any preference among themselves.

In the event of the winding-up or liquidation of the Issuer, the claims of the holders of the Subordinated Notes against the Issuer in respect of the Subordinated Notes will be subordinated in right of payment to the claims of depositors and all other unsubordinated

creditors of the Issuer and will rank at least pari passu in right of payment with all other Subordinated Indebtedness (as defined below), present and future, of the Issuer. Claims in respect of the Subordinated Notes will rank in priority to the rights and claims of holders of subordinated liabilities which by their terms rank or expressed to rank in right of payment junior to the Subordinated Notes and all classes of equity securities of the Issuer, including holders of preference shares.

“Subordinated Indebtedness” means all indebtedness which is subordinated, in the event of the winding-up or liquidation of the Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer, and for this purpose indebtedness shall include all liabilities, whether actual or contingent.

(2) Transaction Documents

: In respect of the Subordinated Note Programme shall include, but not be limited to, the following:

- (i) Programme Agreement;
- (ii) Trust Deed; and
- (iii) Any other relevant documents agreed between the parties that may be required to complete the Subordinated Note Programme as advised by the Solicitors and agreed by the Issuer.

(3) Trustee’s Reimbursement Account

: The Trustee shall open and maintain, throughout the tenure of the Subordinated Note Programme, an account to be named the “Trustee’s Reimbursement Account for Debenture holders’ Actions” (the “Account”) with a bank which is acceptable to the Issuer with a sum of Ringgit Malaysia Thirty Thousand (RM30,000.00), which amount is to be obtained from the proceeds of issuance of the Subordinated Notes.

The Account shall be operated solely by the trustee and the money shall be used strictly by the trustee in carrying out its duties in relation to the declaration of an Event of Default in the manner as provided in the Trust Deed.

The moneys in the Account may be invested in bank deposit or instrument or securities in the manner as provided in the Trust Deed, with profit from the investment to be accrue to the Issuer. The moneys in the Account shall be returned to the Issuer upon full redemption of the Subordinated Note Programme in the event there is no declaration of Event of Default.

(4) Purchase and Cancellation

: The Issuer or any related corporation of the Issuer may at any time purchase, subject to the prior approval of BNM (but which approval shall not be required for a purchase done in the ordinary course of business), the Subordinated Notes at any price in the open market or by private treaty. The Subordinated Notes purchased by

the Issuer or any related corporation of the Issuer may not be used for voting purposes or for directing or requesting the Trustee to take any action. All Subordinated Notes which are (a) redeemed or (b) purchased by the Issuer or any related corporation of the Issuer (other than in the ordinary course of business) will forthwith, subject to the prior approval of BNM, be cancelled and accordingly may not be reissued or resold.

For the purpose of this clause, the term “related corporation” has the meaning given to it in the Companies Act, 1965 and the term “ordinary course of business” includes those activities performed by the Issuer or any related corporation of the Issuer for third parties and excludes those performed for own account of the Issuer or such related corporation.

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|-----|--------------------------|---|---|
| (5) | Governing law | : | Laws of Malaysia and submission to the exclusive jurisdiction of the courts of Malaysia. |
| (6) | Other Conditions | : | The Subordinated Note Programme shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and/or other relevant authority in Malaysia having jurisdiction over matters pertaining to the Subordinated Note Programme and the Subordinated Notes. |
| (7) | Further Issuances | : | The Issuer may from time to time raise additional subordinated notes, which may contain greater rights for the holders thereof including acceleration rights provided that such subordinated notes ranks pari-passu in right and priority of payment with or is subordinated to the Subordinated Notes in the case of any distribution of assets in any winding up of the Issuer. |

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3.0 SELLING RESTRICTIONS

Selling Restrictions at Issuance

The Subordinated Notes shall not be offered, sold, transferred or otherwise disposed, directly or indirectly in Malaysia other than to persons falling within any of the categories of persons or in the circumstances specified under:

- (i) Schedule 6 (or Section 229(1)(b));
- (ii) Schedule 7 (or Section 230(1)(b)); and
- (iii) Schedule 9 (or Section 257(3))

of the CMSA, as amended from time to time.

Selling Restrictions After Issuance

The Subordinated Notes shall not be offered, sold, transferred or otherwise disposed directly or indirectly in Malaysia other than to persons falling within any of the categories of persons or in the circumstances specified under:

- (i) Schedule 6 (or Section 229(1)(b)); and
- (ii) Schedule 9 (or Section 257(3))

of the CMSA, as amended from time to time.

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4.0 INVESTMENT CONSIDERATIONS

Investors should carefully consider, among other things, the risks described below, as well as the other information contained in this Information Memorandum, before making an investment decision. Any of the following risks could materially adversely affect the business, financial condition or results of operations of the Group and of the Issuer and, as a result, investors could lose all or part of their investment. The risks below are not the only risks the Group faces. Additional risks and uncertainties not currently known to the Group (and the Issuer), or that it currently deems to be immaterial may also materially adversely affect the business, financial condition or results of operations of the Group and of the Issuer. Words and expressions defined elsewhere in this Information Memorandum shall have the same meanings in this section.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Subordinated Notes to be issued under the Subordinated Note Programme, but the Issuer's inability to pay any amounts on or in connection with any Note may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate, and the Issuer does not represent that the statements below regarding the risks of holding any Subordinated Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision. In making an investment decision, each investor must rely on its own examination of the Issuer and the terms of the offering of the Subordinated Notes.

4.1 Considerations relating to the Group

In the course of its business activities, the Group is exposed to a variety of risks, the most significant of which are credit risks, operational risks, liquidity risks and interest rate risks. While the Group believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to adequately control these risks could be greater than anticipated and which could result in adverse effects on the Group's financial condition, results of operations, prospects and reputation.

4.1.1 Credit risks

Credit risks arising from adverse changes in the credit quality and recoverability of loans, advances and amounts due from counterparties are inherent in a wide range of the Group's businesses. Credit risks could arise from a deterioration in the credit quality of specific counterparties of the Group, from a general deterioration in local or global economic conditions or from systemic risks with the financial systems, all of which could affect the recoverability and value of the Group's assets and require an increase in the Group's provisions for the impairment of its assets and other credit exposures. See "*Risk Management*" in section 10 for a description of the Group's exposure to credit risks.

4.1.2 Operational risks

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems, equipment and external systems (e.g., those of the Group's counterparties or vendors) and occurrence of natural disasters. Although the Group has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to entirely eliminate any of the operational risks. In addition, the Group seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by the Group's increased use of the internet. Computer break-ins and power disruptions could affect the security of information stored in, and transmitted through, these computer systems and network infrastructure. The Group employs security systems, including

firewalls and password encryption, designed to minimise the risk of security breaches. There can be no assurance that these security measures will be adequate or successful.

A significant fraud, system failure, calamity or failure in security measures could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the Group's reputation could be adversely affected by significant frauds committed by employees, customers or other third parties. See "*Risk Management*" in section 10 for a description of the Group's exposure to operational risks.

4.1.3 Liquidity risks

Liquidity risks could arise from the inability of the Group to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on the Group's ability to meet its obligations when they fall due. Although the Group's policy is to maintain prudent liquidity risk management, a diversified and stable source of cheaper funding and to minimise undue reliance on any particular funding source, there is no assurance that there will not be a liquidity crisis affecting the Group, and the failure to maintain such adequate sources of funding may adversely affect the business, financial condition and results of operations of the Group. See "*Risk Management*" in section 10 for a description of the Group's exposure to liquidity risks.

4.1.4 Interest rate risk

The Group's exposure to interest rate risk arises from its balance sheet positions that are indexed against certain interest rates, such as loans, securities, traditional and inter-bank deposits. The Group quantifies interest rate risk in the banking book through analysing the repricing mismatch between rate sensitive assets and rate sensitive liabilities. The Group has been maintaining a positive repricing gap profile for up to a one year tenor. When market interest rates decline, the Group's net interest margin generally decreases due to a repricing mismatch of the floating rate assets and liabilities coupled with basis risk that arise from imperfect correlation between changes in rates earned and paid on different instruments. On the other hand, part of the Group's loan portfolio, comprising fixed rate loans (including hire purchase loans), are protected in the declining rate environment.

Although the Group believes that it has adopted sound interest rate risk management strategies, there is no assurance that such strategies will remain effective or adequate in the future. Analysis of this risk is complicated by having to make assumptions on optionality of certain products such as prepayment 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. The impact on earnings is measured against the approved earnings at risk limit where new business and hedging strategies will be formulated and implemented to manage the interest rate risk exposure through approved frameworks and policies, which benchmark against international best practice, i.e., Bank for International Settlement ("**BIS**") standards such as Basel II and Basel III.

4.1.5 Quality of assets

Asset quality is one of the key drivers of a financial institution's performance. The Group adopts prudent credit risk management policies to manage its asset quality. The Group recognises that credit policies need to be responsive to the changing environment and diverse market conditions. Additionally, the establishment and application of lending rules, policies and guidelines must be consistently applied throughout the Group. The Group appreciates that loan pricing has to reflect the cost of risk in order to generate an optimal return on capital.

Although the Group believes that it has adopted a sound asset quality management system and intends to maintain it, there is no assurance that the system will remain effective or adequate in the

future. A deterioration of asset quality may adversely affect the business, financial condition and results of operations of the Issuer.

4.1.6 Deterioration in collateral values or inability to realise collateral value may necessitate an increase in the Issuer's provisions

A significant portion of the Issuer's loans are secured by collateral such as real estate and securities, the values of which may decline with a downturn in global economic conditions and/or outlook. Any downward adjustment in collateral values may lead to a portion of the Issuer's loans exceeding the value of the underlying collateral. Such downward adjustment which will impact the future cash flow recovery and combined with a deterioration in the general credit worthiness of borrowers, may result in an increase in the Issuer's loan loss provisions and potentially reducing its loan recoveries from foreclosures of collateral, which could have an adverse effect on the business, financial condition and results of operations of the Group.

4.1.7 Classification and Provisioning Policy for Impaired Loans

Prior to the adoption of FRS 139 with effect from the financial year beginning 1 July 2010, loans were classified as non-performing when principal or interest/profit or both are past due for three months or more. Since the adoption of FRS 139, loans are classified as impaired when principal or interest/profit or both are past due for three months or more or where loans in arrears for less than three months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for.

The Issuer reviews its individually significant loans, advances and financing at each statement of financial position date to assess whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans is deemed to be impaired 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 loan (an incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the loan or group of loans that can be reliably estimated. 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.

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.), concentrations of risks and relevant economic data.

4.1.8 Sources of Funding

The Group has a diversified liability structure to meet its funding requirements. The primary sources of funding include customer deposits, interbank deposits, debt securities, interbank and swap market, bank loan syndication market and medium term funds. The Group has a stable customer deposit base as its main source of long term funding. The stable growth in deposits is attained through the Issuer's large branch network and its reputation as a leading financial institution in the domestic market. Another avenue for managing the Group's funding requirements is by improving liquidity through the sale of loans to Cagamas Berhad (the National Mortgage Corporation; "Cagamas"). As for overseas branches, funding sources are primarily interbank borrowings, customers' deposits and borrowings from head office.

The Group has access to both internal and external fund in relation to undertaking of merger and acquisition etc.

Sources of liquidity are regularly reviewed to maintain a wide diversification by currencies, providers, products and terms to be in line with changes in the market.

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

The Group has several policies in place to ensure that the bank implements sound principles that facilitate the identification, measurement, monitoring, and control of liquidity risk exposure. These are governed by BNM's Liquidity Framework as well as benchmarked against leading practices (including BIS and Financial Services Authority of United Kingdom). In addition, the liquidity positions of the Group are monitored regularly against the established policies, procedures and limits.

The Group actively monitors the market conditions to assess their impact on its sustainability. Impact studies were also conducted to analyse the Group's exposure to significant global events such as the Eurozone sovereign debt crisis, market turmoil in Middle East and North Africa ("MENA"), the substantial dislocations, liquidity disruptions and market corrections relating to U.S. sub-prime residential mortgage loans and related securities and the disaster caused by the earthquakes and the tsunami in Japan in 2011. As of the date of this Information Memorandum, the Group has not experienced any substantial adverse effect as a result of the Eurozone sovereign debt crisis, MENA turmoil as well as the Japan turmoil on its assets or funding sources. Further the Issuer does not have significant investments in assets or securities linked to, or the value of which is derived from, assets that could be classified as sub-prime residential mortgages, or in investment securities comprising asset funds and trusts which hold and invest in assets that are classified as sub-prime residential mortgages. As such, the Issuer currently does not have significant direct or indirect exposure to the sub-prime residential lending market in the U.S. or elsewhere. However, the value of a number of the investment securities that the Issuer holds is sensitive to the volatility of the credit markets and accordingly, such investment securities may be adversely affected by future developments in the credit markets.

Adverse and continued constraints in the supply of liquidity may adversely affect the cost of funding the business and extreme liquidity constraints may limit growth possibilities. An inability to access funds or to access the markets from which it raises funds may create stress on the Issuer's ability to finance its operations adequately. A dislocated credit environment compounds the risk that funds will not be available at favourable rates. In addition, the continued liquidity crises in other affected economies may create difficulties for the Issuer's borrowers to refinance or repay loans to the Issuer, which would result in deterioration of the credit quality of the Issuer's loan portfolio and potentially increase the Issuer's non-performing loans ("NPL") levels. Moreover, if there is a downturn in confidence in the Malaysian banking sector as a result of a liquidity crisis, the depositors may withdraw term deposits prior to maturity and as a result have a negative impact on the Issuer's funding base and liquidity. There can be no assurance that if unexpected withdrawals of deposits by the Issuer's customers result in liquidity gaps, the Issuer will be able to cover such gaps.

If the Group perceives a likelihood of impending deterioration in economic conditions, it may decrease its risk tolerance in its lending activities, which could have the effect of reducing its interest margin and interest income and ultimately adversely affect the business, financial condition and results of operation of the Group.

The Group has sound frameworks and policies as well as hedging and exit strategies to proactively manage market disruption should the situation materialize. In addition as part of the control process, the Group's Contingency Funding Plan is developed to provide 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. Although the Group's policy is to maintain prudent liquidity risk management, diversified and stable sources of cheaper funding and to minimise undue reliance on any particular funding source, there is no assurance that there will not be a liquidity crisis affecting the Group, and the failure to maintain and ensure adequate sources of funding may adversely affect the business, financial condition and results of operations of the Group.

4.1.9 Expansion into Asian markets may increase the Group's risk profile

Building growth in overseas markets, particularly in the Association of Southeast Asian Nations ("ASEAN") region, forms a key pillar of the Group's strategy. Outside Malaysia, Singapore and Indonesia are key markets targeted by the Group, and the Group intends to focus particularly on Indonesia due to its potential for growth. Such regional expansion increases its risk profile and exposure to asset quality problems. The Group is also subject to regulatory supervision arising from a wide variety of banking and financial services laws and regulations, and faces the risk of interventions by a number of regulatory and enforcement authorities in each jurisdiction which is the focus of its regional expansion plans. Failure by the Group to comply with any of these laws and regulations could lead to disciplinary action, the imposition of fines and/or the revocation of the licence, permission or authorisation to conduct the Group's business in the jurisdiction in which it operates, or result in civil or criminal liability for the Issuer. There can be no assurance that such regional expansion will not have a material adverse effect on the Group's business, financial condition or results of operations or that the Group's credit and provisioning policies will be adequate in relation to such risks.

4.1.10 The Group may fail to realise the business growth opportunities and other benefits anticipated from the acquisition of Kim Eng

On 10 May 2011, the Group announced the completion of the acquisition of 44.6 per cent. of the issued and paid up share capital of Kim Eng Holdings Ltd ("**Kim Eng**"), a leading stockbroker in the ASEAN region. The Group has made a mandatory general offer for the remaining shares in Kim Eng with the intention of privatising the company. There is no assurance that the Group will be able to successfully expand into the stock broking sector or achieve the business growth opportunities and other benefits it had anticipated from the acquisition of Kim Eng. This may be because the assumptions upon which the Group assessed the acquisition, including the anticipated benefits and the factors it used to determine the acquisition consideration, may prove to be incorrect.

If the Group fails to achieve the business growth and other benefits it had anticipated from the acquisition, or it incurs greater costs than it has estimated, this could adversely impact the Group's business, financial condition or results of operations.

4.1.11 The Group's business is inherently subject to the risk of market fluctuations

The Group's business is inherently subject to risks in financial markets and in the wider economy, including changes in, and increased volatility of, exchange rates, interest rates, inflation rates, credit spreads, commodity, equity, bond and property prices and the risk that its customers act in a manner which is inconsistent with business, pricing and hedging assumptions. In particular, as a result of the Group's expansion into foreign markets, the Group may become increasingly exposed to changes in, and increased volatility of, foreign currency exchange rates.

Market movements may have an impact on the Group in a number of key areas. For example, changes in interest rate levels, yield curves and spreads affect the interest rate margin realised between lending and borrowing costs. Historically, there have been periods of high and volatile interbank lending margins over official rates (to the extent banks have been willing to lend at all), which have exacerbated such risks. Competitive pressures on fixed rates or product terms in

existing loans and deposits sometimes restrict the Group in its ability to change interest rates applying to customers in response to changes in official and wholesale market rates.

Any failure by the Group to implement, or consistently follow, its risk management systems may adversely affect its financial condition and results of operations, and there can be no assurance that the Group's risk management systems will be effective. In addition, the Group's risk management systems may not be fully effective in mitigating risk exposure in all market environments or against all types of risks, including risks that are unidentified or unanticipated. Some methods of managing risk are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicated.

4.1.12 The Group may face potential pressure on its capital due to Basel III

Initiatives to strengthen banks' capital and reduce systemic risks have arisen in light of the unprecedented stresses that the global financial markets have been subjected to in the last few years. The Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet its minimum regulatory capital requirements. Currently, under Basel II, capital requirements are inherently more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of the Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse impact on the Group's financial results or operations. A shortage of available capital might restrict the Group's opportunities for expansion.

In the future, under Basel III, capital and liquidity requirements are expected to be more stringent. Since 17 December 2009, the Basel Committee on Banking Supervision ("**Basel Committee**") has published and issued various consultation papers and press releases outlining measures aimed at strengthening the resilience of the banking sector. On 16 December 2010 and on 13 January 2011, the Basel Committee issued its final guidance on Basel III. The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement from 2 per cent. (before the application of regulatory adjustments) to 4.5 per cent. (after the application of stricter regulatory adjustments). The total Tier I capital requirement will increase from 4 per cent. to 6 per cent. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5 per cent. to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7 per cent. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer within a range of 0 per cent. to 2.5 per cent. of common equity (or other fully loss absorbing capital) is to be applied as an extension of the conservation buffer. Furthermore, systemically important banks should have loss absorbing capacity beyond these standards. The Basel III reforms also require Tier 1 and Tier II capital instruments to be more loss-absorbing. The reforms therefore increase the minimum quantity and quality of capital which the Group is obliged to maintain. There can be no assurance as to the availability or cost of such capital. The capital requirements are to be supplemented by a leverage ratio, and a liquidity coverage ratio and a net stable funding ratio will also be introduced.

In its announcement dated 16 December 2011, BNM has indicated that it supports the implementation of these reform measures and will strengthen the existing capital and liquidity standards for banking institutions in Malaysia, bringing them in line with Basel III. BNM targets to implement the reform package in Malaysia in accordance to the globally-agreed levels and implementation timeline which provides for a gradual phase-in of the standards beginning 2013 until 2019.

There is no assurance that the Group will not face increased pressure on its capital in the future under the Basel III standards. If the regulatory capital requirements, liquidity restrictions or ratios applied to the Group are increased in the future, any failure of the Group to maintain such

increased regulatory capital ratios could result in administrative actions or sanctions, which may have an adverse effect on the Group's financial results or operations.

4.1.13 The Group is dependent on its directors and senior management

The Group relies on its directors and senior management for its business direction and business strategy. The loss of directors or members of the senior management team could adversely affect its ability to operate its business or to compete effectively, and in turn, affect its financial performance and prospects. The senior management has developed succession plans and training programmes for the development of talent within the Group. However, there can be no assurance that such measures will be sufficient to prevent any loss of directors or members of the senior management team throughout the tenor of any Subordinated Notes.

4.2 Considerations relating to Malaysian economy

4.2.1 Developments in Asia may negatively impact the Group and affect the Issuer's ability to make payments due under the Subordinated Notes

Approximately 70.9 per cent of the Group's operating revenue is derived from activities in Malaysia. In mid-1997, following the substantial depreciation of the Thai Baht, many countries in Asia, including Malaysia, experienced a significant economic downturn and related economic, financial and social difficulties. As a result of the decline in value of a number of the region's currencies, many Asian governments and companies had difficulty in servicing foreign currency denominated debt and many corporate customers defaulted on their debt repayments. As the economic crisis spread across the region, governments raised interest rates to defend weakening currencies, which adversely impacted domestic growth rates. In addition, liquidity was substantially reduced as foreign investors withdrew or reduced investment in the region and banks in the region restricted additional lending activity. The currency fluctuations, as well as higher interest rates and other factors, had materially and adversely affected the economies of many countries in Asia. Similar adverse economic developments in Asia could recur in future and could have an adverse effect on Malaysia and its economy and consequently on the Group's business, financial condition and results of operation. In addition, other adverse change in trends or a general economic slowdown as a result of changes in labour costs, inflation, interest rates, taxation or other political or economic developments in Malaysia could adversely affect the business, financial condition and results of operation of the Group and ultimately the ability of the Issuer to make the payments due under the Subordinated Notes.

4.2.2 Malaysian Ringgit may be subject to exchange rate fluctuations

BNM has in the past intervened in the foreign exchange market to stabilise the Ringgit, and had on 2 September 1998, maintained a fixed exchange rate of RM3.80 to USD1.00. Subsequently on 21 July 2005, BNM adopted a managed float system for the Ringgit exchange rate, which benchmarked the Ringgit to a currency basket to ensure that the Ringgit remains close to its fair value. However, there can be no assurance that BNM will, or would be able to intervene in the foreign exchange market in the future or that any such intervention or fixed exchange rate would be effective in achieving the objective of BNM's policy. The Issuer revalues its foreign currency borrowings and its investments on its balance sheet to account for changes in currency rates and recognise the resulting gains or losses in its income statement. The Issuer usually engages in foreign currency hedging transactions to minimise its foreign currency exposure. As a result, fluctuations in the value of the Ringgit against other currencies can have a direct effect on the Issuer's results of operations and shareholders' equity and may adversely affect the Issuer's business, financial condition, results of operations and prospects.

4.2.3 Worldwide inflationary pressures due to oil and food price increases

The Food and Agriculture Organisation of the United Nations reported that its global food price index continued to decline in December 2011. The decline was due to sharp falls in international prices of cereals, sugar and oils. In addition, bumper crops coupled with slowing demand and a stronger US dollar weighed on prices of most commodities. In spite of some weakening during the second half of 2011, the index averaged 228 points in 2011 which is 42 points higher than the average index in 2010. Meanwhile, crude oil price rose past USD100 per barrel in December 2011 on speculation escalating tension in the Middle East would disrupt supplies amid a recovery in the US economy that would bolster demand. While Malaysia stands to benefit in the short term from higher prices of crude oil and other commodities like palm oil and rubber on account of it being a net commodity exporter, sustained increases in crude oil and food prices may negatively affect the global economic growth and stability, and consequently that of Malaysia and other Asian countries in which the Group operates, and which in turn could adversely affect the business, financial condition and results of operation of the Issuer and the Group.

4.2.4 Inflationary pressures in Malaysia and potential impact upon the Malaysian economy

Historically, Malaysia's inflation rate is amongst the lowest in the world. The headline inflation rate, as measured by the change in the Consumer Price Index (CPI), rose to 3.4 per cent on an annual basis in the third quarter (2Q 11: 3.3 per cent). The increase in consumer prices was largely the result of higher prices in the food and non-alcoholic beverages category, which rose by 4.8 per cent (2Q 11: 4.7 per cent). To mitigate the rising cost of living, the Government of Malaysia introduced several measures in July 2011, addressing cost of living was included as an additional National Key Result Areas (NKRAs). However domestic inflation is increasingly affected by external factors, including supply constraints. Under such circumstances, sustaining to low inflation environment domestically is more challenging than in the past and requires innovative measures. Such inflationary pressures in the Malaysian economy could adversely affect the business, financial condition and results of operation of the Issuer and the Group.

4.2.5 Global or regional developments may have a material adverse impact on the Group

As at 30 June 2011, approximately 70.9 per cent of the Group's net income is derived from activities in Malaysia while the rest is derived from its international operations, spanning over 17 countries and territories, predominantly in the ASEAN region and in particular in Singapore and Indonesia. Malaysia is an open economy where external developments can have an impact on the performance of the Malaysian economy.

In the recent months, global economic and financial conditions have deteriorated following the escalation of the sovereign debt crisis in Europe, the ongoing fiscal consolidation and the significant policy uncertainties. Heightened market volatility, impaired financial intermediation and weak labour market conditions continue to weigh down on growth in the advanced economies. These conditions pose downside risks to global growth. In Asia, while growth continues to be supported by sustained domestic demand, the growth momentum has moderated amid the weaker external environment

The uneven global recovery reflects several underlying issues and consequently risks. First, despite indications of a gathering recovery momentum, the US economy remains dependent on the extension and expansion of monetary and fiscal stimulus in the form of the continuation of near-zero interest rates, quantitative easing and tax reliefs, raising questions on the sustainability of such policy approach and the impact of the eventual unwinding and reversal of these stimuli. In Europe, especially the single currency area Eurozone, large budget deficits and rising public debts have triggered sovereign debt finance crises that resulted in the bailouts of Greece and Ireland, and elevated the risk of government debt defaults. As a result the cost of government borrowings has increased and there has been credit rating downgrade on vulnerable economies such as Spain and Portugal and major European economic countries such as France and Italy, forcing governments to

undertake aggressive budget cuts and austerity measures, in turn underscoring the risk of global economic and financial market volatility. Japan has experienced deflationary pressure since the early 1990s, and its near-term economic prospect is made worse by the devastating earthquake and tsunami of March 2011 and the damage to its nuclear industry due to the earthquake and tsunami.

The economic, market and policy conditions in other countries, particularly those in Asia and amongst Malaysia's major trading partners, could have an influence on the Malaysian economy. There is no assurance that such financial instability or significant loss of investor confidence may not recur in the future. Any such widespread financial instability or a significant loss of investor confidence may materially and adversely affect the Malaysian economy, which could materially and adversely affect the Group's business, financial condition, results of operations, prospects or reputation and ultimately the ability of the Issuer to make the payments due under the Subordinated Notes.

4.2.6 Developments in the social, political, regulatory and economic environment in Malaysia may have a material adverse impact on the Group

The Group's business, prospects, financial condition and results of operation may be adversely affected by social, political, regulatory and economic developments in Malaysia. Such political and economic uncertainties include, but are not limited to, the risks of war, terrorism, nationalism, or nullification of contract, changes in interest rates, imposition of capital controls and methods of taxation. Negative developments in Malaysia's socio-political environment may adversely affect the business, financial condition, results of operations and prospects of the Issuer.

In the third quarter of 2011, the global economy continued to face a challenging environment. Continuing uncertainties in financial markets, unfavourable fiscal conditions and weaknesses in labour markets in the advanced economies continued to pose risks to growth in emerging economies, such as Malaysia. Despite the challenging environment, the Malaysian economy registered a higher growth of 5.8 per cent (2Q 11: 4.3 per cent), due to stronger domestic demand. The robust domestic demand was driven by an expansion in both household and business spending as well as higher public sector expenditure. On the supply side, most economic sectors recorded improvements in growth during the quarter, with the manufacturing sector recording a significantly better performance supported by firm regional demand for resource based products, coupled with the normalisation in supply chain disruptions arising from the Japan natural disaster. Overall balance of payments remained strong, recording a surplus of RM10.9 billion in 3Q 2011 (2Q 11: RM61.7 billion), as the higher surplus in the current account more than offset the net outflow position in the financial account.

Monetary policy is supportive of economic activity

BNM's Monetary Policy Committee (MPC) has decided to maintain the Overnight Policy Rate (OPR) at 3.00 per cent for the fourth straight meeting in January 2012. In the MPC's assessment, the global environment will become more challenging going forward. As Malaysia's economic growth and inflation prospects will be affected by these external developments, the MPC will continue to assess carefully the risks to domestic growth and inflation. At the prevailing level, the OPR remains supportive of economic activity. The stance of monetary policy is consistent with the assessment of heightened uncertainties arising from global developments that have created greater downside risks to growth. The ringgit depreciated against the US dollar in the third quarter, in line with other regional currencies. The depreciation, mostly in September 2011, reflected mounting concerns over the European sovereign debt crisis and the sustainability of global economic recovery, which led to higher risk aversion and prompted some investors to unwind holdings of emerging market assets. Overall, the ringgit depreciated by 5.3 per cent against the US dollar.

Financial stability remained intact

Financial stability remained intact throughout the third quarter, underpinned by sound financial institutions and orderly financial markets which continued to provide support for efficient financial intermediation in the domestic economy. Overall risks to financial stability remained low even under a more challenging external environment.

The banking sector remained highly resilient, with strong capital buffers, sustained profitability and ample liquidity. The core capital ratio and risk-weighted capital ratio (“**RWCR**”) of the banking system were sustained at a prudent level of 12.5 per cent and 14.6 per cent respectively.

Going forward, the more challenging international environment could present greater downside risks to Malaysia’s growth prospects. Nevertheless, growth in domestic demand is expected to continue to be the anchor of growth, supported by expansion in private consumption and private investment. Public spending and investment activity are also expected to lend support to growth.

Although the overall Malaysian economic environment (in which the Group predominantly operates) appears to be positive, there can be no assurance that this will continue to prevail in the future.

(Source: BNM Quarterly Bulletin, Third Quarter 2011, BNM Monetary Policy Statement, 31 January 2012 and Economic Report 2011/2012)

4.3 Considerations relating to Malaysian Banking Industry

4.3.1 Regulatory Environment

The Issuer is regulated by BNM. The Group is also subject to relevant banking, securities and other laws of Malaysia. BNM has extensive powers to regulate the Malaysian banking industry under the Banking and Financial Institutions Act, 1989. This includes the power to limit the interest rates charged by banks on certain types of loans, establish caps on lending to certain sectors of the Malaysian economy and establish priority lending guidelines in furtherance of certain social and economic objectives. BNM also has broad investigative and enforcement powers. Accordingly, potential investors should be aware that BNM could, in the future, set interest rates at levels or restrict credit in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions in Malaysia, including the Group, and may otherwise significantly restrict the activities of the Group and Malaysian banks and financial institutions generally.

The Group is required to prepare its financial statements in accordance with generally accepted accounting principles in Malaysia (“**Malaysian GAAP**”) as modified by the BNM Guidelines, which differ in certain respects from the International Financial Reporting Standards (“**IFRS**”). This Information Memorandum does not contain a reconciliation of the financial statements presented in accordance with Malaysian GAAP with those presented in accordance with IFRS. Such a reconciliation, if included, may reveal material quantitative differences.

4.3.2 Increasing Competition and Market Liberalisation

The banking industry’s transformation through a deregulation process as part of BNM’s implementation of its first Financial Sector Master Plan has resulted in the liberalisation of the banking industry to allow greater presence of foreign and Islamic banks as well as providing greater opportunities for banks to widen their scope of business beyond traditional commercial banking.

This liberalisation has also brought about greater competition among banking institutions which trend is expected to continue.

As a result, banking institutions are forced to become more efficient to serve the customers better and to explore greater usage of technology for further efficiency, and explore cost effective solutions.

The Group faces competition from other domestic banking groups as well as foreign banks operating in Malaysia. The increased competition may adversely impact the business, financial conditions and results of operations of the Issuer and the Group.

BNM's second Financial Sector Master Plan (2011-2020), which was recently released in December 2011, is more focused on strengthening the competition and efficiency of the banking sector.

4.3.3 Scope and cost of deposit insurance in Malaysia

BNM is not required to act as lender of last resort to meet liquidity needs in the banking system generally or for specific institutions. In the past, BNM has on a case-by-case basis provided a safety net for individual banks with an isolated liquidity crisis. However, there can be no assurance that BNM will provide such assistance in the future.

Effective from 1 September 2005, BNM introduced a deposit insurance system ("**Deposit Insurance System**"). The Deposit Insurance System is administrated by Malaysia Deposit Insurance Corporation (*Perbadanan Insurans Deposit Malaysia*), an independent statutory body. All licensed commercial banks (including subsidiaries of foreign banks operating in Malaysia) and Islamic banks are member institutions of the Deposit Insurance System.

In addition to the above, based on announcements by the Malaysia Deposit Insurance Corporation, the Issuer took a risk based approach and implemented the new differential premium system framework in February 2008 to replace the flat rate premium system. Under the differential premium system, the premium payable by a banking institution will depend on the institution's risk profile. Revised guidelines on the Differential Premium Systems were issued in March 2011 where the eligible deposits that are insured changed from a prescribed limit RM60,000 to RM250,000 (inclusive of principal and interest) per depositor, per member institution. The eligible deposits under the new revised guidelines now include the foreign currency deposits as part of the deposit coverage.

4.4 Considerations Related to the Subordinated Notes Generally

4.4.1 Subordinated Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Subordinated Notes. During any period when the Issuer may elect to redeem Subordinated Notes, the market value of those Subordinated Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Subordinated Notes when its cost of borrowing is lower than the interest rate on the Subordinated Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate ("**EIR**") as high as the interest rate on the Subordinated Notes being redeemed and may only be able to do so at a lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

4.4.2 The Issuer may redeem the Subordinated Notes under certain circumstances

In relation to each tranche of the Subordinated Notes, the Issuer may exercise its Optional Redemption to redeem any tranche of the Subordinated Notes (in whole, but not in part of such tranche) on the Call Option Date at their principal amount together with accrued but unpaid coupon, if any. (as specified in item (u)(1) of the PTC in Section 2 herein) subject to the Redemption Conditions being satisfied.

The Issuer may also, at its option, exercise its Regulatory Redemption to redeem any tranche of the Subordinated Notes (in whole, but not in part of such tranche), if there is any occurrence of a Regulatory Event, subject to the Redemption Conditions being satisfied.

The redemption of one tranche of the Subordinated Notes pursuant to the Optional Redemption or Regulatory Redemption shall not trigger the redemption of other tranches of the Subordinated Sukuk.

In this context, “tranche” means the tranche of Subordinated Notes having the same issue date and maturity date.

“**Regulatory Event**” means any time there is more than an insubstantial risk, as determined by the Issuer, that:

- (i) that or any tranche of Subordinated Notes (in whole or in part) will, either immediately or with the passage of time or upon either the giving of notice or fulfillment of a condition, no longer qualify as Tier 2 Capital of the Issuer for the purposes of BNM’s capital adequacy requirements under any applicable regulations;
- (ii) changes in law will make it unlawful to continue performing its obligations under that or any tranche of Subordinated Notes; or
- (iii) changes in tax law will impose a new tax obligation on the Issuer or modify an existing tax obligation of the Issuer by reason of that or any tranche of Subordinated Notes.

The Optional Redemption and Regulatory Redemption for the Subordinated Sukuk Programme are set out in item (u)(1) and (u)(3) of the PTC in Section 2 herein.

4.4.3 Subordinated Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

4.4.4 Subordinated Notes may not be a suitable investment for all investors

Each potential investor in any Subordinated Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Subordinated Notes, the merits and risks of investing in the relevant Subordinated Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Subordinated Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Subordinated Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Subordinated Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

4.4.5 Investors should pay attention to any modification and waivers

The terms and conditions of the Subordinated Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

4.4.6 Global financial turmoil has led to volatility in international capital markets which may adversely affect the market price of the Subordinated Notes

Global financial turmoil has resulted in substantial and continuing volatility in international capital markets. Any further deterioration in global financial conditions could have a material adverse effect on worldwide financial markets, which may adversely affect the market price of the Subordinated Notes.

4.4.7 Limited rights of enforcement and subordination of the Subordinated Notes could impair an investor's ability to enforce its rights or realise any claims on the Subordinated Notes

In most circumstances, the sole remedy against the Issuer available to the holders of Subordinated Notes to recover any amounts owing in respect of the principal of or interest on the Subordinated Notes will be to institute proceedings for the winding-up of the Issuer in Malaysia.

If the Issuer defaults on the payment of principal or interest on the Subordinated Notes, the holders of the Subordinated Notes will only institute a proceeding in Malaysia for the winding-up of the Issuer if it is so contractually obliged. The holders of the Subordinated Notes will have no right to accelerate payment of the Subordinated Notes in the case of default in payment or failure to perform a covenant under the Transaction Documents except as they may be so permitted under the Terms and Conditions of the Subordinated Notes.

The Subordinated Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking *pari passu* without any preference among themselves. Upon the occurrence of any winding-up proceeding or liquidation of the Issuer, the rights of the holders of the Subordinated Notes to payments on such Subordinated Notes will be subordinated in right of payment to the claims of the depositors and all other unsubordinated creditors of the Issuer and will rank at least *pari passu* in right of payment with all other Subordinated Indebtedness (as defined below), present and future, of the Issuer. Claims in respect of the Subordinated Notes will rank in priority to the rights and claims of holders of subordinated liabilities which by their terms rank or expressed to rank in right of payment junior to the Subordinated Notes and all classes of equity securities of the Issuer, including holders of preference shares.

“Subordinated Indebtedness” means all indebtedness which is subordinated, in the event of the winding-up or liquidation of the Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer, and for this purpose indebtedness shall include all liabilities, whether actual or contingent.

In a winding-up proceeding, the holders of the Subordinated Notes may recover less than the holders of deposit liabilities or the holders of other unsubordinated liabilities of the Issuer, as applicable. As there is no precedent for a winding-up of a major financial institution in Malaysia, there is uncertainty as to the manner in which such a proceeding would occur and the results thereof. Although Subordinated Notes may pay a higher rate of interest than comparable Subordinated Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

As a consequence of the subordination provisions, in the event of a winding up of the Issuer’s operations, the holders of any Subordinated Notes may recover less rateably than the holders of deposit liabilities or the holders of the Issuer’s other unsubordinated liabilities. The Issuer believes that all of these deposit liabilities rank senior to the Issuer’s obligations under the Subordinated Notes. Any Subordinated Notes and the terms and conditions of the Subordinated Notes do not limit the amount of the liabilities ranking senior to the Subordinated Notes which may be hereafter incurred or assumed by the Issuer.

There is also no restriction on the amount of securities which the Issuer may issue and which rank *pari passu* with the Subordinated Notes. The issue of any such securities may reduce the amount recoverable by the holders of the Subordinated Notes on a winding-up of the Issuer. In the winding-up of the Issuer and after payment of the claims of senior creditors and of depositors, there may not be a sufficient amount to satisfy the amounts owing to the holders of the Subordinated Notes.

4.4.8 Limited rights of recourse under the Subordinated Notes

Issues of Subordinated Notes do not provide for events of default allowing acceleration of the Subordinated Notes except upon the winding-up or liquidation of the Issuer. Upon a payment default, the sole remedy available to the holders of the Subordinated Notes for recovery of amounts owing in respect of any payment or principal of, or interest on, the Subordinated Notes will be the institution of proceedings in Malaysia for the winding-up of the Issuer.

4.4.9 Malaysian Taxation

Under present Malaysian law, all interest payable to non-residents in respect of the Subordinated Notes is exempted from withholding tax. However, there is no assurance that this present position will continue and in the event that such exemption is revoked, modified or rendered otherwise inapplicable, such interest shall be subject to withholding tax at the then prevailing withholding tax rate. However, notwithstanding the foregoing, the Issuer shall be obliged pursuant to the terms of the Subordinated Notes, in the event of any such withholding, to pay such additional amounts to the investors so as to ensure that the investors receive the full amount which they would have received had no such withholding been imposed.

4.4.10 Change of law

The terms and conditions of the Subordinated Notes are based on Malaysian law in effect as at the date of this Information Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to Malaysian law, or administrative practice after the date of this Information Memorandum.

4.4.11 The secondary market generally

There is no existing market for any Subordinated Notes and there can be no assurances that a secondary market for the Subordinated Notes will develop, or if a secondary market does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of the Subordinated Notes. Therefore, investors may not be able to sell their Subordinated Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Subordinated Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Subordinated Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

The market value of any Subordinated Notes may fluctuate. Consequently, any sale of Subordinated Notes by Noteholders in any secondary market which may develop may be at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, the Group's performance and the market for similar securities. No assurance can be given as to the liquidity of, or trading market for, any Subordinated Notes and an investor in such Subordinated Notes must be prepared to hold such Subordinated Notes for an indefinite period of time or until their maturity. Historically, the market for debt securities by South East Asian issuers has been subject to disruptions that have caused substantial volatility in the prices of such securities. There can be no assurance that the market for any Subordinated Notes will not be subject to similar disruptions. Any such disruption may have an adverse effect on holders of such Subordinated Notes.

4.4.12 Interest rate risks

Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Investment in fixed rate Subordinated Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Subordinated Notes.

4.4.13 Inflation risk

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Subordinated Notes. An unexpected increase in inflation could reduce the actual returns.

4.4.14 Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Subordinated Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Subordinated Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time.

4.4.15 No limitation on raising of additional senior and/or subordinated borrowings/indebtedness

The Issuer may from time to time raise additional senior and/or subordinated notes/indebtedness, which confers greater rights for the holders/creditors thereof (including but not limited to acceleration rights). In so far as any additional subordinated notes/indebtedness to be raised, such subordinated notes/indebtedness shall rank pari-passu in right and priority of payment with or is subordinated to the Subordinated Notes in the case of any distribution of assets in any winding up of the Issuer. In line with BNM's guidelines which state that there should be no restrictive covenants for the Subordinated Notes, there will be no limitation imposed on the Issuer under the Subordinated Notes to incur further borrowings/indebtedness. The creation and issue of further senior and/or subordinated notes or raising of further borrowings/indebtedness shall not require

the consent of the Noteholders. Any such further borrowings/indebtedness may reduce the amount recoverable by the Noteholders in the event of dissolution or winding-up of the Issuer.

4.5 General Consideration

4.5.1 Force Majeure

An event of force majeure is an event which is not within the control of the party effected, which that party is unable to prevent, avoid or remove and shall include war and acts of terrorism, riot and disorders, natural catastrophes and others. Force majeure events do not include economic downturn, non-availability or insufficient or lack of financing on the part of the Issuer. The occurrence of a force majeure event may have a material impact on the Issuer's business.

4.5.2 Forward Looking Statements

Certain statements in this Information Memorandum are forward-looking in nature. These statements include, among other things, discussions of Maybank's business strategy and expectation concerning its position in the Malaysian economy, future operations, profitability, liquidity, capital resources and financial position. All forward-looking statements are based on estimates and assumptions made by Maybank and third party consultants that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of Maybank to be materially different from that expected or indicated by such statements and estimates and no assurance can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by Maybank or any other person that the plans and objectives of Maybank will be achieved.

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5.0 CAPITALISATION OF THE GROUP

As at 31 October 2011, the total authorised share capital of the Issuer is RM10,000,000,000.00 divided into 10,000,000,000 ordinary shares of par value RM1.00 each, and the issued share capital is RM7,478,215,967.00 divided into 7,478,215,967 ordinary shares of RM1.00 each. All of the Issuer's issued share capital comprises fully paid shares.

The following table sets forth the total liabilities and shareholders' equity of the Group as at 30 September 2011 derived from the unaudited consolidated financial statements of the Group as at 30 September 2011 and the adjusted total liabilities and shareholders' equity to reflect the proposed issuance of the Subordinated Notes:

	Unaudited As at 30 September 2011	Adjusted As at 30 September 2011
	<i>(RM million)</i>	
Short-term liabilities		
Deposits and placements of banks and other financial institutions	36,072	36,072
Deposits from customers	293,263	293,263
Obligations on securities sold under repurchase agreements	273	273
Bills and acceptances payable	5,664	5,664
Other liabilities	11,946	11,946
Derivative liabilities	3,307	3,307
Provision for taxation and zakat	228	228
Deferred tax liabilities	249	249
Life, general takaful and family takaful fund liabilities	4,300	4,300
Borrowing (less than one year)	2,087	2,087
Total short-term liabilities	357,389	357,389
Long-term liabilities		
Recourse obligation on loans sold to Cagamas	522	522
Life, general takaful and family takaful policy holders' funds	15,070	15,070
USD300 million Subordinated Certificates due in 2017	958	958
RM1,500 million Subordinated Islamic bonds due in 2018	1,488	1,488
RM1,500 million Subordinated bonds due in 2017	1,528	1,528
RM3,100 million Subordinated Term Loan due in 2023	3,142	3,142
RM3,500 million Stapled Capital Securities	3,561	3,561
SGD600 million Innovative Tier 1 Capital Securities	1,481	1,481
SGD1,000 million Subordinated Notes due in 2021	2,496	2,496
RM1,100 million Innovative Tier 1 Capital Securities	1,100	1,100
RM2,000 million Subordinated notes due in 2021	2,011	2,011
RM1,000 million Subordinated Sukuk due in 2021	1,000	1,000
BII Subordinated Bond due in 2018	361	361
RM7.0 billion Subordinated Note Programme ⁽¹⁾	-	7,000
Borrowing (more than one year)	4,246	4,246
Total long-term liabilities	38,964	45,964
Total liabilities	396,353	403,353

	Unaudited As at 30 September 2011	Adjusted As at 30 September 2011
	<i>(RM million)</i>	
Equity attributable to equity holders of the Bank		
Share capital	7,478	7,478
Reserves:		
Share premium	8,584	8,584
Statutory reserve	6,699	6,699
Capital reserve	15	15
Unrealised holding reserve	351	351
Exchange fluctuation reserve	(528)	(528)
Employees' share scheme reserve	102	102
Revaluation reserve	9	9
Profit equalisation reserve	34	34
Retained profits	10,234	10,234
	32,978	32,978
Minority interests	1,230	1,230
Total Liabilities and Shareholders' Equity	430,561	437,561

Notes:

- (1) Assuming the entire RM7.0 billion Subordinated Notes is issued under the Subordinated Note Programme
- (2) There has been no material change in the long term liabilities of the Group since 30 September 2011 except for the following:
 - (i) the issuance of HKD572.0 million Fixed Rate Notes in nominal value under the USD2.0 billion Multicurrency Medium Term Note Programme by the Issuer on 7 December 2011.
 - (ii) the issuance of JPY10.0 billion Fixed Rate Notes in nominal value under the USD2.0 billion Multicurrency Medium Term Note Programme by the Issuer on 22 December 2011.
 - (iii) the subsequent issuance of RM1.0 billion Tier 2 Capital Subordinated Notes by the Issuer on 28 December 2011. The Subordinated Notes issued comprise the following tranches:
 - RM750.0 million of Subordinated Notes with tenure of 10 years on a 10 non-callable 5 basis ("Tranche 1"); and
 - RM250.0 million of Subordinated Notes with tenure of 12 years on a 12 non-callable 7 basis ("Tranche 2").
 - (iv) the issuance of subordinate bonds, bonds, medium term notes and borrowings amounting to approximately RM667.3 million by PT Bank Internasional Indonesia ("BII") and its subsidiaries, the indirect subsidiaries of the Issuer. The proceeds from such issuances were used by BII and its subsidiaries for its working capital purposes.

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6.0 SELECTED FINANCIAL INFORMATION OF THE GROUP

The following tables present summary unaudited consolidated interim financial information for each of the three-month periods ended 30 September 2010 and 30 September 2011, and summary of audited consolidated financial information for each of the financial years ended 30 June 2010 and 30 June 2011 for the Group. The interim and annual financial information below have been derived from, and should be read in conjunction with, the Group's unaudited published financial statements and the audited accounts in the Issuer's annual report, as announced by the Issuer on Bursa Securities.

The summary selected financial information as at and for the three-month periods ended 30 September 2010 and 30 September 2011, set out below, have been derived from the Group's unaudited consolidated interim financial statements. Such financial information has not been audited or reviewed. Accordingly, there can be no assurance that, had an audit or review been conducted in respect of such financial information, the information presented therein would not have been materially different, and investors should not place undue reliance upon them. Results for the interim periods should not be considered indicative of results for any other period or for the full financial year. The unaudited financial statements of the Issuer for the first quarter ended 30 September 2011 is available on the website of Bursa Securities at www.bursamalaysia.com.

	Unaudited		Audited	
	For the 3 month period ended		For the financial year ended	
	30 September		30 June	
	2010	2011	2010	2011
	(RM million)	(RM million)	(RM million)	(RM million)
Income Statement Data				
Operating revenue	5,002	6,074	18,560	21,040
Interest income	2,908	3,353	10,955	12,038
Interest expense	(1,133)	(1,479)	(4,184)	(4,852)
Net interest income	1,775	1,874	6,771	7,186
Income from Islamic Banking Scheme operations	338	516	1,434	1,561
Net income from insurance business	87	96	425	557
Allowances for losses on loans, advances and financing	(265)	(99)	(1,226)	(502)
Impairment losses on securities, net	(14)	1	(23)	(129)
Non-interest income	954	1,223	3,693	4,114
Overhead expenses	(1,502)	(1,888)	(5,826)	(6,652)
Share of profits in associates	31	37	122	135
Profit before taxation and zakat	1,404	1,760	5,370	6,270
Profit after taxation and zakat	1,053	1,306	3,968	4,619
Net profit attributable to equity holders of the Bank	1,028	1,286	3,818	4,450
Net dividends per share (sen)	-	-	41.25	45.00
Basic earnings per share (sen)	14.5	17.2	53.9	61.4

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(RM million)	(RM million)	(RM million)	(RM million)
Balance Sheet Data				
Assets				
Cash and short-term funds	27,115	40,739	28,708	38,804
Deposits and placements with financial institutions	15,743	6,052	8,915	10,292
Securities purchased under resale agreements	162	62	371	-
Securities portfolio	58,746	66,038	54,170	61,039
Loans, advances and financing	206,762	265,312	205,555	253,976
Interest in associates	2,383	2,455	2,472	2,440
Intangible assets	4,270	6,694	4,481	6,509
Derivatives assets	1,707	2,639	1,307	1,652
Other assets	5,614	8,012	5,112	6,736
Investment properties	45	45	45	45
Statutory deposits with Central Banks	3,244	9,434	4,471	7,698
Property, plant and equipment	1,362	2,258	1,568	2,169
Deferred tax assets	1,684	1,451	1,565	1,402
Life, general takaful and family takaful fund assets	18,250	19,370	17,960	19,196
Total assets	347,087	430,561	336,700	411,958
Liabilities				
Deposits from customers	236,965	293,263	236,910	281,976
Deposits and placements of banks and other financial institutions	31,922	36,072	23,258	33,304
Obligations on securities sold under repurchase agreements	754	273	407	374
Bills and acceptances payable	2,568	5,664	3,062	8,513
Derivatives liabilities	1,656	3,307	1,346	1,534
Other liabilities	7,182	11,946	6,951	11,312
Recourse obligation on loans sold to Cagamas	623	522	650	528
Provision for taxation and zakat	552	228	467	135
Deferred tax liabilities	176	249	151	248
Borrowings	3,309	6,332	2,825	5,447
Subordinated obligations	8,024	12,984	8,069	10,801
Capital securities	5,997	6,143	5,979	6,121

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(RM million)	(RM million)	(RM million)	(RM million)
Life, general takaful and family takaful fund liabilities	4,824	4,300	5,022	5,408
Life, general takaful and family takaful policy holders' funds	13,427	15,070	12,938	13,787
Total liabilities	317,979	396,353	308,035	379,488
Equity attributable to equity holders of the Bank				
Share capital	7,078	7,478	7,078	7,478
Reserves	21,238	25,500	20,799	23,983
Minority Interests	792	1,230	788	1,009
Total liabilities and shareholders' equity	347,087	430,561	336,700	411,958

The following financial ratios are unaudited:

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(%)	(%)	(%)	(%)
Financial Ratios				
Return on assets ⁽¹⁾	1.53	1.24	1.23	1.23
Return on equity ⁽²⁾	14.64	15.97	14.47	15.00
Net interest margin ⁽³⁾	2.30	1.98	2.27	1.97
Net NPL ratio - Pre FRS 139 ⁽⁴⁾	-	-	1.10	-
Net impaired loans ratio - Post FRS 139 ⁽⁵⁾	2.99	2.18	-	2.25
Allowance for bad and doubtful debts/NPL - Pre FRS 139 ⁽⁶⁾	-	-	124.52	-
Allowance for bad and doubtful debts/impaired loans - Post FRS 139 ⁽⁷⁾	84.13	81.93	-	82.26
Loans and advances/total deposits ⁽⁸⁾	87.25	90.47	86.77	90.07
Cost to income ⁽⁹⁾	47.63	50.90	47.27	49.57
Core capital ratio ⁽¹⁰⁾				
- full electable portion paid in cash	10.56 ⁽¹³⁾	10.23 ⁽¹³⁾	10.10 ⁽¹²⁾	11.21 ⁽¹³⁾
- full electable portion reinvested	11.48 ⁽¹³⁾	10.83 ⁽¹³⁾	10.97 ⁽¹²⁾	11.84 ⁽¹³⁾

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(%)	(%)	(%)	(%)
Risk-weighted capital ratio ⁽¹¹⁾				
- full electable portion paid in cash	13.23 ⁽¹³⁾	14.25 ⁽¹³⁾	13.71 ⁽¹²⁾	14.72 ⁽¹³⁾
- full electable portion reinvested	14.15 ⁽¹³⁾	14.86 ⁽¹³⁾	14.58 ⁽¹²⁾	15.36 ⁽¹³⁾

Notes:

(1) As at 30 September:
$$\frac{\text{Profit for the period}}{\text{Average total assets}} \times \frac{100 \times 12/3}{\text{months}}$$

As at 30 June:
$$\frac{\text{Profit for the year}}{\text{Average total assets}} \times 100$$

(2) As at 30 September:
$$\frac{\text{Profit attributable to equity holders of the Bank for the period}}{\text{Average equity attributable to equity holders of the Bank}} \times \frac{100 \times 12/3}{\text{months}}$$

As at 30 June:
$$\frac{\text{Profit attributable to equity holders of the Bank for the year}}{\text{Average equity attributable to equity holders of the Bank}} \times 100$$

(3) As at 30 September:
$$\frac{\text{Interest income for the period} - \text{Interest expense for the period}}{\text{Average interest earning assets}^*} \times \frac{100 \times 12/3}{\text{months}}$$

As at 30 June:
$$\frac{\text{Interest income for the year} - \text{Interest expense for the year}}{\text{Average interest earning assets}^*} \times 100$$

* Average interest earning assets consist of cash and short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, securities portfolio and loans, advances and financing.

(4)
$$\frac{\text{Net non-performing loans, advances and financing}}{\text{Gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowance}} \times 100$$

(5)
$$\frac{\text{Net non-performing loans, advances and financing}}{\text{Gross loans, advances and financing (including Islamic loans sold to Cagamas) less individual allowance}} \times 100$$

(6)
$$\frac{\text{Allowances for bad and doubtful debts}}{\text{Non-performing loans, advances and financing (before specific allowance)}} \times 100$$

- | | | | |
|------|--|---|-----|
| (7) | Allowances for bad and doubtful debts | x | 100 |
| | Non-performing loans, advances and financing
(before individual allowance) | | |
| (8) | Net loans, advances and financing | x | 100 |
| | Total deposits from customers | | |
| (9) | Total overhead expenses for the period/year | x | 100 |
| | Net income for the period/year | | |
| (10) | For Basel I Risk-Weighted Capital Adequacy
Framework: Total Tier 1 Capital – Proposed
dividends payable | x | 100 |
| | Total risk-weighted assets for credit and market risks | | |
| | For Basel II Risk-Weighted Capital Adequacy
Framework: Total Tier 1 Capital – Proposed
dividends payable | x | 100 |
| | Total risk-weighted assets for credit, market and
operational risks | | |
| (11) | For Basel I Risk-Weighted Capital Adequacy
Framework: Total capital base – Proposed dividends
payable | x | 100 |
| | Total risk-weighted assets for credit and market risks | | |
| | For Basel II Risk-Weighted Capital Adequacy
Framework: Total capital base – Proposed dividends
payable | x | 100 |
| | Total risk-weighted assets for credit, market and
operational risks | | |
| (12) | The core capital ratio and risk-weighted capital ratio were computed based on Basel I Risk-Weighted Capital Adequacy Framework. | | |
| (13) | The core capital ratio and risk-weighted capital ratio were computed based on Basel II Risk-Weighted Capital Adequacy Framework. | | |

7.0 DESCRIPTION OF THE BANK AND THE GROUP

7.1 Introduction

The Issuer was incorporated on 31 May 1960 and is registered with the Companies Commission of Malaysia. The name “Maybank” was adopted as its official trade name in 1993. The Issuer was incorporated with an authorised share capital of RM20.0 million and an initial issued and paid-up share capital of RM7.5 million. The Issuer was officially listed on the Kuala Lumpur Stock Exchange, now known as Bursa Malaysia, on 17 February 1962. As at 31 December 2011, the Issuer had an authorised share capital of RM10.0 billion divided into 10 billion ordinary shares of par value RM1.00 each and an issued and paid-up share capital of RM7,639,437,483.

The Issuer is the largest of Malaysia’s commercial banks in terms of total assets, total loans and total deposits based on published financial statements from its most recent financial year being the financial year ended 30 June 2011. As at 30 September 2011, the Group maintains the largest market share in terms of total loans and total deposits in the Malaysian banking system which is approximately 18.0 per cent. and 17.1 per cent., respectively. The Issuer is also the largest company in Malaysia by market capitalisation with a market capitalisation of approximately RM65.5 billion as at 30 December 2011.

The Issuer is the Group’s holding company and main operating entity. The Group’s primary business is commercial banking, which is offered through the Issuer, PT Bank Internasional Indonesia Tbk (“**BII**”), Maybank Philippines Incorporated, Maybank (PNG) Limited and Maybank International (L) Ltd. In addition to offering conventional financial services, the Group is the Asia Pacific region’s largest commercial Islamic finance provider in terms of total assets. The Group’s Islamic banking operation is conducted through Maybank Islamic Berhad (“**MIB**”) and PT Bank Maybank Syariah Indonesia.

The Group’s investment banking business is operated by Maybank IB and Maybank Kim Eng, which offers a wide range of services such as corporate finance advisory, equity and debt capital markets and stockbroking. The Group also provides insurance and takaful services to its customers through its insurance business arm under the Etiqa brand (“**Etiqa**”). Etiqa offers all types and classes of life and general conventional insurance as well as family and general takaful insurance plans through multi-channel distribution and a wide bancassurance and bancatakaful distribution network. The Group conducts other activities through various other subsidiaries, most of which are companies incorporated and operating in Malaysia, including offshore banking, asset management, venture capital and trustee and nominee services.

As at 30 September 2011, the Issuer has 388 branches in Malaysia, 22 branches in Singapore and 346 branches in Indonesia through BII. The Issuer’s overseas operations have expanded in response to the growth of Asian economies and in order to service the needs of Malaysian and regional businesses expanding overseas. The Group’s pre-tax profit from overseas operations represented approximately 23 per cent. of the total pre-tax profit for the quarter year ended 30 September 2011.

The Issuer’s delivery network is enhanced by its extensive electronic delivery channels, which include self service terminals, telephone banking, desktop banking (cash management services for corporate customers) and internet banking.

The registered office of the Issuer is located at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur, Malaysia.

7.2 Group Strategy

In 2008, the Group refined its business strategies and embarked on a transformation programme named LEAP 30 (“**Lead, Execute, Achieve, Progress**”) with 30 initiatives identified to be executed with the aim to secure its leading position in the local Malaysian financial services industry and improve its regional presence by 2015. Initiatives that were introduced to transform the Group include strengthening client relationships management, improving the Group’s processes and internal systems, enhancing the talent pool and improving customer service standards. In 2010, the Group further reframed its transformation programme with the aim of becoming the regional financial service leader by 2015. The following strategic objectives were identified:

By 2015:

- to be the undisputed No. 1 retail financial services provider in Malaysia;
- to be the leading ASEAN wholesale bank and eventually to expand into the Middle East, China and India;
- to be undisputed Insurance & Takaful Leader in Malaysia & Emerging Regional Player;
- to be a truly regional organisation with approximately 40.0 per cent. of loans derived from international operations; and
- to be global leader in Islamic Finance.

The Group’s business strategic objectives are:

To be the undisputed No. 1 retail financial services provider in Malaysia

The Group aims to maintain the number one market position in Malaysia in terms of its overall market share across its core retail financing products which include mortgages, automobile financing, credit cards and unit trust financing and individual deposits. The Group aims to reinforce its leadership position in touch points and distribution network, positioned as a key community destination as well as being a focal point of the community. The Issuer’s Customer Value Proposition centers around convenience and serving the needs of the community including individuals, small medium enterprise (“SME”) and commercial customers, which encompasses values such as “One Stop Shop”, “Needs Based Selling” and “World Class Services”. The Group will further leverage on a shared distribution model across all parts of the Group’s network and customize and differentiate product offering for the different segments of its customers namely, High Net Worth (“HNW”), Affluent, Mass and SME. The Group will also leverage on technology to achieve high performance in processing times and customer service. The Issuer believes innovation will further drive the Group’s differentiation in the market.

To be the leading ASEAN wholesale bank

The Group aims to become the leading ASEAN wholesale bank through building domestic leadership whilst aggressively pursuing ASEAN market expansion. This will be pursued by enhancing the corporate relationship model. Strategic initiatives that have been identified include:

- improving domestic and regional market position for corporate and non-retail deposits;
- building a regional investment bank; and
- increasing contributions to revenue from non-domestic markets and increasing the fee to income ratio contribution.

- On the asset management business front, through its assets management subsidiary, the Group intends to build a leading asset management brand by providing strong investment management support for Etiqa funds, wholesale funds and institutional mandates as well as fully leveraging on the Issuer's extensive distribution network.

To be undisputed Insurance & Takaful Leader in Malaysia & Emerging Regional Player

The Group seeks to be the domestic insurance champion and an emerging regional player by 2015 through the growth of its life, general insurance and takaful business, carried under Etiqa. For general insurance and takaful, the Group will keep track with the industry growth whilst maintaining a healthy portfolio mix and supporting a better combined ratio compared to market. On the asset management business front, through its assets management subsidiary, the Group intends to build a leading asset management brand by providing strong investment management support for Etiqa funds, wholesale funds and institutional mandates as well as fully leveraging on the Issuer's extensive distribution network.

To be a truly regional organisation with approximately 40 per cent. of pre-tax profit derived from international operations

The Group aspires to become a truly regional organisation with approximately 40 per cent. of pre-tax profits derived from international operations by 2015, driven by its key markets of Indonesia, Singapore and Maybank Kim Eng Group. At the same time, the Group is developing its presence in the Philippines, Cambodia, Vietnam and China by building scale and scope in these growth markets.

To be global leader in Islamic Finance

The Group targets to have one-third of the Group's domestic financing to be Islamic financial assets by 2015. In order to achieve this, the Group's Islamic banking operations will continue to utilise the extensive distribution channels of the Group in Malaysia including branches, electronic banking platforms and the various distribution outlets of the Group's strategic partners. In addition, the Group intends to grow its Islamic business in markets like Indonesia and Singapore as part of its focus on the ASEAN region.

Moving forward, the Group's Islamic banking operations will emphasise on delivering innovative and globally accepted products and services that would differentiate it from other Islamic financial institutions.

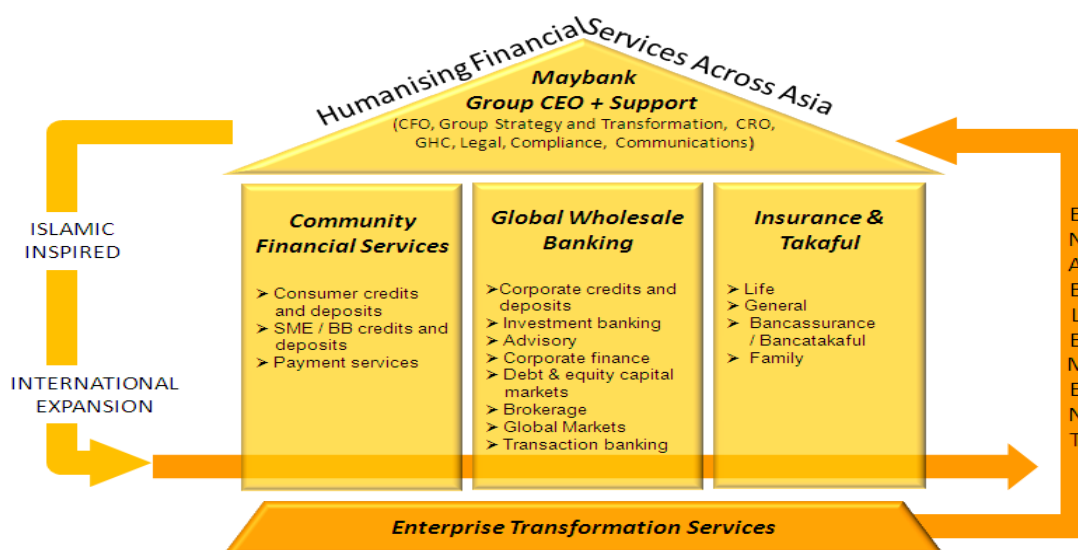
7.3 Organisational structure and capabilities

To support the Group's aspiration to become the Regional Financial Services Leader by 2015 and to realise the Group's business strategies, in July 2010, the Group re-aligned its organisation structure to focus on three business pillars, namely:

- Community Financial Services, which services its consumer, SME and Commercial/Business Banking clients;
- Global Wholesale Banking, which services its corporate clients under one single global relationship by offering corporate banking, Global Markets, investment banking, advisory and trade and cash management products; and
- Insurance and Takaful, which offers both general and life insurance and asset management services.

At the same time the Group is focusing on the growth of its international and Islamic banking offerings and its investment banking offerings across these business pillars. Operationally, the business pillars are supported by the Group's Enterprise Transformational Services which provides business enablement and aims to continually improve operational efficiencies. The Group's Corporate Office units including Group Finance, Group Strategy and Transformation, Group Credit Risk Management, Group Human Capital,

Group Compliance, Legal and Corporate affairs will provide risk management and governance support to the organisation.



7.4 Competitive Position

- The Group is the largest financial services group in Malaysia and a market leader in many business areas. As at 30 September 2011, it has the largest branch network with a total of 388 branches, more than 2,800 ATMs and the most active internet banking portal. The convenience and accessibility of the Group's services enable it to serve more than 12.6 million individual and corporate customers throughout Malaysia.
- In the consumer banking segment, it is the market leader in unit trust financing with a market share of 63.9 per cent. in Malaysia as at 30 September 2011. In the cards business, the Group is the leader in Malaysia, in terms of card base, merchant sales and billings with market shares of 17.8 per cent., 23.9 per cent. and 30.4 per cent. respectively as at 30 September 2011. It is the leading issuer of debit cards and also operates the American Express franchise in Malaysia. The Group's internet banking portal, Maybank2u.com.my ("M2U"), is the largest in Malaysia based on number of registered users with a 54.0 per cent. market share. It also ranks among the top three for mortgage and hire purchase loans with market shares of 13.1 per cent. and 18.4 per cent., respectively. The Group's extensive network enables the Group to maintain its leadership in current account and saving accounts ("CASA") with a market share of 23.8 per cent. in Malaysia as at 30 September 2011.
- The Group is the leading provider of SME, business and corporate loans in Malaysia. Its entire branch network in Malaysia services SME customers while business loans are serviced through its 39 business centres. Corporate loans are provided through its Corporate Client Coverage team.
- The Group's investment banking business, which is operated through Maybank IB, is the market leader in debt capital markets and ranks among the top three in mergers and acquisitions, equity and rights offerings and equity brokerage in Malaysia. Through Maybank Kim Eng, the Group has expanded its investment banking services beyond Malaysia and across the ASEAN region. The acquisition of Maybank Kim Eng gives Maybank a complementary investment banking business and an expanded reach in nine countries and 200,000 additional customers including two new

markets i.e. Thailand and India. The Group's investment banking business will become much bigger business driver within the Maybank Group.

- The Group is the largest Islamic banking operator in Malaysia and the region. The Group's Islamic banking business is operated through MIB and PT Bank Maybank Syariah Indonesia. MIB has a market leading position, with a market share of 20.4 per cent. based on its total assets of RM62.7 billion as at 30 September 2011.
- The Group's insurance and takaful business is the country's leading provider of insurance and takaful with a market share of 14.8 per cent and 12.7 per cent in Combined Life/Family and Combined General respectively as at 30 September 2011. Etiqa has total assets of RM22.7 billion as of 30 September 2011.
- The Group's banking brand is now present in over 17 countries and territories including Singapore, Indonesia, Vietnam and the Philippines. In Indonesia, the Group owns a stake in BII, which is the ninth largest bank in Indonesia in terms of total assets as at 30 September 2011. Through BII, the Group benefits from the largely under-penetrated Indonesian banking market. BII is also expanding its branch network and currently has a total of 346 branches and 1,037 ATMs as at 30 September 2011.

7.5 Business Sectors

Maybank provides a comprehensive range of financial services under three main business pillars - Community Financial Services, Global Wholesale Banking and Insurance and Takaful. Islamic financial services are also offered across all the business pillars.

On the international front, the Group's international banking business comprises both Global Wholesale Banking and Community Financial Services.

Community Financial Services

Community Financial Services comprises Consumer Finance, Cards, Wealth and Payments, Virtual Banking, HNW and Affluent Banking, SME Banking and Business Banking.

- **Consumer Finance**

Consumer Finance encompasses three major strategic business units of the Group's retail lending portfolio namely: Mortgages, Automobile Financing, and Retail Financing. Mortgages, automobile loans, unit trust and cards financing remain the main drivers of the retail loans segment. The domestic overall retail loans accounted for more than half of the Group's gross total domestic loans, of which 23 per cent was derived from mortgages. The Group has a retail domestic loans market share of 18 per cent. as at 31 October 2011 and 30 June 2011, making it one of the leading financing providers for Malaysia's household sector.

The Issuer's strong market presence is made possible by its large base of over 9.1 million customers as at 31 October 2011 and its ability to leverage on the cross-selling of its products and services. In addition, the Issuer is able to reach its domestic customer base through the Group's extensive branch network and ATMs in Malaysia and Singapore, its electronic delivery network and Kawan-ku telephone banking. The Issuer's established brand name also reinforces its leading position in the retail financial services sector.

Mortgages

The Group has a sizeable amount of the country's residential financing market with a market share of 13.2 per cent. for housing (plus other mortgage loan) and 12.5 per cent. for shophouses

respectively, ranking amongst the top three banks in terms of mortgage financing in Malaysia as at 31 October 2011.

As at 30 September 2011 and 30 June 2011, the Group's domestic mortgages financing portfolio amounted to RM40.3 billion and RM38.6 billion, respectively.

Automobile Financing

The Group's market share for providing financing for the purchase of transport vehicles in Malaysia stands at approximately 18.8 per cent. as at 31 October 2011.

As at 30 September 2011, the Group's domestic automobile financing portfolio registered an outstanding loan balance of RM26.6 billion. The Islamic finance components were approximately 62 per cent.

The Issuer has exclusive strategic alliances with leading car manufacturers and dealers and offers special financing packages through these alliances.

Retail Financing

The retail financing portfolio comprises unit trust financing, salary financing, retail business and share financing. As at 30 September 2011 and 30 June 2010, retail financing loans outstanding amounted to RM18.7 billion and RM18.4 billion, of which the unit trust business, represents 93 per cent of the portfolio. The Group holds a significant domestic market share in unit trust financing of approximately 63.6 per cent. in 31 October 2011.

- **Cards, Wealth and Payments**

Cards, Wealth and Payments comprise Cards, Deposits, Bancassurance, Investments and Payments.

Cards

The Group's card business ("**Maybankard**"), which includes the credit, charge and debit cards, operates in Malaysia, Singapore and Brunei Darussalam. It has a total card base of over 2.3 million cards as at 31 October 2011. The Issuer is the issuer of American Express in Malaysia and also issues Visa and MasterCard credit cards and Bankcard for debit cards.

Maybankard continues to be a market leader amongst domestic banks with a market share of 15.3 per cent. in October 2011. The Group is the domestic market leader in terms of cards base, billing and merchant business with a market share of 17.7 per cent., 23.9 per cent. and 30.4 per cent. respectively as at 31 October 2011.

Deposits

As at 30 September 2011, the Group's consumer deposits represented 41 per cent. of the total domestic deposits. Consumer deposits comprise fixed deposits, current accounts, savings deposits and others. As at 30 September 2011, fixed deposits are the major contributor, which accounted for 52 per cent. of the total consumer deposits.

Bancassurance

The Issuer is the first bank in Malaysia to introduce the Bancassurance concept in 1996. It is an integrated model between Maybank and Etiqa and has been the bancassurance market leader with more than 17.1 per cent. market share for New Business (New business in bancassurance means the income of insurance policy sold during the period between January 2011 to September 2011)

in Malaysia as at 31 October 2011. Bancassurance's success was due to the Issuer's comprehensive business modules and integrated systems in the business processes as well as its end-to-end services which allow a straight-through, simplified and transparent business process.

Investment

The Issuer manages various investment products and portfolios for potential high returns according to the customers risk appetite and financial objectives.

Payment

The payments business, develops and manages products which provide convenience to customer's banking needs. The payments business comprises payment services, remittances, ATM services and forex business.

- **Virtual Banking**

M2U, the first financial portal in Malaysia, was launched on 9 June 2000 and has a market share of 54 per cent. in terms of total registered users as at 30 September 2011. As at 31 October 2011, there were more than 6 million registered users of M2U, of which 1.8 million were active users¹.

The Group's business strategy for electronic banking is to complement its conventional delivery channels with an efficient and cost effective means of reaching customers. M2U currently offers customers the ability to conduct account enquiries and make bill payments, conduct fund transfers and share trading and make online applications for banking services, housing loans and hire purchases and online shopping.

As of 31 October 2011, M2U has in total, over 700 payee corporations.

M2U serves a comprehensive consumer segment including individuals, sole proprietors, professionals, partnerships and teenagers.

In the next five years, the Issuer plans to leverage M2U as part of its strategy to become the regional leader in financial services in ASEAN.

- **HNW and Affluent Banking**

Since its inception in 1990, Maybank Private Banking has expanded from one centre to 26 centres nationwide, serving more than 22,000 customers. The centres are strategically located in major towns and cities, offering a range of personalised services to the HNW segment of customers and utilising the Customer Relationship Management database to capture a holistic view of the customer's product holdings, behavioural patterns and preferences. In 2007, the Issuer set up the Wealth Management unit to oversee and spearhead the implementation of specific initiatives targeted at this niche segment of customers. This was a result of the Issuer recognising the importance of this segment of customers, who represent the most profitable segment of customers which requires personalised needs beyond traditional banking services. The business model of Maybank Private Banking has also evolved from a product-centric approach to a customer-centric approach, which essentially places increased emphasis on customers' needs and requirements. Wealth Management offers a wide range of products such structured deposits, dual-currency investments, unit trust and participation in initial public offerings ("**IPOs**").

Maybank Private Banking has gained international recognition through the attainment of several prestigious awards, amongst others: Best Domestic Private Bank in Malaysia in 2009 and 2010 by Asiamoney Private Banking Poll and Best Local Bank in 2009 by Euromoney Wealth Management Private Banking Survey. See "*Awards and Accolades*" in section 7.6.

- **SME Banking**

SME Banking provides financial services to enterprise customers with an annual turnover of up to RM25 million. Products offered by SME comprise overdraft current accounts, term loans, trade bills and short term revolving credit.

As at 31 October 2011, the Issuer's market share was at 18.4 per cent. of the total SME banking business in Malaysia by total revenue.

- **Business Banking**

Business Banking provides financial services to enterprise customers with a turnover of more than RM25 million. Business Banking customers are provided with the full range of financial services such as trade finance, cash management and factoring. As at 30 September 2011 and 30 June 2011, business banking contributed approximately 15.3 per cent. (YTD 3months) and 13 per cent. (YTD 12 months), respectively to the total CFS revenue of the Issuer.

These financial services provide financing support to enterprise customers in various industries such as finance, insurance, real estate, manufacturing, construction, wholesale and retail trade, transport, communication and primary agriculture.

Global Wholesale Banking

Global Wholesale Banking comprises Investment Banking, Global Markets, Corporate Banking and Transaction Banking. The Client Coverage team was also established across these business units to offer customised, innovative products to clients and to meet these clients' diverse financial needs. This coverage model has enhanced the capabilities, sharpened focus and maximised cross-product collaboration to deliver superior product offerings such as advisory, treasury, trade finance, cash management as well as lending solutions.

- **Investment Banking**

Maybank IB provides a wide range of services to a substantial and diversified client base that includes corporations, financial institutions, governments and HNW individuals. Maybank IB's vision is to become a leader in investment banking in Malaysia by 2012 and in ASEAN by 2015.

Maybank IB offers a wide range of products and services including advisory, which includes advising on mergers and acquisitions, restructuring and reorganisations, equity and equity-linked fund raising and issuances and structured solutions; debt markets which includes advising, arranging and distributing debt market instruments; equities which facilitates trading of securities listed on Bursa Malaysia via its network of dealers, remisiers, equities investment centres via M2U, and is supported by in-house research as well as strategic global research partnerships; equity capital markets, which provides services such as sales and distribution of equity, equity linked and equity derivative products, underwriting of IPOs and financial intermediation of Employee Share Option Schemes and IPOs; strategic advisory, which provides financial, policy and strategy advice, focusing on energy, infrastructure and utilities sectors; and venture capital/private equity, which assists institutional and HNW individuals to invest in private companies that have high growth potential.

The rankings of Maybank IB in the league tables bear testimony to its strength in the capital markets. According to Bloomberg's end of October 2011 league table rankings, Maybank IB is ranked second by amount issued for both Malaysian Ringgit Islamic Bonds and second for Malaysian Domestic Bonds (with market shares of 25 per cent. and 23.0 per cent. respectively) and ranked third in the Mergers and Acquisitions league tables by amount issued with a market

share of 11.2 per cent. In the Bursa Trading Value league table, Maybank IB is ranked fourth, recording a market share of 7.4 per cent.

Maybank Group has also acquired a strategic stake in Maybank Kim Eng, a leading securities and investment broking group in Asia. Through its various subsidiaries, Maybank Kim Eng offers a host of financial services such as retail and institutional securities broking, research, corporate finance advisory and asset management services across 10 countries. A leader in many of the Asian markets that it operates in, Maybank Kim Eng has won numerous prestigious awards in each of the markets that it operates in. Together, the combined entity, Maybank Kim Eng, has set in motion a strategic thrust to become a leading regional financial powerhouse by year 2015. As a result of the merger, Maybank Kim Eng has a presence in Malaysia, Singapore, Thailand, Indonesia, Philippines, Vietnam, Hong Kong, India, US and UK. Regional expansion plans are being rolled out at a tremendous pace to capitalise on opportunities in priority markets.

- **Global Markets**

Global Markets provides a fully integrated platform that is able to execute holistic capital market strategies across all geographies where the Group has a presence. Global Markets in Singapore is designated by the Group as the Regional Centre of Excellence for derivatives, serving the needs of the Group's corporate customers in Malaysia, Singapore, Indonesia, Hong Kong, the Philippines and China. The Group is currently increasing its regional talent pool as well as strengthening the products which it offers.

The designation of Singapore as the Regional Centre of Excellence for derivatives is based on its greater depth and liquidity compared to other emerging markets in which the Group operates. This initiative was designed to provide expertise and support for an integrated regional sales network. Cross-border sales initiatives promoting foreign exchange and interest rate exotic capabilities are the Global Markets' avenues for exponential growth in non-interest income.

The ongoing implementation of a single seamless straight through processing Global Markets Risk Management System across all trading centres will provide the necessary platform for managing trading risk and credit exposures globally.

The Group holds approximately 10.09% percent of the market share of foreign exchange transactions in Malaysia as at 31 October 2011.

- **Corporate Banking**

Corporate Banking provides lending solutions across all corporate clients which includes the subsidiaries, associate companies and key sponsors of the Group for all the segments such as the government-linked companies, large Malaysian corporate groups and multinational corporations.

Corporate Banking's strength lies in the relationships the Group has built and nurtured with corporate clients over the years. Aligned to the Group's vision of becoming a regional financial services leader, Corporate Banking aims to be the top financial solutions provider for valued corporate customers and to create value for its corporate customers via partnerships with its product specialists within the Group. It is comprised of a team who have dedicated and skilled resources with long experience specializing in loans origination, trade finance and cross-border project financing.

The creation of the Global Wholesale Banking business unit has facilitated Corporate Banking to be innovative and to offer corporate clients with more sophisticated, revolutionary products and integrated solutions. As the corporate world continues to evolve in a highly competitive and rapidly globalising environment, Corporate Banking aims to deliver superior value propositions to its clients.

- **Transaction Banking**

Transaction Banking comprises six distinct and inter-linked business units involved in the manufacturing and provision of transactional banking services across all client segments. The business units under Transaction Banking are Cash Management, Trade Finance (include Structured Trade and Commodity), Factoring Solutions, Financial Institutions, Custody Services and Trustee Services. Malaysia Transaction Banking holds the largest market share for both Trade Finance and Cash Management at 25% market share on trade assets and 30% market share on electronic transaction volumes/values through M2E respectively (as of September 2011).

Cash Management is a comprehensive service offered to Corporate, Commercial and SME customers aimed at optimising cash flows, balances and short-term investments via improving cost and process efficiencies and increasing control and visibility. This is provided through a suite of Payments, Collections and Liquidity Management products and delivery channels. Trade Finance assists importers and exporters to facilitate and finance their domestic and international trading businesses. The Issuer's Custody business provides asset safekeeping, settlement, asset servicing and fund administration to institutional clients in local and global markets. Trustee Services offer a wide range of fiduciary services to individuals, corporations and government bodies. Factoring offers cash advances by allowing companies to sell its invoices and will form part of a supply chain financing program. Meanwhile, Financial Institutions provides links with correspondent banks. All business units will be able to attain synergy from the various business opportunities which arise within Transaction Banking. Transaction Banking's main objective is to drive innovation, strategy and branding for transaction banking business and product lines to achieve the Global Wholesale Banking's domestic and regional business objectives and expansion plans.

Cash Management, Trade Finance and Custody Services have won a number of accolades and awards from prominent magazines such as The Asset, Alpha Southeast Asia, Finance Asia, The Asian Banker, Global Finance, Asiamoney Polls and Global Custodian. See "Awards and Accolades" in section 7.6.

Transaction Banking will continue to play a key role in streamlining product offerings and structures in ASEAN countries and in building regional system capabilities. Moving forward, several strategies and initiatives to overcome the key challenges have been outlined by the Group, namely increasing customer sophistication, aggressive competition with local and global banks as well as maximizing client's wallet share.

Insurance and Takaful

The Group offers a wide range of conventional insurance and takaful products through its conventional insurance and takaful subsidiaries under the brand name Etiqa. The holding company is Mayban Ageas Holdings Berhad ("MAHB"), formerly known as Mayban Fortis Holdings Berhad. MAHB is 69.05 per cent. owned by Etiqa International Holdings Sdn Bhd, a wholly-owned subsidiary of the Issuer and 30.95 per cent. owned by Ageas Insurance International ("Ageas"), formerly known as Fortis International N.V. The operating entities are grouped under two anchor subsidiaries, Etiqa Insurance Berhad and Etiqa Takaful Berhad for conventional insurance and takaful respectively.

The Group also has a presence in Singapore and Brunei Darussalam (general insurance) under Etiqa Insurance Berhad and Pakistan (general takaful) through a 32.50 per cent. ownership in Pak-Kuwait Takaful Company Ltd.

Under the brand name Etiqa, the Group offers all types and classes of life and general conventional insurance as well as family and general takaful plans through multi-channel distribution. Its life and family products include endowment, education, investment-linked and medical insurances. General conventional insurance and takaful products range from fire, motor, aviation and engineering insurance. Products offered by Etiqa are usually tailored to each distribution channel in maximising the share of each channel's market

segment. All products are distributed either through agents, Etiqa branches, the Issuer's branches, third party banks, brokers and affinity groups. Etiqa has a strong agency force comprising over 21,446 agents and 33 branches domestically. Etiqa also has a wide bancassurance and bancatakaful distribution network, with more than 392 branches including other third-party banks. In addition, Etiqa also has a firm business proficiency in conventional insurance and takaful through cooperatives, brokers, institutions, online banking and others, providing full accessibility and total convenience to customers.

Currently, Etiqa is the second largest Malaysian conventional insurance and takaful group in terms of combined revenue and also the top player in life and family new business, general conventional insurance and takaful business in terms of revenue. For the financial year ended 30 June 2011, the gross premium written by Etiqa stood at RM4.299 billion with a profit before tax of RM506 million. Profit before tax grew 21 per cent. in the financial year ended 30 June 2011 against previous year, as a result of improving business performance and good technical results supported by strong investment returns. General business recorded a growth of 19% to RM1,890 million, of which RM1,254 million was contributed by Conventional business.

For Takaful, gross contribution surpassed the RM2.0 billion mark, equating to 48% of Etiqa's total gross premium/contribution for the year compared to 42% previously. Overall, takaful continued its positive momentum, increasing 7% over last year with market share of 44.7%. Our takaful business has also expanded commendably over the years, with the growth in Family Takaful and General Takaful consistently outstripping the respective takaful market. Moreover, General Takaful posted 30% growth, driven by the Motor takaful segment.

Etiqa has won numerous awards and accolades including:

- 2011 Champion, Best of Malaysia Service to Care (Life Insurance category), Service to Care Award 2011;
- Best Contact Centre Manager (below 100 seats) – Silver Award and Best In House Contact Centre (below 100 seats) – Bronze Award, Customer Relationship Management and Contact Centre Association Malaysia;
- Best Group Business Operator and Best Bancatakaful Operator at the Malaysia Takaful Association Annual Dinner and Awards Night in 2011;
- Best Takaful Company and Best Bancatakaful Operator in Asia, Takaful Leadership Awards 2011;
- Most Outstanding Takaful Company, Kuala Lumpur Islamic Finance Forum, (KLIFF) 2011;
- Bronze Award Best Social Media Programme in Contact Centre, 12th CCAM Annual Contact Centre Awards, 2011; and
- Best Takaful Operator (Asia), Islamic Business & Finance Awards 2011.

International Operations

The Group has an international presence in 17 countries through a mixture of branches, subsidiaries, associate companies and a representative office. The Group has a presence in key Asian growth countries such as Singapore, Indonesia, the Philippines, Vietnam, Cambodia and China as well as Hong Kong, London and New York. Other countries and territories where the Group is present in are Labuan, Brunei Darussalam, Bahrain, Pakistan, Papua New Guinea and Uzbekistan.

The total loans of the Group's overseas operations were RM97,823.3 million as at 30 September 2011 and RM88,163.21 million as at 30 June 2011 and accounted for 36.9 per cent. and 34.7 per cent. of the Group's total loans and advances as at 30 September 2011 and 30 June 2011, respectively.

Revenue from international operations increased by 19.5 per cent. in the three months ended 30 September 2011 to RM1,179.4 million, compared to RM984.7 million in the previous three months ended 30 September 2010, contributing 31.8 per cent. of the Group's total revenues for that three-month period. Profit before taxation and zakat contribution from international operations stood at 23.9 per cent. in the

three months ended 30 September 2011. Loans recorded a growth of approximately 11.0 per cent. from 30 June 2011 to RM97,823.3 million as at 30 September 2011 and accounted for 36.9 per cent. of the Group's total loans and advances as at that date, with the Singapore Branch accounting for 60.7 per cent. of international operations' total loans.

In becoming a leading financial services provider in the region, the Group considers expansion into countries in which its clients have expanded operations, into countries with economic growth potential and other macroeconomic factors such as expected liberalisation of those countries' financial services sectors. These international expansion initiatives are intended to increase overseas operations' income contribution to the Group.

- ***Singapore***

Amongst the foreign banks operating in Singapore, the Issuer has the largest full-service branch network with 22 full-service branches and 5 offsite ATM locations. As at 30 September 2011, Maybank Singapore accounted for 60.7 per cent. of the Group's total loans and advances. Whilst the Issuer has established itself as a niche player in the SME and corporate market, it also provides a range of retail products including home loan packages, hire purchase, third party insurance and unit trust distribution and Islamic banking. The Issuer is one of the eight foreign banks in Singapore accorded with the Qualifying Full Bank (**QFB**) status. Maybank Singapore together with the five other QFBs launched Singapore's first and to-date only shared ATM network with a combined reach of more than 170 ATMs, and Maybank Singapore thereby aims to enhance its position in the Singapore retail market. The Issuer's Singapore operations also serve to facilitate trade flow between Singapore and Malaysia as well as other locations where Maybank is present.

The Issuer's funding base in Singapore is primarily deposit taking. As at 30 September 2011 and 30 June 2011, the Issuer's deposit base in Singapore was divided into fixed deposits (78 per cent. and 77 per cent., respectively), savings deposits (11 per cent. and 12 per cent., respectively) and demand deposits (11 per cent. and 11 per cent., respectively). Most of these deposits were denominated in Singapore dollars.

- ***Indonesia***

In Indonesia, the Issuer has a presence through its subsidiary, BII. As at 30 September 2011, BII accounted for 8.5 per cent. of the Group's total loans and advances. BII has a sizeable network of 343 branches in Indonesia and aims to expand this network. BII provides a range of products and services including mortgages, credit cards, deposits, wealth management services, trade finance and foreign exchange. BII's funding base in Indonesia is primarily deposit taking. As at 30 September 2011 and 30 June 2011, BII's deposit base in Indonesia was divided into fixed deposits (61.7 per cent. and 59.5 per cent., respectively), savings deposits (unchanged at 22.2 per cent) and demand deposits (16.1 per cent. and 18.3 per cent, respectively.). Most of these deposits were denominated in Indonesian Rupiah.

- ***Philippines***

Maybank Philippines Incorporated (MPI) is a fully owned subsidiary of the Issuer in the Philippines. As of 31 October 2011, MPI has 51 branches in the Philippines with 26 in Metro Manila and 25 in key cities in Luzon, Visayas and Mindanao. MPI provides an extensive range of products and services and targets corporate clients, commercial business and consumer banking.

- **Cambodia**

As of 31 October 2011, the Issuer had 10 branches operating country-wide in Cambodia and the Issuer aims to add one additional branch by the end of 2011. Maybank Cambodia provides a wide range of products and services and focuses on consumer, commercial and SME business. As of January 2011, the Issuer has set-up “Global ATM” in Cambodia, a regional ATM network to enable customers to access their accounts in their home country.

- **Vietnam**

In Vietnam, the Issuer has had a foreign bank branch in Hanoi since October 1995, and a representative office in Ho Chi Minh City since March 1996. The representative office was later upgraded to a full service branch in October 2005. A new remittance product, Maybank Money Express Service (“MME”) between the Issuer in Malaysia and Vietnam was launched in April 2010 and this is a web-based system with DongA Bank Money Transfer and An Binh Bank as sub-agents. The Issuer owns a 20 per cent. strategic stake in An Binh Bank, which is one of the leading commercial joint-stock banks in Vietnam.

- **Other Countries**

The Issuer has one branch in Shanghai and a representative office in Beijing; one branch each in Bahrain, Hong Kong, London and New York; three branches in Brunei; and a subsidiary with two branches in Papua New Guinea. Since 2008, the Issuer has had a 20 per cent. stake in MCB Bank, Pakistan.

- **Recent Overseas Expansion - Acquisition of Kim Eng**

See “Recent developments of the Issuer - Acquisition of Kim Eng” in section 15.3.1 below.

Islamic Banking

MIB is a wholly-owned subsidiary of the Issuer which serves as the Islamic banking arm of the Group. The Issuer was the first domestic commercial bank to offer Islamic banking products and services through its Islamic window operations in 1993 until the commencement of MIB’s operations on 1 January 2008 after the transfer of the Issuer’s Islamic banking business. As at 31 October 2011, MIB is the largest domestic Islamic bank in Malaysia by asset size of RM62.7 billion with over four million customers. MIB’s products and services are available at its 16 dedicated branches and co-located at the Issuer’s 374 branches and the various distribution channels in Malaysia.

MIB’s business offers comprehensive Shariah compliant financial solutions to cater to the needs of its customers, cutting across the House of Maybank’s pillars, namely Community Financial Services (“CFS”) and Global Wholesale Banking (“GWB”). We offer Islamic banking expertise both regionally and globally, while Maybank’s recent strategic acquisition of Kim Eng Holdings will enable us to further entrench our leadership in the capital markets and investment banking services.

- **MIB Community Financial Services**

CFS pillar remains the core business segment and major contributor to MIB. As at 31 October 2011, Islamic CFS pillar contributed approximately 75 percent of MIB’s total financing.

CFS comprises mainly the following portfolios - automobile financing, mortgage financing, retail financing, personal financing and small business financing.

MIB's strong market presence is made possible by its ability to leverage on Maybank's branch network and common infrastructure (including ATMs, M2U and telephone banking) to cross-sell its products and services.

As at 31 October 2011, automobile financing accounted for the largest component of MIB's retail financing with approximately 43 per cent of MIB's total Community Financial Services, including financing sold to Cagamas amounting to RM1.5 billion. MIB's automobile financing comprises retail hire purchase, business hire purchase, corporate auto scheme, floor stocking and block discounting.

MIB offers a comprehensive mortgage financing products to its customers, mainly consisting of house and shophouse financing facilities for new buyers and refinancing purposes, securing a share of 20 per cent as at 31 October 2011 of MIB's total Community Financial Services financing. House financing accounted for 92 per cent of mortgage financing as at 31 October 2011.

The Islamic Credit Card ("Ikhwan") continues to record positive growth, achieving 21.3 per cent. market share of the Islamic Banking industry and contributed to 6.5 per cent. of the Group's cards receivables as at 31 October 2011.

- **MIB Global Wholesale Banking**

GWB accounted for approximately 25 per cent of MIB's financing portfolio as at 31 October 2011. Key portfolios are term financing, trade financing, short-term revolving credit, cash line and foreign currency financing.

As at 31 October 2011, MIB captured strong market shares in Malaysia for selected portfolio of which term financing (22 per cent.), trade financing (37 per cent.) and cash line (44 per cent.).

In achieving the Group's aspiration to be the Global Leader in Islamic Finance by 2015, MIB would focus on 3 key strategic thrusts; Growth, Innovative and Centre of Excellence.

7.6 Awards and Accolades

As a testimony of the Group's banking excellence, the Group has received the following awards and accolades:

Awarded By	Description of Award/Accolade	Year
Asia Middle East Takaful Summit, Bahrain	Best Takaful Company	2011
Asia Middle East Takaful Summit, Bahrain	Best Bancatakal Operator	2011
Malaysia Takaful Association (Etiqa Takaful Award)	Best Group Business Operator	2011
The Asian Banker International Excellence in Retail Financial Services Awards	Best Retail Bank in Malaysia	2011
Euromoney Awards	Best Deposit and Liability Business	2011
	Best Private Banking Services Overall in Malaysia	
Association of Accredited Advertising Agents Malaysia/Malaysia's Most Valuable Brands - Putra Brand Awards 2011. The People's Choice	Finance Gold Award: Maybank	2011
The Asset Triple A Award: Maybank	Best Domestic Trade Transaction Banking	2011

Awarded By	Description of Award/Accolade	Year
	Best E-commerce Bank	
	Best Domestic Cash Management Bank	
	Best SME Bank	
	Best Domestic Trade Finance Bank	
NEF-Awani ICT Awards	Favourite Online Banking Service Provider	2011
MasterCard Hall of Fame Awards, 2010	Best Activation Campaign – Maybankard World MasterCard (Maybank)	2010
Prime Minister’s CSR Awards	Outstanding Work in Community & Social Welfare (Honourable Mention)	2010
	Outstanding Work in Workplace Practices (Honourable Mention)	2010
Global Finance Magazine	Best Trade Finance Provider - Malaysia	2010
Malaysian Business-CIMA Enterprise Governance Awards	Overall - Second Runner-up	2010
Malaysian Business-CIMA Enterprise	CSR Category - First Runner-up	2010
Malaysia Institute of Human Resource Management	HR Excellence Category (Gold Award)	2010
	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	2010
Asiamoney Private Banking Poll	Best Domestic Private Banking in Malaysia	2010
	Overall Best Domestic Private Bank in Malaysia (Asset under management of US\$1 million - US\$5 million)	2009 and 2010
	Overall Best Private Bank in Malaysia (Asset under management of US\$5.01 million - US\$25 million)	2010
Euromoney Wealth Management & Private Banking Survey	Best Private Banking Services Overall	2009 and 2010
	Best Local Bank	2010
Euromoney Awards	Best Private Banking Services Overall in Malaysia	2010
Credit Guarantee Corporation Malaysia	Top SMI Supporter Award	2010
	Best Financial Partner Award	2010
Reader’s Digest Trusted Brands Awards	Bank Category - Gold Award	2010
	Credit Card Issuing Bank - Gold Award	
Association of Accredited Advertising Agents Malaysia/Malaysia’s Most Valuable Brands Putra Brand Awards	Finance Gold Award	2010
The Asset Triple A Award	Best SME Bank in Malaysia	2010
	Best e-Commerce Bank in Malaysia	
Asian Banker Excellence in Retail Financial Services Awards	Best Improved Retail Bank in Asia for 2009	2009
	Excellence in Employee Engagement for	2010

Awarded By	Description of Award/Accolade	Year
	Asia Pacific, Central Asia and Gulf Regions (Maybank Singapore)	
Asiamoney	Best FX Bank in Indonesia	2010
KLIFF Islamic Finance Awards	Most Outstanding Retail Islamic Bank Award	2010
	NACRA Awards	
	Certificate of Merit	
Trade Finance Magazine	Best Malaysian Trade Bank	2010
International Takaful Awards, London	Best Bancatakaful	2010
Alpha Southeast Asia Magazine	Best Trade Finance Bank in Malaysia	2009 and 2010
Finance Asia Magazine in 2009 and 2010	Best Trade Finance Bank in Malaysia	2009 and 2010
Most Outstanding Takaful Company	Kuala Lumpur Islamic Finance Forum (KLIFF)	2007, 2008 and 2009
International Takaful Awards, London	Best Takaful Marketing	2008
Insurance & Takaful, Brand Laureate Kuala Lumpur	Best Brands in Services	2009

7.7 Subsidiaries and Affiliates

The Issuer conducts some of its financial and non-financial service activities through its subsidiaries and affiliates. These subsidiaries and associated companies include commercial banking, insurance, finance, and investment banking companies.

The following is a description of the Issuer's principal subsidiaries and associated companies as at 30 September 2011:

Subsidiaries

Name	Business	Effective Interest (%)
Banking		
Maybank Islamic Berhad	Islamic banking	100.00
PT Bank Maybank Syariah Indonesia	Banking	96.83
Maybank International (L) Ltd	Offshore banking	100.00
Maybank (PNG) Limited	Banking	100.00
Maybank Philippines, Incorporated	Banking	99.97
PT Bank Internasional Indonesia Tbk	Banking	97.40
Finance		
Myfin Berhad	Ceased operations	100.00

Name	Business	Effective Interest (%)
Aseamlease Berhad	Leasing	100.00
Mayban Allied Credit & Leasing Sdn Bhd	Financing	100.00
PT BII Finance Centre	Multi-financing	97.40
PT Wahana Ottomitra Multiartha Tbk	Multi-financing	60.39
Kim Eng Finance (Singapore) Pte. Ltd.	Money lending	100.00
Insurance		
Mayban Ageas Holdings Berhad (f.k.a Mayban Fortis Holdings Berhad)	Investment holding	69.05
Sri MLAB Berhad (f.k.a. Mayban Life Assurance Bhd) ⁽¹⁾	Investment holding	69.05
Etika Life International (L) Ltd	Offshore investment - linked insurance	69.05
Sri MGAB Berhad	Under members' voluntary liquidation	69.05
Etika Insurance Berhad	Composite insurance	69.05
Etika Takaful Berhad	Family & general takaful	69.05
Etika Offshore Insurance (L) Ltd	Offshore general reinsurance	69.05
Etika International Holdings Sdn Bhd	Investment holding	100.00
AsianLife & General Assurance Corporation ⁽²⁾	Insurance provider	74.64
AsianLife Financial Assurance Corporation ⁽²⁾	Insurance provider	52.25
Investment Banking		
Maybank Investment Bank Berhad	Investment banking	100.00
Maysec Sdn Bhd	Investment holding	100.00
Maysec (KL) Sdn Bhd	Dormant	100.00
Maydis Berhad	Under members' voluntary liquidation	100.00
Mayban Futures Sdn Bhd	Dormant	100.00
Mayban Securities (HK) Limited	Dormant	100.00
Mayban Securities (Jersey) Limited	Under members' voluntary liquidation	100.00
PhileoAllied Securities (Philippines) Inc	Dormant	100.00
Budaya Tegas Sdn Bhd	Under members' voluntary liquidation	100.00
BinaFikir Sdn Bhd	Business/Economic consultancy and advisory	100.00

Name	Business	Effective Interest (%)
Mayban IB Holdings Sdn. Bhd. (f.k.a. Aseam Credit Sdn Bhd).....	Investment holding	100.00
Kim Eng Holdings Limited	Investment holding	100.00
Kim Eng Securities Pte. Ltd.	Dealing in Securities	100.00
Kim Eng Corporate Finance Pte. Ltd.	Provision of corporate finance & advisory services	100.00
PT Kim Eng Securities	Dealing in Securities	80.00
Kim Eng Research Sdn. Bhd.	Provision of research services	70.00
Kim Eng Securities (Thailand) Public Company Ltd.	Dealing in Securities	83.74
Kim Eng Securities (London) Ltd.	Dealing in Securities	100.00
Kim Eng Securities USA Inc.	Dealing in Securities	100.00
Kim Eng Securities India Pte. Ltd.	Dealing in Securities	75.00
Kim Eng Equities Malaysia Sdn. Bhd.	Dormant	70.00
Ong Asia Limited	Investment holding	100.00
ATR KimEng Fixed Income, Inc.	Fund raising advisers	94.93
Ong Asia Securities (H.K.) Ltd.	Securities Trading	100.00
Kim Eng Research Pte. Ltd.	Provision of research services	100.00
Kim Eng Securities (Hong Kong) Limited	Dealing in Securities	100.00
Kim Eng Futures (Hong Kong) Limited	Future contracts broker	100.00
KE India Securities Private Limited	Dormant	75.00
ATR KimEng Capital Partners, Inc. ⁽²⁾	Corporate finance & financial and investment advisory	74.64
ATR KimEng Financial Corporation ⁽²⁾	Investment holding	74.64
ATR KimEng Securities, Inc. ⁽²⁾	Dealing in securities	74.64
ATR KimEng AMG Holdings Inc. ⁽²⁾	Stock trading	61.72
Asset Management/Trustees/Custody		
Mayban (Indonesia) Berhad	Dormant	100.00
Cekap Mentari Berhad	Securities issuer	100.00
Mayban International Trust (Labuan) Berhad	Investment holding	100.00
Mayban Offshore Corporate Services (Labuan) Sdn Bhd	Investment holding	100.00

Name	Business	Effective Interest (%)
Mayban Trustees Berhad	Trustee services	100.00
Mayban Ventures Sdn Bhd	Venture capital	100.00
Mayban-JAIC Capital Management Sdn Bhd.....	Investment advisory and administration services	51.00
Mayban Investment Management Sdn Bhd	Fund management	69.05
Philmay Property, Inc	Property leasing and trading	60.00
Mayban (Nominees) Sendirian Berhad	Nominee services	100.00
Mayban Nominees (Tempatan) Sdn Bhd	Nominee services	100.00
Mayban Nominees (Asing) Sdn Bhd	Nominee services	100.00
Mayban Nominees (Singapore) Private Limited	Nominee services	100.00
Mayban Nominees (Hong Kong) Limited	Nominee services	100.00
Aseam Malaysia Nominees (Tempatan) Sdn Bhd	Under members' voluntary liquidation	100.00
Aseam Malaysia Nominees (Asing) Sdn Bhd.....	Under members' voluntary liquidation.....	100.00
Mayban Securities Nominees (Tempatan) Sdn Bhd	Nominee services	100.00
Mayban Securities Nominees (Asing) Sdn Bhd	Nominee services.....	100.00
AFMB Nominees (Tempatan) Sdn Bhd	Under members' voluntary liquidation	100.00
Mayban Allied Berhad	Investment holding	100.00
Anfin Berhad	Under members' voluntary liquidation	100.00
Dourado Tora Holdings Sdn Bhd	Investment holding.....	100.00
Maysec (Ipoh) Sdn Bhd.....	Under members' voluntary liquidation	100.00
Aurea Lakra Holdings Sdn Bhd	Property investment	100.00
Mayban Property (PNG) Limited	Property investment	100.00
Mayban International Trust (Labuan) Ltd	Trustee services	100.00
MNI Holdings Berhad	Under members' voluntary liquidation	69.05
KBB Nominees (Tempatan) Sdn Bhd	Nominee services	100.00
KBB Properties Sdn Bhd	Ceased operations	100.00
Sri MTB Berhad	Under members' voluntary liquidation	69.05

Name	Business	Effective Interest (%)
Etiqua Overseas Investment Pte Ltd	Investment holding	69.05
Peram Ranum Berhad	Dormant	69.05
Double Care Sdn Bhd	Under members' voluntary liquidation	69.05
Sorak Financial Holdings Pte Ltd	Investment holding	100.00
Rezan Pte. Ltd.	Investment holding	100.00
KE Strategic Pte. Ltd.	Investment holding	100.00
Pinnakell Asset Management Pte. Ltd.	Under members' voluntary liquidation	100.00
Kim Eng Properties Pte. Ltd.	Property investment	100.00
Strategic Acquisitions Pte. Ltd.	Investment holding	100.00
Kim Eng Investment Pte. Ltd.	Investment holding	100.00
KE Sovereign Limited	Investment holding	100.00
FXDS Learning Group Pte. Ltd.	Financial education	100.00
Ong & Company Pte. Ltd.	Dormant	100.00
Ong Nominees Private Limited	Under members' voluntary liquidation	100.00
Kim Eng Securities Nominees Pte. Ltd.	Acting as nominee for beneficiary shareholders	100.00
St. Michael's Development Pte. Ltd.	Real estate development	100.00
KE Capital Partners Pte. Ltd.	Fund Management	80.10
PT Kim Eng Asset Management	Dormant	85.00
Kim Eng Consultant Limited (China)	Under members' voluntary liquidation	100.00
Kim Eng Nominees (Hong Kong) Limited	Nominee services	100.00
Kim Eng Properties USA Inc.	Property investment	100.00
Kim Eng Asset Management (Thailand) Co., Ltd.	Asset Management	83.74
PT Prosperindo	Investment holding	100.00
ATR KimEng Asset Management, Inc. ⁽²⁾	Investment management	58.58
ATR KimEng Land, Inc. ⁽²⁾	Real estate investment	25.43

Associated companies

Name	Business	Effective Interest (%)
UzbekLeasing International AO	Leasing	35.00
Philmay Holding, Inc	Investment holding	33.00
Pelaburan Hartanah Nasional Berhad	Property trust	30.00
	Fund specific purpose vehicle	
Mayban Agro Fund Sdn Bhd	33.30
Mayban Venture Capital Company Sdn Bhd	Venture capital	33.30
An Binh Commercial Joint Stock Bank	Banking	20.00
	Under members' voluntary	
Baiduri Securities Sdn Bhd	Dormant	39.00
Pak-Kuwait Takaful Company Limited	Investment holding	22.44
MCB Bank Limited	Banking	20.00
Maybank JAIC Management Ltd	Fund management	50.00
Asian Forum Inc	Offshore captive insurance	23.01
Maybank MEACP Pte Ltd	Fund management	50.00
Kim Eng Vietnam Securities Joint Stock Company.....	Dealing in securities	48.55
Tullett Prebon (Philippines) Inc. ⁽³⁾	Insurance brokers	36.57

Notes:

- (1) Sri MLAB Berhad (formerly known as Mayban Life Assurance Berhad) is under members' voluntary liquidation with effect from 30 December 2011).
- (2) Become subsidiary in August 2011.
- (3) Becomes associate in August 2011.

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8.0 FUNDING AND CAPITAL ADEQUACY

8.1 Funding

The Issuer has a liability structure primarily comprising fixed deposits and negotiable instruments of deposit (“NID”), demand deposits and savings deposits representing 48.6 per cent., 22.9 per cent. and 15.2 per cent., of total deposits, respectively, as at 30 September 2011 and 49.1 per cent., 21.8 per cent. and 15.9 per cent., of total deposits respectively as at 30 June 2011. The Issuer is able to maintain stable growth in deposits through its large branch network and leading domestic market position. As at 30 June 2011 and 30 September 2011, 71.7 per cent. of total fixed deposits and NID had maturities of less than six months. Based on the Issuer’s experience and historical trends in respect of customer behaviour, the rollover rate of traditional deposits has been consistent and predictable, hence providing the Issuer with a steady source of funding.

As at 30 September 2011 and 30 June 2011, 46.8 per cent. and 47.9 per cent., respectively of the Issuer’s deposits are from individuals and the remainder from corporate and institutional clients. Other sources of funding include interbank deposits, Cagamas borrowing, and term borrowing.

The following tables illustrate the profile of the Issuer’s customer deposits:

Profile of Issuer Deposits by Type

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	<i>RM million</i>	<i>RM million</i>	<i>RM million</i>	<i>RM million</i>
Fixed and NID	90,668	103,917	90,180	98,854
Demand	38,329	49,019	38,085	43,854
Savings	29,484	32,451	28,860	32,025
Money Market	15,202	26,313	16,176	24,614
Structured	2,119	2,107	2,079	2,118
Total	175,802	213,807	175,380	201,465

Note:

Fixed deposits may be withdrawn by the depositor prior to maturity subject to certain interest and early upliftment penalties.

8.2 Capital Adequacy

As at 30 September 2011 and 30 June 2011, the Issuer’s core capital ratio (the ratio of Tier 1 capital to risk-weighted assets) before deducting applicable dividends for the financial year ended 30 June 2011 was 13.58 per cent. and 13.44 per cent. (Bank level) respectively and 10.83 per cent. and 11.93 per cent. (Group level) respectively. The RWCR (the ratio of total capital base to risk-weighted assets) before deducting applicable dividends for the financial year ended 30 June 2011 was 13.58 per cent. and 13.44 per cent. (Bank level) respectively and 14.86 per cent. and 15.45 per cent. (Group level) respectively. The Bank and Group core capital ratio and RWCR are well above the minimum requirements of BNM of 4.00 per cent. and 8.00 per cent. respectively. The Issuer’s Tier 1 capital has grown over the past two financial years,

mainly as a result of retained earnings and the increase in share capital and share premium that arose from the Dividend Reinvestment Plan

With effect from 1 July 2010, the Group and Issuer capital adequacy ratios are computed in accordance with BNM's Risk Weighted Capital Adequacy Framework issued on 1 April 2010, and updated on 7 January 2011 by BNM, as follows:

- (i) Credit risk under Internal-Rating Based Approach;
- (ii) Market risk under Standardised Approach ("SA"); and
- (iii) Operational risk under Basic Indicator Approach ("BIA").

The following table sets forth the capital adequacy ratios of the Group as at 30 September 2010, 30 September 2011, 30 June 2010 and 30 June 2011.

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
Before deducting proposed dividends⁽¹⁾				
Core capital ratio	11.48%	10.83%	11.06%	11.93%
Risk-weighted capital ratio	14.15%	14.86%	14.67%	15.45%
After deducting proposed dividends				
Core capital ratio				
- full electable portion paid in cash	10.56%	10.23%	10.10%	11.21%
- full electable portion reinvested	11.48%	10.83%	10.97%	11.84%
Risk-weighted capital ratio				
- full electable portion paid in cash	13.23%	14.25%	13.71%	14.72%
- full electable portion reinvested	14.15%	14.86%	14.58%	15.36%

Breakdown of capital base in the various categories of capital:

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(RM million)	(RM million)	(RM million)	(RM million)
Tier 1 capital				
Paid-up share capital	7,078	7,478	7,078	7,478
Share Premium	5,903	8,583	5,903	8,584
Other Reserves	13,428	13,548	13,814	14,780
Capital Securities	5,997	6,067	5,979	6,065
Less: Deferred tax assets	(1,767)	(1,383)	(1,565)	(1,383)
Less: Goodwill	(4,154)	(6,050)	(4,154)	(6,050)

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
Total Tier 1 capital	26,485	28,243	27,055	29,474
Tier 2 capital				
Subordinated obligations	8,024	12,825	8,069	10,732
General allowances for bad and doubtful debts and financing ..	327	998	3,838	996
Surplus of total EP over total EL ⁽²⁾	786	-	-	-
Total Tier 2 capital	9,137	13,823	11,907	11,728
Less: Investment in subsidiaries and associates	(2,977)	(2,940)	(3,065)	(2,925)
Less: Excess of EL over EP ⁽²⁾	-	(347)	-	(108)
Less: Other deductions	(2)	(48)	(18)	(18)
Total capital base	32,643	38,731	35,879	38,151

Breakdown of risk-weighted assets in the various categories of risk weights:

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(RM million)	(RM million)	(RM million)	(RM million)
Basel I				
0%	-	-	-	-
10%	-	-	36	-
20%	-	-	6,813	-
50%	-	-	18,130	-
100%	-	-	192,475	-
Total principal amount	-	-	217,454	-
Total risk-weighted assets for credit risk	-	-	217,454	-
Total risk weighted assets for market risk	-	-	27,081	-
Total risk-weighted assets for credit and market risk	-	-	244,535	-
Basel II				
Standardised Approach exposure	50,457	67,888	-	60,237
IRB Approach exposure after scaling factor	130,934	156,716	-	147,528

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
Total risk-weighted assets for credit risk	181,391	224,604	-	207,765
Total risk weighted assets for market risk	27,205	11,047	-	15,991
Total risk weighted assets for operational risk	22,041	25,058	-	23,224
Total risk-weighted assets	<u>230,637</u>	<u>260,709</u>	<u>-</u>	<u>246,980</u>

Notes:

- (1) In arriving at the capital base used in the ratio calculations of the Group, the applicable dividends for the respective years were not deducted.
- (2) EP is defined as eligible provision and EL is defined as expected loss.

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9.0 ASSET QUALITY

9.1 Loan Portfolio

The Group's loans are predominantly made to corporations and individuals based in Malaysia. The remainder of the Group's loans, amounting to 36.8% per cent. and 35.0% per cent. of its total loans portfolio as at 30 September 2011 and 30 June 2011 respectively (32.6% per cent. and 32.3% per cent. as at 30 September 2010 and 30 June 2010 respectively), are made to customers and institutions outside Malaysia. The Group monitors country exposures and manages its country risks by undertaking on a regular basis analysis of the political, economic, financial and social developments of those countries where it has significant exposures and by setting a specific country limit.

As at 30 September 2011 and 30 June 2011, the Group's total net outstanding loans were RM265.3 billion and RM254.0 billion respectively, which represented 61.6 per cent. and 61.7 per cent. respectively of the Group's total consolidated assets (RM206.8 billion and 59.6 per cent. as at 30 September 2010 and RM205.6 billion and 61.1 per cent. as at 30 June 2010).

The composition of Group loan portfolio as at 30 September 2010, 30 September 2011, 30 June 2010 and 30 June 2011 is set out below.

Loans, Advances and Financing by Type

	Unaudited				Audited			
	As at 30 September				As at 30 June			
	2010		2011		2010		2011	
	(RM million)	(%)	(RM million)	(%)	(RM million)	(%)	(RM million)	(%)
Overdrafts	15,102	7.0	15,580	5.7	15,394	7.2	15,603	6.0
Term loan								
- Housing loans/financing	37,583	17.5	49,385	18.1	36,294	17.0	42,589	16.3
- Syndicated loans/financing ..	13,742	6.4	18,853	6.9	13,054	6.1	16,157	6.2
- Hire purchase receivables ...	41,939	19.5	46,970	17.2	40,749	19.1	46,848	17.9
- Lease receivables	3	-	4	-	3	-	4	-
- Other loans/financing	78,794	36.6	109,902	40.3	74,265	34.8	107,382	41.1
Credit card receivables	5,034	2.3	5,832	2.1	4,973	2.3	5,773	2.2
Bills receivables	2,106	1.0	4,890	1.8	2,289	1.1	4,069	1.6
Trust receipts	2,181	1.0	2,555	1.0	2,251	1.1	2,394	0.9
Claims on customer under acceptance credits	9,955	4.6	11,421	4.2	10,317	4.8	12,202	4.7
Loans/financing to banks and other financial institutions ..	6,427	3.0	6,811	2.5	10,407	4.9	6,714	2.6
Revolving credits	20,869	9.7	26,813	9.9	20,853	9.8	25,876	9.9
Staff loans	1,677	0.8	2,024	0.8	1,636	0.8	1,978	0.8
Loans to:								
- Executive directors of subsidiaries	3	-	2	-	1	-	3	-
- Others	425	0.2	1,725	0.6	348	0.2	1,764	0.6
	235,840	109.6	302,767	111.1	232,834	109.2	289,356	110.8
Unearned interest and	(20,568)	(9.6)	(30,207)	(11.1)	(19,575)	(9.2)	(28,177)	(10.8)

	Unaudited				Audited			
	As at 30 September				As at 30 June			
	2010		2011		2010		2011	
	(RM million)	(%)	(RM million)	(%)	(RM million)	(%)	(RM million)	(%)
income								
Gross loans, advances and financing	215,272	100.0	272,560	100.0	213,259	100.0	261,179	100.0
Allowances for bad and doubtful debts/financing								
- Specific	-	-	-	-	(3,865)	-	-	-
- General	-	-	-	-	(3,839)	-	-	-
- Individual	(3,785)	-	(2,930)	-	-	-	(2,932)	-
- Collective	(4,725)	-	(4,318)	-	-	-	(4,271)	-
- Net loans, advances and financing	206,762	-	265,312	-	205,555	-	253,976	-

Loans, Advances and Financing by Geographical Distribution

	Unaudited			
	As at 30 Sept			
	2010		2011	
	(RM million)	(%)	(RM million)	(%)
Malaysia	145,057	67.4	172,122	63.2
Singapore	41,634	19.3	60,189	22.1
Indonesia	17,807	8.3	22,937	8.4
Hong Kong SAR	3,058	1.4	5,703	2.1
Labuan Offshore	3,087	1.4	4,175	1.5
Philippines	955	0.4	1,732	0.6
United Kingdom	856	0.4	1,414	0.5
United States of America	758	0.4	1,213	0.5
People's Republic of China	958	0.5	1,026	0.4
Vietnam	443	0.2	568	0.2
Cambodia	240	0.1	445	0.1
Bahrain	206	0.1	232	0.1
Brunei	151	0.1	168	0.1
Papua New Guinea	62	-	119	-
Thailand	-	-	486	0.2

	Unaudited			
	As at 30 Sept			
	2010		2011	
	(RM million)	(%)	(RM million)	(%)
Others	-	-	31	-
Gross loans, advances and financing	215,272	100.0	272,560	100.0

9.2 Loan Maturity Profile

As at 30 September 2011, loans maturing in less than one year constituted 35.8% per cent. of the Group's gross loans, 10.5 per cent. of gross loans had maturities of one to three years, 12.4 per cent. of gross loans had maturities of three to five years and 41.3 per cent. of gross loans had maturities of more than five years. The category of loans with maturities of less than one year includes revolving credit, overdraft facilities and trade financing facilities.

The following table sets out the breakdown of the Group's gross loan portfolio by remaining maturity as at 30 September 2010 and 30 September 2011:

Loan maturity	Audited			
	As at 30 September			
	2010		2011	
	(RM million)	(%)	(RM million)	(%)
Due within one year	62,890	29.2	97,450	35.8
One to three years	21,860	10.2	28,669	10.5
Three to five years	27,006	12.5	33,743	12.4
Over five years	103,516	48.1	112,698	41.3
Gross loans, advances and financing...	215,272	100.0	272,560	100.0

9.3 Full Adoption of FRS139

Pre-implementation of FRS139

Classification of NPLs and Provisioning for Bad and Doubtful Debt

The BNM/GP3 Guidelines classify NPLs into three categories: Substandard, Doubtful and Bad with a specific allowance of (i) 20.0 per cent. of the outstanding amount less the value of any collateral, unearned interest and interest-in-suspense ("reservable amount") when six to less than nine months in arrears, (ii) 50.0 per cent. of the reservable amount when 9 to less than 12 months in arrears, and (iii) 100.0 per cent. of the reservable amount when 12 months or more in arrears, with retroactive adjustment to income for interest accrued but unpaid to such date.

The Group has adopted a more stringent policy than BNM's guidelines in classifying NPL accounts such that the Group provides a specific allowance of 100.0 per cent. of the reservable amount when it is more than three months in arrears (or more than one month in arrears for trade bills, bankers' acceptances and trust receipts) and make a retroactive adjustment to income for interest accrued but unpaid prior to such

date. When an account is two months in arrears, the Group classifies it as “Special Mention” for close monitoring.

The following table shows the comparison between BNM and the Group’s classification of NPL and specific allowance of NPL:

Months in arrears	BNM	The Issuer
2-3	Not classified	Special Mention Account : performing, 0% specific allowance
>3-<6 (or >1 month for trade bills, bankers’ acceptances and trust receipts)	Not classified	NPL : non-performing; interest suspended; 100% specific allowance
6-<9	Substandard : non-performing; interest suspended; 20% specific allowance	NPL : non-performing; interest suspended; 100% specific allowance
9-<12	Doubtful : non-performing; interest suspended; 50% specific allowance	NPL : non-performing; interest suspended; 100% specific allowance
12 and>	Bad : non-performing; interest suspended; 100% specific allowance	NPL : non-performing; interest suspended; 100% specific allowance

Specific Allowance

For the purposes of determining the specific allowance, BNM permits real property to be valued based on the lower of forced sale value or a minimum bid price. For these purposes, the Issuer values real property based on the lower of forced sale value, minimum bid price, the auction sale price or the charged amount. Additional allowances are made for long outstanding non-performing loans over five years.

A special allowance is also made for certain vulnerable performing accounts in case they become non-performing.

General Allowance

The BNM/GP3 Guidelines require all commercial banks to build a General Allowance of at least 1.5 per cent. of total net loans (gross loans including loans sold to Cagamas net of interest-in-suspense and specific

allowance). The Group has adopted a more prudent basis and provides a certain percentage on the risk weighted assets based on credit risk of the Group, which includes off-balance sheet items as well.

Loan Loss Allowance Policy

Pursuant to BNM's guidelines, the Issuer keeps both a general and a specific allowance for bad and doubtful debts. The Group's internal guidelines for allowance are more stringent than BNM's minimum requirements.

BNM requires that Malaysian banks keep a general allowance equal to at least 1.5 per cent. of total outstanding loans (including housing loans sold to Cagamas) less interest/income-in-suspense and specific allowance. As at 30 June 2010, the Group's general allowance was 1.8 per cent. . The Group's internal policies provide a general allowance based on a percentage of risk-weighted assets for credit risk, which is more prudent.

For the purposes of determining the allowance, BNM permits real property to be valued based on the lower of forced sale value or a minimum bid price. For these purposes, the Issuer values real property based on the lower of forced sale value, minimum bid price, the auction sale price or the charged amount.

Post-implementation of FRS139

Impairment Losses on Loans, Advances and Financing

The Group and Issuer review its individually significant loans, advances and financing at each statement of financial position 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 Issuer 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 allowance 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.), concentrations of risks (such as the performance of difference individual group).

Classification of loans, advances and financing as impaired

Upon the adoption of FRS 139, loans are classified as impaired when principal or interest/profit or both are past due for three months or more or where loans in arrears for less than three months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for.

Interest and Profit Income Recognition

For all financial instruments measured at amortised cost, interest/profit bearing and other financial assets classified as financial investments available-for-sale ("AFS") and financial instruments designated at fair value through profit or loss, interest or profit income or expense is recorded using the EIR or effective profit rate ("EPR"), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation 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 EIR or the EPR, but not future credit losses.

Write-Off Policies

As a general policy, the unsecured portion of impaired loans aged two years and above are to be written off irrespective of the status of ongoing recovery actions/repayment. In this respect, in the event the impaired loans are secured against real property, there will be a partial write-off of the impaired loans. Secured impaired loans aged seven years and above will be fully written off. NPLs which are written off in such cases, are maintained in a Memorandum Account for further follow-up actions as if the debt has not been written off.

9.4 Profile of Impaired Loans/NPLs

As at 30 September 2011 and 30 June 2011, the Group's Net Impaired Loan/NPLs was RM5,915.8 million and RM5,824.7 million respectively (RM6,330.8 million and RM2,321.5 million as at 30 September 2010 and 30 June 2010 respectively), the ratio of Net Impaired Loans to total loans was 2.2 per cent. and 2.3 per cent. for the corresponding periods (3.0 per cent. and 1.1⁽¹⁾ per cent. as at 30 September 2010 and 30 June 2010 respectively).

Based on BNM statistics as at 30 September 2011 and 30 June 2011, the Net NPL ratio for the banking system was 2.0 per cent. and 2.0 per cent. respectively (2.0 per cent. and 2.1 per cent. as at 30 September 2010 and 30 June 2010 respectively)

Notes:

- (1) General provisions based on pre-implementation of FRS 139.

Shown in the table below are the trends in the Group's Impaired Loans/NPLs for the last two years.

Impaired Loans/NPLs and Allowances

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(RM million)	(RM million)	(RM million)	(RM million)
Gross loans, advances and financing	215,272	272,560	213,259	261,180
Add: Islamic financing sold to Cagamas	1,067	1,598	1,137	682
Gross loans, advances and financing including loans sold to Cagamas	216,339	274,158	214,396	261,862
Less: Specific Provision /Individual Allowance	3,785	2,930	3,865	2,932
Net loans, advances and financing including loans sold to Cagamas	212,554	271,228	210,531	258,930
Non-performing loans/Impaired loans...	10,115	8,846	6,186	8,756
Net Non-performing loans /Net Impaired loans	2,624	5,916	2,321	5,825
Allowance for bad and doubtful debts ⁽¹⁾	8,510	7,248	7,703	7,203

	Unaudited		Audited	
	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(RM million)	(RM million)	(RM million)	(RM million)
Ratios				
Net Non-performing loans/Impaired loans -Pre FRS 139	-	-	1.1%	-
Net Non-performing loans/Impaired loans -Post FRS 139	1.2%	2.2%	-	2.3%
Allowance for bad and doubtful debts - Pre FRS 139	-	-	1.8%	-
Allowance for bad and doubtful debts - Post FRS 139	1.6%	1.7%	-	1.7%

Notes:

- (1) Total for collective and individual allowances or general and specific provisions.

Distribution of Impaired Loans/NPLs

Impaired Loans/NPLs from the Issuer's Malaysian operations comprised, 74.4 per cent. and 76.7 per cent. of the total Impaired Loans/NPLs of the Issuer as of 30 September 2011 and 30 June 2011, respectively (81.7 per cent. and 82.9 per cent. as at 30 September 2010 and 30 June 2010 respectively).

Impaired Loans/NPLs in the construction, housing and capital purpose comprised 6.0 per cent., 14.6 per cent. and 63.7 per cent., respectively, of total domestic Impaired Loans/NPLs as of 30 June 2011 (8.3 per cent., 28.4 per cent. and 45.7 per cent. respectively, as at 30 June 2010).

9.5 Securities Portfolio

Securities Held-for-Trading ("HfT")

HfT securities are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. Positions held with trading intent is frequently valued and actively managed. As at 30 September 2011 and 30 June 2011, the Group's HfT securities constituted 2.2 per cent. and 1.0 per cent., respectively, of its total assets. The Group's HfT portfolio as at 30 September 2011 comprised mainly of BNM Monetary Notes (37.7 per cent.) and unquoted securities (20.1 per cent.).

Securities Available-for-Sale ("AfS")

The AfS portfolio covers the holding of approved securities that are not classified as held-for-trading or held-to-maturity investments. AfS securities are measured at fair value and are considered as quasi-trading positions. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion are also classified as AfS securities. As at 30 September 2011 and 30 June 2011, AfS securities constituted 10.8 per cent. and 11.5 per cent., respectively, of the Group's total assets. The Group's AfS portfolio as at 30 September 2011 mainly consisted of Foreign Government Securities (16.8 per cent.), Malaysian Government Investment Issues (11.8per cent.) and unquoted securities (49.0 per cent.).

Securities Held-to-Maturity (“HtM”)

These are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold until maturity. As at 30 September 2011 and 30 June 2011, HtM securities constituted 2.3 per cent. and 2.3 per cent., respectively, of the Group’s total assets. The Group’s HtM portfolio as at 30 September 2011 mainly consisted of Malaysian Government Securities (63.5 per cent.) and unquoted securities (22.8 per cent.).

The following tables set out the Group’s securities portfolio as at 30 June 2010, 30 June 2011, 30 September 2010 and 30 September 2011.

	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(RM million)	(RM million)	(RM million)	(RM million)
<u>Securities Held-For-Trading</u>				
At Fair value				
<i>Money market instruments:</i>				
Malaysian Government Securities	663	1,092	268	311
Malaysian Government Treasury Bills	34	94	26	112
Malaysian Government Investment Issues	41	436	51	51
Bank Negara Malaysia Bills and Notes	100	1,389	-	4
Khazanah Bonds	5	77	-	60
Bank Negara Malaysia Monetary Notes	798	3,587	605	251
Foreign Government Treasury Bills	188	200	509	155
Foreign Government Securities	336	298	91	316
Foreign Certificate of Deposits	-	194	228	241
Sukuk Ijarah Bonds	50	-	70	-
	<u>2,215</u>	<u>7,367</u>	<u>1,848</u>	<u>1,501</u>
<i>Quoted securities:</i>				
Shares	23	229	23	359
	<u>23</u>	<u>229</u>	<u>23</u>	<u>359</u>
<i>Unquoted securities:</i>				
Islamic Private Debt Securities in Malaysia	758	1,235	595	1,109
Foreign Government Bonds	-	39	-	-
Foreign Private Debt Securities	650	640	185	1,173

	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(RM million)	(RM million)	(RM million)	(RM million)
	1,408	1,914	780	2,282
Total Securities held-for-trading	3,646	9,510	2,651	4,142
<u>Securities Available-For-Sale</u>				
At fair value, or at cost less impairment losses for certain unquoted equity instruments				
<i>Money market instruments:</i>				
Malaysian Government Securities	5,974	2,330	5,285	3,751
Sukuk BNM Ijarah	30	11	-	11
Cagamas Bonds	1,552	1,978	1,979	1,526
Foreign Government Securities	6,846	7,846	7,357	9,054
Malaysian Government Investment Issues	5,811	5,505	5,655	7,071
Foreign Government Treasury Bills	4,161	3,429	2,489	1,157
Negotiable Instruments of Deposits	873	384	1,305	776
Bankers' Acceptance and Islamic Accepted Bills	2,023	417	1,105	588
Khazanah Bonds	913	1,243	830	1,174
Bank Negara Malaysia Monetary Notes	100	-	100	-
	28,283	23,143	26,105	25,108
<i>Quoted securities:</i>				
<i>In Malaysia</i>				
Shares, Warrants, Trust Units and Loan Stocks	429	346	408	406
<i>Outside Malaysia</i>				
Shares, Warrants, Trust Units and Loan Stocks	97	300	82	312
	526	646	490	718
<i>Unquoted securities:</i>				
Shares, Trust Units and Load Stocks in Malaysia	647	562	701	572
Shares, Trust Units and Load Stocks	27	37	27	36

	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(RM million)	(RM million)	(RM million)	(RM million)
outside Malaysia				
Islamic Private Debt Securities in Malaysia	9,974	9,989	9,925	9,791
Malaysian Government Bonds	227	-	144	135
Foreign Government Bonds	129	1,163	110	1,330
Foreign Islamic Private Debt Securities	5,681	10,853	4,714	9,285
Credit Linked Notes	72	-	152	75
Malaysia Global Sukuk	241	247	208	163
Structure Deposits	-	46	-	45
	16,998	22,897	15,981	21,432
Total Securities available-for-sale	45,807	46,686	42,576	47,258

Securities Held-To-Maturity

At Amortised cost

Money market instruments:

Malaysian Government Securities	6,230	6,252	6,237	6,275
Cagamas Bonds	12	12	12	12
Foreign Government Securities	770	814	824	802
Malaysian Government Investment Issues/Certificates	527	498	528	496
Khazanah Bonds	17	18	17	17
	7,556	7,594	7,618	7,602

Unquoted securities:

Islamic Private Debt Securities in Malaysia	1,354	1,679	954	1,452
Malaysian Government Bonds	6	-	7	6
Foreign Government Bonds	-	49	-	49
Foreign Islamic Private Debt Securities	407	549	394	559
Others	2	2	2	2
	1,769	2,279	1,357	2,068
Accumulated impairment losses	(32)	(31)	(32)	(31)
Total Securities held-to-maturity	9,293	9,842	8,943	9,639

	As at 30 September		As at 30 June	
	2010	2011	2010	2011
	(RM million)	(RM million)	(RM million)	(RM million)
Total Securities Portfolio	58,746	66,038	54,170	61,039

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10.0 RISK MANAGEMENT

The management of risk lies at the heart of the Group's business. The 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. 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. The risk management framework that the Group has put in place is designed to meet these challenges. Various aspects are described below.

Risk Governance Structure

The Group invests extensively to ensure that adequate policies and procedures for the identification, measurement, monitoring and control of credit, liquidity, rate of return, foreign exchange and operational risks have been implemented and that a uniform standard of such measures exists across the Group. Risk management is a critical part of the Group's operating model. The existing risk management infrastructure for the Group was established by the Issuer and subsequently adopted by its subsidiaries, taking into account the respective business models and specific requirements of each individual entity.

The Board is assisted by the following Board committees in its overall responsibility (for risk oversight within the Group):

- (a) Risk Management Committee ("RMC");
- (b) Credit Review Committee ("CRC"); and
- (c) Audit Committee ("ACB").

The Executive Risk Committee ("ERC"), Group Operational Risk Management Committee ("GORMC"), Asset and Liability Management Committee ("ALCO") and Group Management Credit Committee ("GMCC") are Executive Level Committees responsible for the management of all material risks within the Bank.

The following chart illustrates the risk governance structures of the Group:



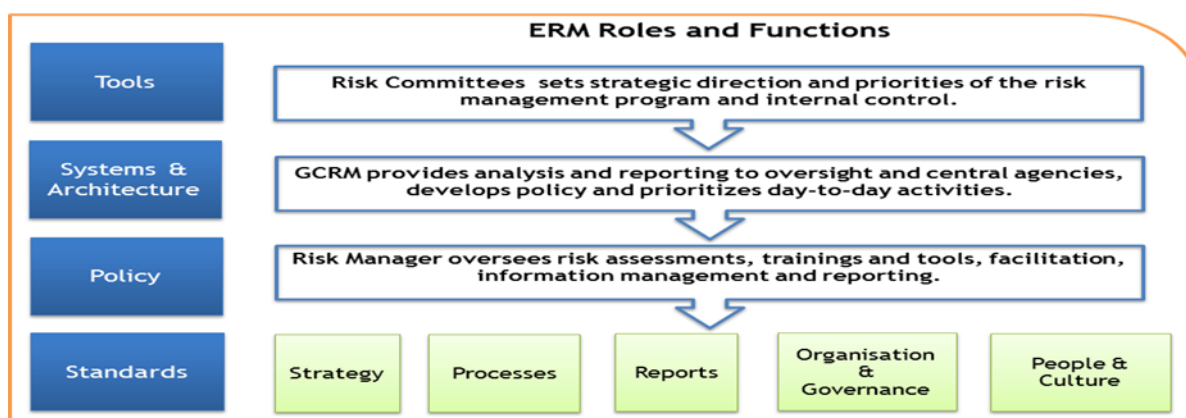
Executive Level Committees

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

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:



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.

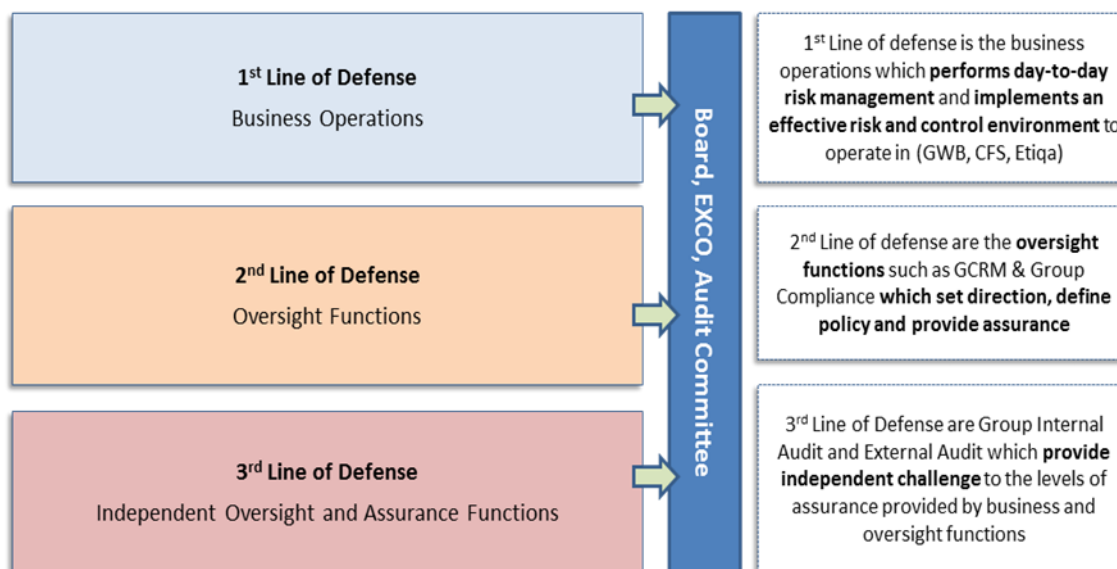
The Group's Seven Broad Principles of Risk Management

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:



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.

Capital Management

The impact of the overall net risk earnings and adequacy of the Group's capital to support the risk taking activities is assessed through group wide and business level stress testing as well as periodic review and update of the stress events library. Relevant business units are alerted on possible defensive actions.

Internal Capital Adequacy Assessment Process (ICAAP)

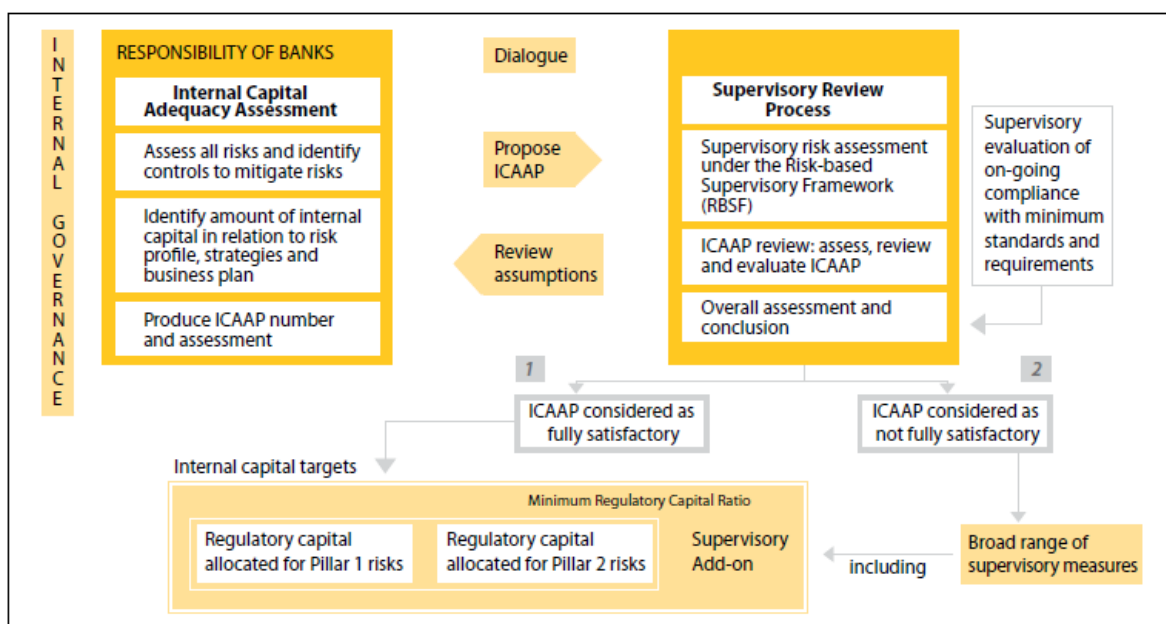
At the Group, the overall capital adequacy in relation to its risk profile is assessed through a process articulated in the ICAAP. The ICAAP Framework has been formalised and approved by the Board in April 2008, with the latest fourth version revised in October 2011. The ICAAP has been implemented within 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.

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ICAAP Framework



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, US dollar 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.

10.1 Credit Risk Management

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfil their obligations to repay their loans or settle financial contracts.

The CRM is responsible for the formulation and implementation of the credit risk management framework within the Group, which encompasses the formulation/review of credit policies and the oversight of credit portfolio risk. The CRM also sets and reviews various categories of credit risk concentration limits such as countries, business segments, economic sectors, single customer groups, banks, counter parties and products.

In line with the Group's strategy to integrate the management and control of credit risks on a group-wide basis, the Group's Core Credit Policies have been established to ensure consistency of key credit risk management practices across the Group. The CRM independently monitors business units' compliance to key internal credit policies and lending guidelines, various credit concentration limits and regulatory requirements, where applicable.

The CRM adopts a policy-driven approach in managing the development of the Group's loan portfolio and thus engages a strategy to proactively diversify the Group's portfolio risk through monitoring of the credit concentration risks in business segments, customer groups, economic sectors, loan maturities, loan sizes, geographic locations, collateral categories, product types and off-balance sheet transactions.

The Group also places strong emphasis on the selection and training of credit processing personnel. Newly appointed credit processing personnel are required to undergo comprehensive credit training programs and are required to sit for the Certified Credit Professional examination conducted by the Institute of Banks Malaysia.

Loan Approval Process

The Group's loan approval process emphasises independent credit risk management in line with BNM's requirements. The Group's credit approval process consists of pre-approval evaluation, approval and post approval evaluation. The business units are responsible for credit origination.

Under the new House of Maybank, the approval process is now established with authority to approve credit transactions under joint authority limits between business units and Group Credit Management ("GCM"). The independent pre-approval evaluation of credit applications is carried out by credit analysts in GCM. Business units are only authorised to approve loans under single signer authority limits where the risk parameters are clearly defined in a standard template approved by the GMCC as well as for credit reviews.

Post-approval evaluation is undertaken by credit reviewers from Internal Audit.

Post-mortem review of non-performing loans is conducted by Corporate Remedial Management which reports to the Chief Financial Officer and where necessary, credit policies are enhanced accordingly.

To facilitate the loan approval process, the Group has developed an internal Credit Risk Rating System for the Group. This involves building a set of statistically-based rating tools, including an expected loss framework. This brings on a consistent and optimised approach to credit risk rating for corporate and commercial borrowers. For retail customers, the Issuer has completed its Integrated Retail Scoring Solution Project ("IRSS Project"). This IRSS Project has developed application scorecards for the residential mortgage, auto loan and credit card portfolios of the Issuer.

The Group believes that the authority limit for credit approval should be directly related to the risk quantum of the borrower and transaction. In this respect, a risk-based authority limit is set based on an expected loss framework, leveraged on the Group's internally developed credit risk rating system.

Loan Review Process

The periodic credit review process is the Group's standard requirement. The loan review cycle's frequency will depend on the loan facility's risk characteristics. The review process is established with the following objectives:

- Review the borrower's current credit risk; and
- Review further business opportunities including cross-selling of the Group's product to achieve better group synergy.

Single Customer Limit

BNM's guidelines set a single customer limit which prohibits a bank from lending to any single customer or related group of customers an amount in excess of 25.0 per cent. of a bank's capital funds (the sum of Tier I and Tier II capital). The Issuer is in compliance with BNM's guidelines on single customer limits.

Loan Portfolio Management

With respect to maintaining a balanced loan portfolio to ensure a well-managed credit risk profile of assets, the Group has adopted a set of concentration policies covering areas such as the single counterparty credit limit, economic sectoral limit, country limit and bank counterparty limit. The Group also complies with BNM's guidelines on large loan limits, which prohibit a bank from entering into a large loan (defined as an exposure that exceeds 15.0 per cent. of a bank's capital funds) if the total of all large loans exceeds 50.0 per cent of the Issuer's total loans.

Studies on vulnerable sectors are undertaken from time to time to assess an economic slowdown's impact on vulnerable sectors of the economy on the Group's portfolio quality. "Stress test" simulations are conducted periodically to determine the resilience of the Issuer's loan portfolio to external shocks and risk factors.

Loan Recovery

The Group has a dedicated independent team (Corporate Remedial Management) focusing on recovery and rehabilitation of corporate NPLs, and has management policies for prevention, remedial and recovery of consumer NPLs.

Lending Templates

To further support and facilitate lending units' marketing efforts, GCM and the business units have jointly developed lending templates for selected industries and sectors.

Product Sign-off

The Group has implemented a product approval programme to ensure that all risks inherent in new products, financing packages and related business activities are identified, with risk mitigation measures emplaced, prior to a product or financing package's launch.

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.

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

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

10.2 Market Risk Management

The Group had established a Market Risk Management Framework which serves as the base for overall and consistent management of market risk. The Market Risk Management Framework outlines the process of identifying, measuring, monitoring, controlling and reporting market risk exposures of the Group, which 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. Major market risk classes are Price Risk (Traded) and Interest Rate Risk/Rate of Return Risk in the Banking Book.

The ALCO, an executive committee chaired by the President and CEO, is primarily responsible for the development and implementation of broad strategies and policies for managing the consolidated balance sheet and associated risks.

MRM provides independent evaluation/recommendation to ensure efficient implementation of market risk management frameworks and that adequate market risk controls are in place within the Group to support

business growth. Its primary responsibilities are the development, implementation and maintenance of consistent policies and methodologies to identify, measure, monitor, control and report market risks.

Price Risk (Traded) Management Process

Price risk is the risk to earnings as a result of adverse changes in foreign exchange rates, interest rates, equity and commodity prices, etc. and their respective correlations and volatilities. The risk measurement techniques employed by the Group comprise both qualitative and quantitative measures.

Value-at-Risk (“**VaR**”) measures the potential loss of future value resulting from adverse market movements over a specified period of time within a specified confidence level, under normal business situations. The Group’s VaR is computed based on the historical simulation approach on a ten day holding period at 99.0 per cent. confidence for one year observation period as per BNM’s requirements. To ensure the accuracy and relevancy of the VaR computation, VaR is back tested on a daily basis against actual clean profit and loss. It is also validated by an independent model validation team. Other risk management tools as per the above include interest rate sensitivity, Net Open Position (“**NOP**”) limits, Greek limits, etc.

Interest Rate Risk/Rate of Return Risk in the Banking Book (Non Traded) Management Process

Interest rate risk/rate of return risk is the risk of loss to both earnings and economic capital of the Group arising from adverse movements in interest rates. The Group emphasises the importance of managing interest rate risk in the banking book as most balance sheet items of the Group generate interest income and interest expense which are indexed to interest rates. Volatility of earnings is an important focal point for interest rate risk analysis as reduction in earnings will pose a threat to the Group’s capital adequacy.

To monitor the interest rate risk/rate of return risk, the tools used by the Group include repricing gap reports, sensitivity analysis and income simulations under various scenarios. These measures take into account both economic value and earnings perspectives.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and commitments caused by adverse movements in foreign exchange rates. Foreign exchange activities of the Group are derived substantially from customer-related transactions and Group foreign exchange trading activities. In providing foreign exchange services to customers, dealers are required to observe customer foreign exchange contract limits and BNM regulations. In general, the Group FX activities are focused on G10 currencies, regional currencies where MBB has presence and other currencies approved by management. The Issuer uses tools such as VaR by Risk Factor, NOP Limit, and so forth to measure and manage the foreign exchange risk. Where appropriate, the Issuer mitigates/offsets the effect of its currency exposures through the use of various hedging instruments.

Liquidity Risk Management Process

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

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

Liquidity Risk 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:

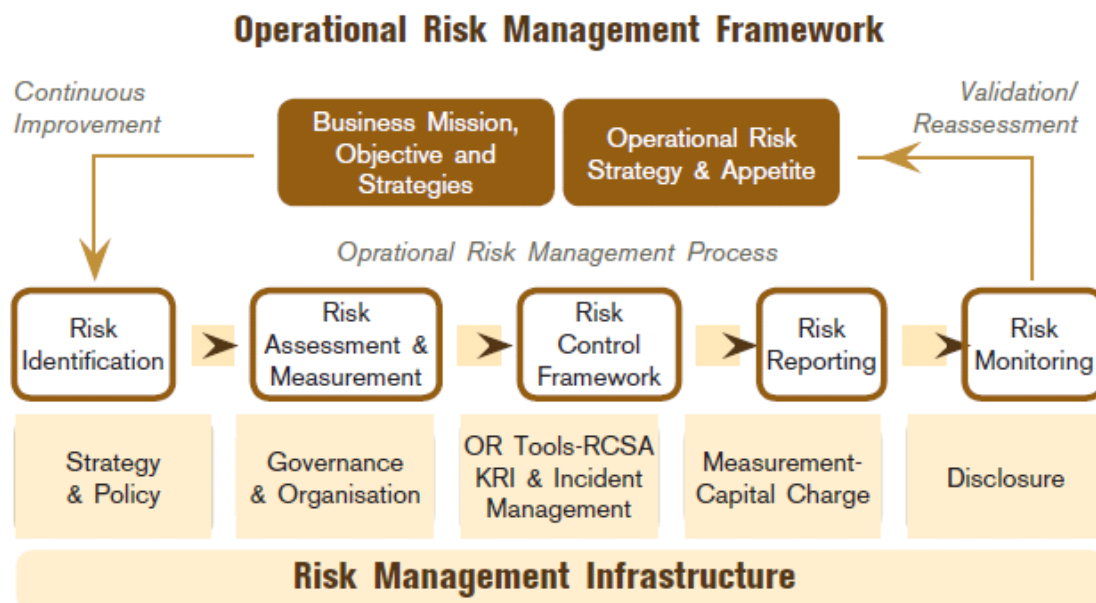
- Maintaining a sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flow;
- Managing short- and long-term cash flow via maturity mismatch report and various indicators;
- Monitoring depositor concentration at entity and Group level 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.

10.3 Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and systems or from external events. This includes legal risk but excludes strategic and reputation risks.

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.

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.

11.0 MALAYSIAN BANKING INDUSTRY OVERVIEW

Financial Sector Development

The Malaysian banking system has remained steady, backed by strong capitalisation of the banks, sustained asset quality and high liquidity during the first seven months of 2010. Banks have pro-actively embarked on measures to further strengthen the capital base since 2008, in anticipation of the more challenging conditions which followed. Following the announcement of further liberalisation of the financial services sub-sector in April 2009, five new licences for commercial banks were issued in June 2010. This is in addition to a new commercial banking licence which was issued to a banking consortium in April 2010 as a reinstatement of the licence that was given up previously. The entry of these banks is expected to facilitate international trade and investment flows, provide employment opportunities as well as contribute towards strengthening Malaysia's position as an international Islamic financial hub.

The financial sector also witnessed the continued support from the development financial institutions ("DFIs") in providing financing to strategic economic sectors, including to the SME. Sensing the importance of the DFIs to the financial sector, several initiatives were introduced to further strengthen the capacity and capability of DFIs during the first seven months of 2010 and these included, promoting greater transparency and improving efficiency in processing loan applications, strengthening internal controls and governance practices in addressing fraud as well as enhancing surveillance.

Banking Sector Developments

Financial stability was maintained throughout the fourth quarter, supported by sound financial institutions and orderly financial markets which provided continued support for financial intermediation in the domestic economy. In November 2010, BNM announced the implementation of a maximum loan-to-value ("LTV") ratio of 70.0 per cent. for the third house financing facility taken by a borrower. The targeted implementation of the LTV ratio is aimed to support a stable and sustainable property market, and promote the continued affordability of homes for the general public.

The banking sector remained resilient, with strong capital buffers, sustained profitability, stable loan quality and ample liquidity. The financing portfolio was broad-based, with financing extended to households and SMEs. Capitalisation was also strong with the RWCR and core capital ratio at 14.6 per cent. and 12.8 per cent. respectively and approximately 78.0 per cent. of total capital comprised high quality Tier-1 capital mainly in the form of paid-up capital and reserves.

Investment Banks Make Inroads

There are currently 15 investment banks in Malaysia, of which nine are subsidiaries of domestic banking groups. These banks have enhanced the capacity and capability of Malaysian financial institutions as well as widened the range of products and services offered. As part of the liberalisation measures to facilitate greater foreign strategic partnerships and further enhance international linkages and business opportunities, investment banks are allowed higher foreign equity participation of up to 70.0 per cent.

In 2009, the industry recorded profits of RM1.2 billion, accruing mainly from treasury and wealth management-related services as well as improved cost efficiency. However, the sovereign debt problems in the Eurozone area during the first half of 2010 caused volatility in the domestic market, exerting some downward pressures on the revenue of investment banks. Despite this, investment banks remained resilient with strong RWCR of 35.1 per cent. and leverage ratio at 8.3 times as at end-July 2010 (end-2009: 35.3 per cent.; 8.2 times).

Islamic Finance Developments

Malaysia remains at the forefront of Islamic finance with an average growth of 20.0 per cent. per annum in the five years to 31 December 2010, and this can be attributed to various efforts to promote Malaysia as a major hub for international Islamic Finance, including the MIFC initiative. Various key initiatives were undertaken to strengthen Malaysia's position as a premier Islamic financial hub and these included the introduction of Shari'ah Governance Framework for Islamic Financial Institutions, development of innovative Islamic financial products and creation of pool of scholars well-versed in Shari'ah and finance through various capacity building programmes. These efforts have contributed towards establishing Malaysia as a leader in Islamic finance, particularly in Sukuk issuance and product innovation.

The Islamic capital market plays a significant role in providing an alternative source of capital fund raising. Malaysia remains the largest issuer of Sukuk accounting for 64.6 per cent. of total global Sukuk outstanding as at end-June 2010. In June 2010, the Government issued the world's largest US dollar benchmark sovereign Sukuk ("**Global Sukuk**"), amounting to US Dollar 1.25 billion and it was Malaysia's first sovereign Sukuk after a lapse of eight years with the yield of 3.93 per cent.

In efforts to enhance diversity and depth of the MIFC initiative, the Deutsche Bank AG was licensed as an International Islamic Bank in March 2010. This brings the total number of licensed International Islamic Banks to four. In addition, there was good response to the liberalisation measure, which allows 100.0 per cent. foreign ownership in Islamic fund management companies.

(Source: Economic Report 2010/2011, Ministry of Finance, Malaysia)

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12.0 MANAGEMENT

12.1 Board of Directors

The Board has the responsibility to periodically review and approve the overall strategies, business and organisation, and significant policies of the Issuer. The Board also sets the Issuer core values and adopts proper standards to ensure that the Issuer operates with integrity and complies with the relevant rules and regulations. The Board is also responsible in reviewing and approving the strategic business plans for the Issuer and Group, identifying and managing principal risks affecting the Group, reviewing the adequacy and integrity of the Group's internal control system, 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 organisations 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.

The Issuer's Articles of Association provide that the number of the Issuer's directors shall not be less than five or more than eighteen, unless otherwise determined by its shareholders. The Board currently consists of a Chairman, a Vice Chairman, an executive director and nine other non-executive directors. The Chairman and Vice Chairman are also non-executive directors. One-third of these directors must retire from the Board (but eligible for reappointment) at each annual general meeting of shareholders. The directors of the Issuer as at 31 October 2011 are as follows:

Name	Position	Appointment date
Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor	Chairman - non-independent non-executive	1 October 2009
Dato' Mohd Salleh bin Hj Harun	Vice Chairman - independent non-executive	18 November 2009
Dato' Sri Abdul Wahid bin Omar	Member - non-independent executive	1 May 2008
Tan Sri Datuk Dr Hadenan bin A. Jalil ...	Member - independent non- executive	15 July 2009
Dato' Seri Ismail bin Shahudin	Member - independent non- executive	15 July 2009
Dato' Dr Tan Tat Wai	Member - independent non- executive	15 July 2009
Zainal Abidin bin Jamal	Member - non-independent non-executive	22 July 2009
Alister Maitland	Member - independent non- executive	26 August 2009
Cheah Teik Seng	Member - independent non- executive	26 August 2009
Dato' Johan bin Ariffin	Member - independent non- executive	26 August 2009
Dato' Sreesanthan Eliathamby	Member - non-independent non-executive	26 August 2009
Datuk Mohaiyani Binti Shamsudin	Member - independent non- executive	22 August 2011

The Board meets every month with additional meetings convened as and when urgent issues and important decisions are required to be taken between the scheduled meetings. The Issuer's corporate governance structure has incorporated and adopted the provisions of the Revised Malaysian Code on Corporate

Governance, BNM's Revised Guidelines on Corporate Governance for Licensed Institutions ("**Revised BNM/GP1**"), Bursa Securities' Main Market Listing Requirements, Green Book on Enhancing Board Effectiveness by the Putrajaya Committee on GLC High Performance and Corporate Governance Guide by Bursa Securities.

Under the above mentioned governance structure, the Board has established the following four committees, the main functions and relationships of which are described below:

Credit Review Committee

The CRC consists of five members, comprising of four non-executive directors and an executive director.

The CRC meets weekly to review loan applications above a certain level, which had been approved by the GMCC. The CRC has the right to veto any decision of the GMCC if necessary and also to look into any required change in credit policy for recommendation to the Board. The Committee also reviews from time to time the total lending cap of the companies, which are granted facilities by the Issuer, and makes its necessary recommendation to the Board.

Risk Management Committee

The RMC consists of four members, comprising of three independent non-executive directors and one non-independent non-executive director. The Committee is responsible for formulating policies and frameworks for identifying, measuring, monitoring, managing and controlling credit risk, market risk, liquidity and operational risks. This Committee meets monthly, with additional meetings convened to attend to urgent matters that require its deliberation.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("**NRC**") is a merger of the Nomination Committee and Remuneration and Establishment Committee subsequent to the approval given by BNM on 14 April 2010, in line with the practice adopted by other major banks and GLCs and to reflect compliance with the Revised BNM/GP1.

The NRC consists of five members, all of whom are non-executive directors and of which majority are independent. The responsibilities of the NRC are to provide a formal and transparent procedure for the appointment of Directors and CEO as well as assessment of effectiveness of individual Directors, Board as a whole and the performance of the CEO and key senior management officers. NRC also provides a formal and transparent procedure for developing a remuneration policy for Directors, CEO and key senior management officers and ensuring that compensation is competitive and consistent with the licensed institution's culture, objectives and strategy. The NRC meets monthly.

Audit Committee

The ACB, which is headed by an independent non-executive director as Chairman, meets at least once a month. The composition of the ACB is reviewed every three years.

The ACB reviews and where appropriate reports to the Board of Directors the adequacy of the internal audit scope and plan, functions and resources of the internal audit function, Internal Audit Charter and that it has necessary authority to carry out its works, the internal audit reports to evaluate the findings of their work and to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified, approve appointment or termination of the Chief Audit Executive and Heads of Department of Internal Audit and assessment of the performance of the internal auditors and determine and approve the remuneration and annual increment of the internal auditors.

The ACB also reviews the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board, assesses the

qualification, expertise, resources and effectiveness of the external auditors, monitors the effectiveness of the external auditors' performance and their independence and objectivity, reviews the external auditors' audit scope and plan, including any changes to the planned scope of the audit plan, reviews major audit findings and the Management's responses, including the status of previous audit recommendations and reviews 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.

The ACB reviews any related party transaction and conflict of interest situations that may arise within the Issuer or the Group including transactions, procedures or courses of conducts that may raise questions of management's integrity and reviews 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. The review also covers the ACB's activities for the financial year.

12.2 Profile of Directors

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor **Chairman**

Non-Independent Non-Executive Director

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

Tan Sri Dato' Megat Zaharuddin was appointed as a Director and Chairman of Maybank on 1 October 2009. He had been 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 the 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 – 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 Stock Exchange, from December 2007 to April 2011.

He is currently also the Chairman of Maybank Investment Bank Berhad and the President Commissioner of PT Bank Internasional Indonesia Tbk, both which are subsidiary companies of the Maybank Group. He is also a Director of The International Centre for Leadership in Finance (ICLIF) Leadership and Governance Centre.

Dato' Mohd Salleh bin Hj Harun **Vice Chairman**

Independent Non-Executive Director

Member of the Malaysian Institute of Certified Public Accountants ("MICPA"); Fellow of the Institute of Bankers Malaysia

Dato' Mohd Salleh bin Hj Harun 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.

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. In 2000, he was appointed as a Deputy Governor of Bank Negara Malaysia, a post he held up to 2004. Since then, he 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 Mayban Ageas Holdings Berhad, Etiqa Insurance Berhad, Etiqa Takaful Berhad, Mayban Investment Management Sdn Bhd and Maybank Philippines Inc. He is also a Director of Scicom (MSC) Berhad and Asia Capital Reinsurance Malaysia Sdn Bhd.

Dato' Sri Abdul Wahid bin Omar
President and CEO

Non-Independent Executive Director

Fellow of the Association of Chartered Certified Accountants (UK); Member of the Malaysian Institute of Accountants

Dato' Sri Abdul Wahid bin 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 a member of the Credit Review Committee of the Board.

Prior to joining Maybank, he was the Group CEO of Telekom Malaysia Berhad from 1 July 2004 to May 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 Mayban 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 member of the Investment Panel for Lembaga Tabung Haji and Kumpulan Wang Persaraan (KWAP).

Tan Sri Dr Hadenan bin A. Jalil
Member

Independent Non-Executive Director

PhD Henley Management College, UK; Master of Business Management, Asian Institute of Management, Philippines; Bachelor of Economics, University of Malaya

Tan Sri Datuk Dr Hadenan bin 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 bin A. Jalil was Auditor General from 2000 to 2006. He served with 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 directorships in companies within the Maybank Group include as Director of Maybank Islamic Berhad. He is also Chairman of ICB Islamic Bank Ltd (Bangladesh), Protasco Berhad, PNB Commercial Sdn Bhd, and Director of Unilever (Malaysia) Holdings Sdn Bhd and University Tun Abdul Razak Sdn Bhd as well as a member of the Audit Committee, Johor Corporation.

Dato' Seri Ismail bin Shahudin

Member

Independent Non-Executive Director

Bachelor of Economics, University of Malaya

Dato' Seri Ismail bin 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 a director of MCB Bank Limited, Pakistan. He is also a director of several public listed companies which include PLUS Expressways Berhad, 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.

Dato' Dr. Tan Tat Wai

Member

Independent Non-Executive Director

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

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 Committee 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 Investment Bank Berhad and Mayban 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 and NSL Ltd (formerly known as Natsteel Ltd), a plc in Singapore, among several other private limited companies. He is also the President of the not-for-profit Lam Wah Ee Hospital.

Zainal Abidin bin Jamal

Member

Non-Independent Non-Executive Director

LL.B (Hons), University of Singapore

Zainal Abidin bin 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 Mayban 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 and Kesas Holdings Berhad, PNB Asset Management (Japan) Co Ltd, PNB International Limited, PNB-SBI ASEAN Gateway Investment Management Limited and several other private limited companies.

Alister Thirlestane Lauderdale Maitland

Member

Independent Non-Executive Director

Degree in Commerce, Victoria University, NZ; AMP Graduate, Harvard Business School, USA

Alister Thirlestane Lauderdale Maitland was appointed as a Director of Maybank on 26 August 2009. He serves as a member of the Nomination and Remuneration, Employee Share Scheme and Risk Management 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 in companies within the Maybank Group includes as Chairman of Maybank (PNG) Ltd.

Cheah Teik Seng
Member

Independent Non-Executive Director

Bachelor of Science, University of Manchester, UK; Fellow of the Institute of Chartered Accountants in England and Wales

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. Since 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 Mayban Ventures Sdn Bhd, Mayban-JAIC Management Ltd, Mayban Venture Capital Company Sdn Bhd, Mayban Agro Fund Sdn Bhd, as well as Director of Maybank Investment Bank Berhad.

He sits as a board member of Kumpulan Wang Persaraan (KWAP) and on the boards of various private equity companies in Hong Kong, China and Cayman Islands. He is also an Independent Non-Executive Director of two hedge funds.

Dato' Johan bin Ariffin
Member

Independent Non-Executive Director

MBA, University of Miami, USA; BA Economics, Indiana University, USA

Dato' Johan bin 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 Chairman of Maybank International (L) Limited and Mayban International Trust (L) Ltd as well as Director of Mayban Ageas Holdings Berhad, Etiqa Insurance Berhad, Etiqa Takaful Berhad and Mayban Investment Management Sdn Bhd.

He is currently also Chairman of Mitraland Properties Sdn Bhd, a Director of Sime Darby Property Berhad and a National Council member of the Real Estate Housing Developers' Association Malaysia (REHDA).

Dato' Sreesanthan A/L Eliathamby
Member

Non-Independent Non-Executive Director

LLB (Hons), University of Malaya; BCL (Postgrad degree in Law), University of Oxford, UK)

Dato' Sreesanthan A/L 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, he sits on the boards of among others Maybank (PNG) Ltd, Mayban Ventures Sdn Bhd, Mayban Venture Capital Company Sdn Bhd, Mayban-JAIC Management Ltd and Mayban Agro Fund Sdn Bhd and 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, Bursa Malaysia Listing Committee and the Investigating Tribunal Panel of the Advocates and Solicitors' Disciplinary Board. He currently sits on the Boards of Scomi Group Berhad, Guinness Anchor Berhad and Sime Darby Berhad.

Datuk Mohaiyani binti Shamsudin
Member

Independent Non-Executive Director

MBA (Finance) Cornell University, Ithaca, New York, USA; BA (Economics) Knox College, Galesburg, Illinois, USA;

Datuk Mohaiyani binti Shamsudin was appointed as Director of Maybank on 22 August 2011.

She was with Amanah Chase Merchant Bank Berhad and Seagrott & Campbell SdnBhd before starting her own stockbroking company, Mohaiyani Securities SdnBhd, 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.

She had been appointed as a member of several high level national working groups such as National Economic Action Council (NEAC), National Economic Consultative Council II (MAPEN II), National Information Technology Council (NITC) and Ministry of Finance High Level Finance Committee for Corporate Governance.

She is a director of Capital Market Development Fund, a member of Member of the National Advisory Council for Women, Ministry of Women, Family and Community Development and, Panel Usahawan Wanita, SME Corp Malaysia as well being a member and trustee of National Heart Institute.

12.3 Senior Management

The Group Executive Committee (“**Group EXCO**”), which is the highest management committee within the Group is responsible for the implementation of the Group’s business strategies, major plans and projects in accordance with the Group’s vision and mission guided by the direction and approval of the Board of the Bank and the Boards of the subsidiaries. The Group EXCO is chaired by the President and Chief Executive Officer (“**PCEO**”) and consists of 11 other members of senior management comprising Heads of Business Pillars as well as support sectors.

The Group EXCO members are as follows:

Name	Position
Dato’ Sri Abdul Wahid bin Omar	President and Chief Executive Officer
Dato’ Khairussaleh Ramli*	Deputy President and Group Chief Financial Officer
Lim Hong Tat	Deputy President and Head, Community Financial Services
Abdul Farid Alias	Deputy President and Head, Global Wholesale Banking
Hans De Cuyper	Chief Executive Officer, Mayban Ageas Holdings Berhad
Muzaffar Hisham	Chief Executive Officer, Maybank Islamic Berhad
Dr. John Lee Hin Hock	Group Chief Risk Officer
Geoff Stecyk	Head, Enterprise Transformation Services
Nora Abd Manaf	Head, Group Human Capital
Tengku Dato’ Zafrul Tengku Abdul Aziz	Chief Executive Officer, Maybank Investment Bank Berhad
Pollie Sim Sio Hoong.....	Chief Executive Officer, Maybank Singapore
Rahardja Alimhamzah	Acting President Director, PT Bank Internasional Indonesia Tbk
Michael Foong Seong Yew	Head, Group Strategy & Transformation

The PCEO, with the Board’s support has established various Executive Level Committees (“**ELCs**”) and delegated authority to them as appropriate to assist and support the relevant Board Committees in managing the operations of the Group. The ELCs are as follows:

- (i) the Group Management Credit Committee which approves loans within its limits of authority delegated by the Board or those which expose the Bank to significant risks;
- (ii) the Executive Risk Committee which is responsible for reviewing and recommending risk management strategies, risk framework, risk policies, risk tolerance and risk appetite to the Risk Management Committee for approval;
- (iii) the Asset and Liability Management Committee which is responsible for interest rate management, liquidity management and returns on assets and equity;

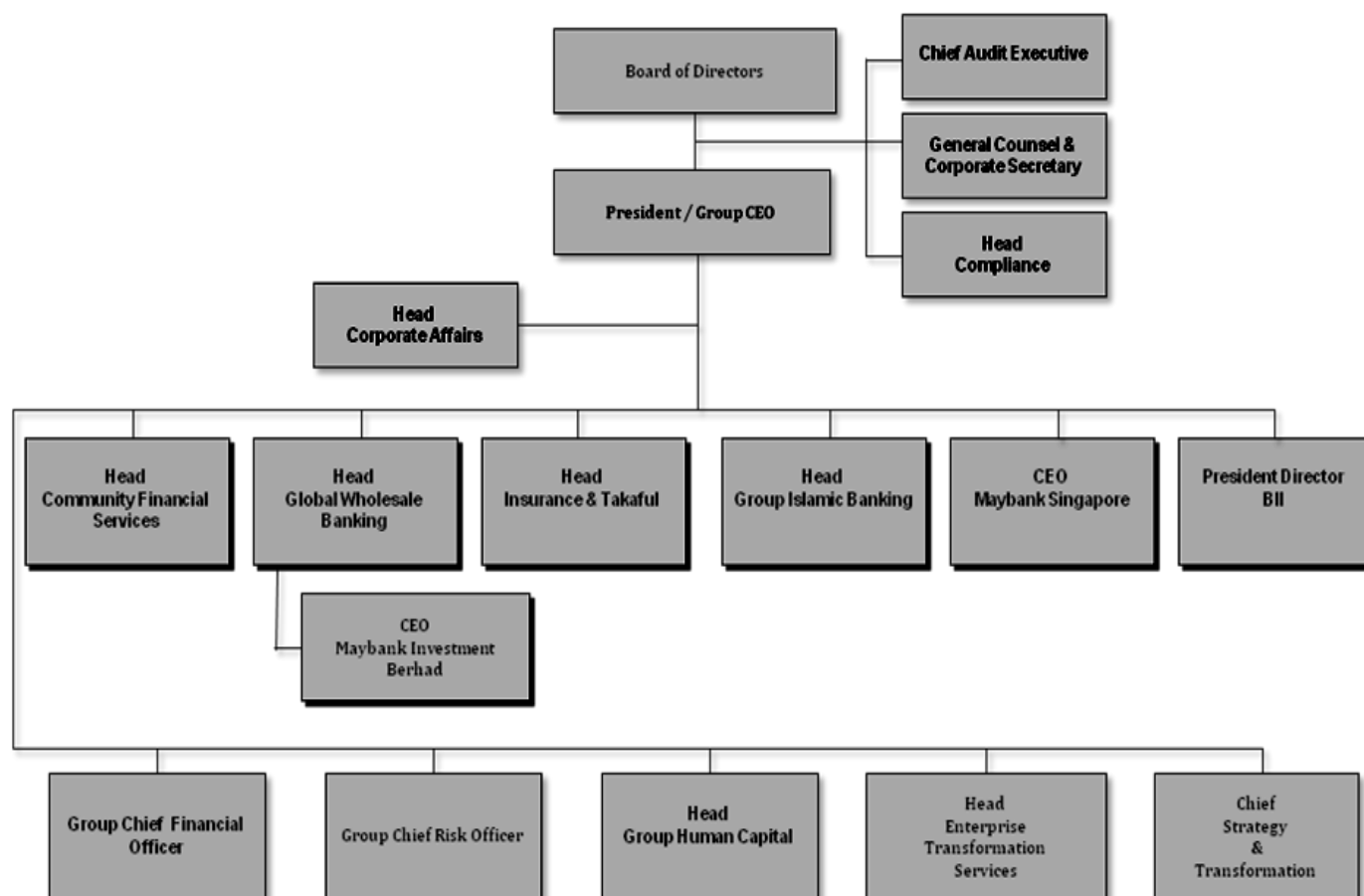
- (iv) the Group Staff Committee which is responsible for the formulation and reviews of all human resource framework and policies.

* Maybank Group Chief Financial Officer (CFO), Dato' Khairussaleh Ramli has been appointed as President Director of PT Bank Internasional Indonesia Tbk ("BII" or "The Bank") dated 16 December 2011 and the appointment was approved in the Extraordinary General Meeting of Shareholders ("EGMS"). This appointment is still subject to the approval from Bank Indonesia ("the Central Bank of Indonesia").

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13.0 ORGANISATION CHART

The following chart sets out the management and organisation structure of the Group.



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14.0 PRINCIPAL SHAREHOLDERS

The substantial shareholders (with shareholding of 5.0 per cent. and above) as at 31 October 2011 are as follows:

Name	Number of shares held	Percentage of shareholding
Amanah Raya Trustees Berhad (B/O: Skim Amanah Saham Bumiputera)	3,227,465,725	43.16
Citigroup Nominees (Tempatan) Sdn Bhd (B/O: Employees Provident Fund Board	846,816,646	11.32
Permodalan Nasional Berhad	639,861,601	8.56

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15.0 OTHER MATERIAL INFORMATION

15.1 Material Contracts

Maybank and its Material Subsidiaries have entered into the following material contracts which are not in the ordinary course of business within the two (2) years immediately preceding 31 March 2011 (being the latest practical date prior to the printing of this Information Memorandum):

- 15.1.1 Sale and Purchase of Shares Agreement dated 5 April 2010 between Maybank and Etiqa International Holdings Sdn Bhd in relation to sale by Maybank of 165,321,478 ordinary shares of Mayban Fortis Holdings Berhad (now known as Mayban Ageas Holdings Berhad);
- 15.1.2 Share Purchase Agreement dated 6 January 2011 between Ronald Anthony Ooi Thean Yat and Aseam Credit Sdn Bhd (now known as Mayban IB Holdings Sdn Bhd) in relation to purchase by Mayban IB Holdings Sdn Bhd of 89,082,698 ordinary shares of Kim Eng Holdings Limited; and
- 15.1.3 Share Purchase Agreement dated 6 January 2011 between Yuanta Securities Asia Financial Services Limited and Aseam Credit Sdn Bhd (now known as Mayban IB Holdings Sdn Bhd) in relation to purchase by Mayban IB Holdings Sdn Bhd of 168,476,566 ordinary shares of Kim Eng Holdings Limited.

15.2 Material Litigation

Save and except for the items disclosed below, neither Maybank nor its Material Subsidiaries have been or had engaged in any material litigation, claims or arbitration as at 31 March 2011, being the latest practical date prior to the printing of this Information Memorandum, either as plaintiff or defendant (other than those arising from the ordinary course of business of which (i) the financial impact thereof has already been accounted for in the last audited accounts of Maybank and/or (ii) Maybank is of the view that it will not have any material and adverse impact on the financial position of Maybank Group) and which has a material effect on the financial position of the Maybank Group and the directors are not aware of any proceeding whether pending or threatened or of any facts likely to give rise to any proceeding, which might materially affect the financial position or business of the Maybank Group.

15.2.1 Malaysia Discounts Berhad

In 2005, a subsidiary of the Bank, Mayban Trustees Berhad (“**MTB**”) and eleven other defendants were served with a writ of summons by Malaysia Discounts Berhad and nine other 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 the 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.

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 withdrew on 25 August 2009 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 per cent. against MTB and 60 per cent. 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 one half of the 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.

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 other re-insurers.

15.2.2 Continental Nominees Sdn Bhd

In 2004, Etiqa Takaful Berhad ("**ETB**"), commenced a civil suit against a borrower, Continental Nominees Sdn Bhd ("**First Defendant**") and three guarantors, for the sum of approximately RM25.8 million, following the recall of the relevant facility which was preceded by the First Defendant's failure to pay monthly instalments.

The First 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 First Defendant was unable to carry on its project and therefore suffered loss and damage. ETB are proceeding with their claim and are resisting the First Defendant's counterclaim. ETB filed its defence to the counterclaim and applied to strike out the counterclaim.

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 First Defendant's counterclaim against ETB with costs. All four Defendants filed their respective applications for stay of execution of the summary judgment.

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 First Defendant's counterclaim (with costs). All four 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.

15.2.3 Shencourt Sdn Bhd

A corporate borrower, Shencourt Sdn Bhd, has issued a writ of summons and statement of claim against a subsidiary, Maybank IB, in 2005 in its capacity as the agent bank for three financial institutions as syndicated lenders claiming general, special and exemplary damages arising from alleged breach of duty owed by Maybank IB. Although it has not been quantified, the claim value is estimated at approximately RM450 million.

The credit facilities consist of a bridging loan of RM58.5 million and a revolving credit facility of RM4 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 loan.

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 realization, 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.

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.

15.2.4 Kamalul Arifin bin Yusof

MTB, as Trustee and 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 hearing on 5 March 2012.

15.2.5 Bistari Land Sdn Bhd

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

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

The second and third Defendants were receivers and managers ("**R&M**") appointed by Maybank under debentures given by the Plaintiff.

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

Concurrent with this suit, the Plaintiff also filed an application for an interlocutory injunction to restrain Maybank from exercising its right to appoint a R&M. The application was heard on 23 November 2010 and was allowed.

Maybank has filed an application to strike out the JB High Court Suit and the said application was dismissed by the JB High Court on 12 April 2011. Maybank's solicitors had filed an appeal on 25 April 2011. Maybank has also filed a counterclaim in the JB High Court Suit against the Plaintiff and its guarantors to recover all sums due and owing under the banking facilities by the Plaintiff. Pursuant thereto, Maybank has also filed an application for summary judgment against the Plaintiff and its guarantors, which was fixed for case management on 13 May 2011. The judge at that date had exercised her discretion to hear Maybank's application to transfer and consolidate the JB High Court Suit with the Kuala Lumpur High Court ("KL High Court") Suit on 31 May 2011. The application was allowed and the KL High Court will deal with the application for summary judgment henceforth.

Maybank was also subsequently served with a Writ of Summons and Statement of Claim on 25 March 2011 by the Plaintiff at the Kuala Lumpur High Court ("**KL High Court Suit**") for a sum of RM1.2 billion alleging that the appointment of the R&M was *mala fide* and with malice and that as a consequence thereof, it has purportedly suffered loss and damages.

On 24 October 2011, the KL High Court had allowed Maybank's counterclaim and dismissed the claims, ie JB High Court Suit and KL High Court Suit against Maybank with costs. Maybank has also filed an application to strike out the KL High Court Suit which is fixed for hearing on 1 December 2011. The KL High Court allowed the Bank's withdrawal of this striking out application with no order as to cost and the hearing on 1 December 2011 is vacated.

On 13 December 2011, the KL High Court had dismissed the Plaintiff's application for stay of execution of the Court Order dated 24 October 2011 and an *Erinford* injunction against Maybank with costs.

15.3 Recent developments of the Issuer

The following are recent developments involving Maybank and its subsidiaries:

15.3.1 Acquisition of Kim Eng

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 KE shares that it did not own, at an offer price of PhP4.38 (equivalent to approximately RM0.31755, at the exchange rate of PhP1.00 : 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 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.

15.3.2 Establishment of Subordinated Note Programme of up to RM3.0 billion in Nominal Value ("Subordinated Note Programme")

Maybank had on 28 December 2011 announced that Maybank had made a subsequent issuance of RM1.0 billion of Subordinated Notes ("Subordinated Notes") under its Subordinated Note Programme of up to RM3.0 billion in nominal value ("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 Bank Negara Malaysia.

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.

Full details of the above and all other announcements of Maybank made to Bursa Securities are available on the website of Bursa Securities at www.bursamalaysia.com.

15.4 Potential Conflict of Interests and Appropriate Mitigating Measures

Save and except for those disclosed below, Maybank is not aware of any other potential conflict of interest situations.

15.4.1 Maybank IB

There may be a potential conflict of interest situation as Maybank IB is a wholly-owned subsidiary of Maybank. As such, Maybank IB and Maybank are related corporations.

Notwithstanding the aforementioned, Maybank IB, in its role as the Principal Adviser, Lead Arranger and Lead Manager as well as facility agent in respect of the Subordinated Note Programme, has considered the factors involved and believes objectivity and independence in carrying out its role has been and/or will be maintained at all times for the following reasons:-

- (a) the appointment of Messrs Adnan Sundra & Low as an external independent legal counsel to conduct a legal due diligence inquiry on Maybank;
- (b) Maybank IB is a licenced investment bank and its appointment as the Principal Adviser, Lead Arranger and Lead Manager as well as facility agent is in the ordinary course of its business. The appointments are governed by various mandate letters, agreements and/or documents which set out the rights, duties and obligations of Maybank IB acting in such capacities;
- (c) the conduct of Maybank IB is regulated by the Banking and Financial Institutions Act 1989 (“**BAFIA**”) and Maybank IB has in place its own internal controls and checks with regards to transactions involving its related corporations;
- (d) the Subordinated Note Programme will be issued by way of private placement and in each case on a syndicated or non-syndicated basis, where pricing of the Subordinated Notes will be market driven; and
- (e) Maybank and its Board of Directors have confirmed that they are aware of the above potential conflict of interest situation and that notwithstanding such potential conflict, they are agreeable to proceed with the appointment of Maybank IB as the Principal Adviser, Lead Arranger and Lead Manager as well as facility agent of the Subordinated Note Programme.

15.4.2 Messrs Adnan Sundra & Low

After making enquiries as were reasonable in the circumstances, Messrs Adnan Sundra & Low has confirmed that it is not aware of any circumstances that would give rise to a conflict of interest or potential conflict of interest situation in its capacity as the solicitors in relation to the Subordinated Note Programme.

15.4.3 Malaysian Trustees Berhad

After making enquiries as were reasonable in the circumstances, Malaysian Trustees Berhad has confirmed that it is not aware of any circumstances that would give rise to a conflict of interest or potential conflict of interest situation in its capacity as the trustee in relation to the Subordinated Note Programme.

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ANNEXURE

Audited Annual Consolidated Financial Statements of the Issuer for the financial year ended 30 June 2011

The Issuer

MALAYAN BANKING BERHAD

Registered Office Address

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

Principal Adviser/Lead Arranger

Maybank Investment Bank Berhad
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100, Jalan Tun Perak
50050 Kuala Lumpur

Facility Agent

Maybank Investment Bank Berhad
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100, Jalan Tun Perak
50050 Kuala Lumpur

Trustee

Malaysian Trustees Berhad
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Jalan Ampang
50450 Kuala Lumpur

**Central Depository and
Paying Agent**

Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

Rating Agency

RAM Rating Services Berhad
Suite 20.01, Level 20
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Mid Valley City
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**Legal Counsel
for the Principal Adviser/Lead Arranger**

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