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 RM3.0 BILLION IN NOMINAL VALUE

Principal Adviser & Lead Arranger

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

11 July 2011

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 RM3,000,000,000.00 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.

The Lead Arranger has not verified the information contained herein. The Lead Arranger does not accept any responsibility for the information and data contained in this Information Memorandum and no responsibility or liability is accepted by the Lead Arranger as to the adequacy, legality, effectiveness, validity, genuineness, enforceability, admissibility, reasonableness, authenticity, origin, validity, accuracy or completeness of such information and data or for any other information, data or statement provided by the Issuer or made or purported to be made by the Lead Arranger or on its behalf in connection with the Issuer, its future performance, or the issue and offering or distribution of the Subordinated Notes. The Lead Arranger accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Information Memorandum or any such statement. No statement, representation, warranty or undertaking, express or implied, is made, given or assumed by the Lead Arranger as to the authenticity, origin, validity, accuracy or completeness of such information and data or that the information or data remains unchanged in any respect after the relevant date shown in this Information Memorandum.

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 and 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 25 May 2011 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 implements 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, *sukuk* 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)
"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) 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 RM3.0 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"	Guidelines on the Minimum Contents Requirements for Trust Deed issued by the SC on 1 July 2000
"Trustee"	Pacific Trustees Berhad (Company No. 317001-A)
"USD"	"United States Dollar", which is the lawful currency of the United States of America.

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 RM3.0 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 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;

(ii) 15 years on a 15 non-callable 10 basis ("**15NC10**");

(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 net 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 RM3.0 billion in nominal value under the Subordinated Note Programme. The approval from BNM for the above has been obtained on 14 April 2011 ("**BNM Approval**").

BNM Approval is subject to the following:

(i) Compliance with the requirements as specified in RWCA Framework, particularly on:

(a) The amount and limit that qualifies as Tier 2 capital; and

(b) Requirement to obtain prior written consent from BNM for early repayment or redemption; and

(ii) Obtain approval from BNM prior to subsequent issuance of the capital instruments under the Subordinated Note Programme.

In addition, in relation to the early repayment or redemption, Maybank is required to:

(a) Replace the called instruments 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 Maybank; or

(b) Demonstrate that its capital position is well above the minimum requirements after the call option is exercised.

1.5.2 SC on the waiver from having to comply with certain covenants set out in the Trust Deed Guidelines in respect of the Subordinated Note Programme. The approval from the SC for the above was obtained on 14 April 2011.

1.5.3 SC for the proposed issue of Subordinated Notes of up to RM3.0 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 25 May 2011.

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2.0 PRINCIPAL TERMS AND CONDITIONS OF THE SUBORDINATED NOTE PROGRAMME

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

(i)	**Principal Adviser(s) / Lead Arranger(s)**	:	Maybank Investment Bank Berhad ("**Maybank IB**" or the "**Lead Arranger**")
(ii)	**Arranger(s)**	:	Not applicable
(iii)	**Valuers**	:	Not applicable
(iv)	**Solicitors**	:	Zul Rafique & partners
(v)	**Financial Adviser**	:	Not applicable
(vi)	**Technical Adviser**	:	Not applicable
(vii)	**Guarantor**	:	Not applicable
(viii)	**Trustee**	:	Pacific Trustees Berhad
(ix)	**Facility Agent**	:	Maybank IB
(x)	**Primary Subscriber(s) and amount subscribed (where applicable)**	:	Not applicable
(xi)	**Underwriter(s) and amount underwritten**	:	Not applicable
(xii)	**Central Depository**	:	Bank Negara Malaysia ("**BNM**")
(xiii)	**Paying Agent**	:	BNM
(xiv)	**Reporting Accountant**	:	Not applicable
(xv)	**Others (please specify)**	:	Lead Manager Maybank IB

b.	**Facility description**	:	Up to RM3.0 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 size (RM)**	:	Up to RM3.0 billion in nominal value. The aggregate nominal value of outstanding Subordinated Notes issued pursuant to the Subordinated Note Programme shall not exceed RM3.0 billion at any one point in time.
d.	**Issue price RM)**	:	The Subordinated Notes will be issued at par or at a discount or at a premium, to be determined prior to issuance in accordance with the MyClear Rules and Procedures (as defined in item (n)).

e.	**Tenor of the facility/issue**	:	<u>Tenor of the Subordinated Note Programme</u> 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**"). <u>Tenor of the Subordinated Notes</u> Each Subordinated Note issued under the Subordinated Note Programme shall have a tenor 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. <u>Call Option</u> 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.
f.	**Interest / Coupon or equivalent 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 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 tenor of each issue of the Subordinated Notes.
g.	**Interest / Coupon payment frequency**	:	<u>Coupon payment frequency</u> 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.	**Yield to maturity (%)**	:	To be determined prior to each issuance of the Subordinated Notes.

j.	**Security/collateral (if any)**	:	None.
k.	**Details on utilisation of proceeds**	:	The net proceeds from the Subordinated Notes will be utilised to fund Maybank's working capital, general banking and other corporate purposes.
l.	**Sinking fund (if any)**	:	None.
m.	**Rating**		
	• **Credit rating assigned [Please specify if this is an indicative rating]**	:	AA1
	• **Name of rating agency**	:	RAM Rating Services Berhad (Company No. 763588-T) ("**RAM Rating**")
n.	**Form and denomination**	:	The Subordinated Notes shall be issued in accordance with: (i) the "Participation and Operational Rules for Payments and Securities Services" issued by Malaysia Electronic Clearing Corporation Sdn Bhd ("**MyClear**") ("**MyClear Rules**"); and (ii) the "Operational Procedures for Securities Services" and "Operational Procedures for Real Time Electronic Transfer of Funds and Securities (RENTAS)" both issued by MyClear ("**MyClear Procedures**"), or their replacement thereof (collectively the "**MyClear Rules and Procedures**") applicable from time to time. The Subordinated Notes shall be represented by a global certificate to be deposited with BNM, and is exchanged for definitive bearer certificates only in certain limited circumstances. The Subordinated Notes shall be issued in bearer form in the minimum denomination of RM1,000 or in multiples of RM1,000 at the time of issuance or such other denomination as determined/allowed by BNM.
o.	**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.
p.	**Selling restrictions**	:	<u>Selling Restrictions at Issuance</u> 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 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.

q. Listing status : 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. The SC will be notified accordingly in the event of such listing.

r. Minimum level of subscription (RM or %) : 5% of that tranche of Subordinated Notes to be issued if the issuance is via book-building.

100% of that tranche of Subordinated Notes to be issued if the issuance is via private placement.

s. Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained [please specify] :

(i) BNM's approval for the proposed issuance of Subordinated Notes of up to RM3.0 billion under the Subordinated Note Programme. BNM's approval (upon terms and conditions imposed by BNM) has been obtained via its letter dated 14 April 2011. BNM's approval is subject to, inter-alia, Maybank obtaining the approval from BNM prior to subsequent issuance of Subordinated Notes under the Subordinated Note Programme.

(ii) SC's approval on the waiver from having to comply with specific clauses in the SC's Guidelines on the Minimum Contents Requirements for Trust Deeds in respect of the Subordinated Note Programme. SC's approval was obtained via its letter dated 14 April 2011.

t. Conditions precedent : Conditions precedent usual and customary for an issuance of such nature, which shall include but not limited to the following:-

<u>Condition Precedent For First Issue of Subordinated Notes</u>

A. <u>Main Documentation</u>

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

B. <u>The Issuer</u>

(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. <u>General</u>

(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.

<u>Condition Precedent For Subsequent Issue of Subordinated Notes</u>

Written approval from BNM for issue of that tranche of Subordinated Notes under the Subordinated Note Programme.

u. 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 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.

v.	**Events of default**	:	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 Subordinates 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.
w.	**Principal terms and conditions for warrants (where applicable)**	:	Not applicable.

x. Other principal terms and conditions for the issue

(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) (a) the Issuer 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) the Issuer demonstrates that its capital position is well above the minimum requirements after the Call Option is exercised.

(5) 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 Minimum Contents Guidelines (save for those which waiver has been sought and approved by the SC), 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 to the extent as 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;

(v) At all times maintain a paying agent in Malaysia;

(vi) Procure that the paying agent shall notify the Trustee 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;

(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;

(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.

(6) 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 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 (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.

(7) Transaction Documents : 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.

(8) 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.
(9)	**Governing law**	:	Laws of Malaysia and submission to the exclusive jurisdiction of the courts of Malaysia.
(10)	**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.
(11)	**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 Managemen*t" 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 Impact of Financial Reporting Standard 139 ("FRS 139")

The Group has adopted FRS 139 with effect from the financial year beginning 1 July 2010. FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. Some of these principles and accounting policies have been adopted by the Group and the Issuer since the application of BNM's revised BNM/GP8-Guidelines of Financial Reporting for Licensed Institutions ("**BNM GP8 Guidelines**") on 1 July 2005 due to the similarities between BNM GP8 Guidelines and FRS 139.

The adoption of FRS 139 by the Group has resulted in certain adjustments to opening reserves as at 1 July 2010, as reflected in the Group's unaudited condensed interim financial statements as at and for the six-month period ended 31 December 2010 set out elsewhere in this Information Memorandum. The adoption of FRS 139 mainly affected the classification and impairment provisions of loans whereby 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.

4.1.8 Classification and Provisioning Policy for Impaired Loans

Prior to the adoption of FRS 139, 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.

4.1.9 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. Additionally, the Group also reviews, initiates and implements strategic fund raising programmes as well as institute standby lines with external parties on a need basis.

Sources of liquidity are regularly reviewed to maintain a wide diversification by currencies, providers, products and term 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 in the years to come.

The Group also has several policies in place to ensure that the bank implements sound fundamental 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 is also actively monitoring the market conditions to assess their impact on the Issuer's sustainability. Impact studies were also conducted to analyse the exposure towards the Group on recent global events such as the market turmoil in Middle East 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 Middle East and North Africa ("**MENA**") turmoil as well as the Japan turmoil on its assets or funding sources. 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.

4.1.10 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.

4.1.11 The Group may not be able to successfully integrate the business of Kim Eng into its operations or may fail to realise the business growth opportunities and other benefits anticipated from, or may incur unanticipated costs associated with, 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.

There can be no assurance that the Group's strategy of ultimately integrating the business operations of Kim Eng will be successful, which may impact the financial performance of the Group. There remains a risk that the integration plans of the Group may (i) take longer than expected, (ii) cost more than expected, or (iii) be impossible to implement at all. In addition, the Group's management may not be able to successfully integrate the business of Kim Eng into its operations so as to result in long-term benefits to the Group. The Group will have to manage new offices in disparate locations which will require significant management attention and financial sources. There is no assurance that the Group's existing or future management, operational and financial systems, procedures and controls will be adequate to support the Group's integration plans, or that the Group will be able to recruit, retain and motivate new personnel arising from such integration or establish or develop business relationships beneficial to its future operations. Any delays in the integration plans of the Group or a failure by the Group to integrate the business of Kim Eng into its operations may have a material adverse effect on the Group's business, financial conditions or results of operations.

4.1.12 Reduced liquidity in the global credit market

Following concerns over U.S. sub-prime residential mortgage loans and related securities, the credit markets (primarily in the U.S. and Europe and elsewhere) have been experiencing substantial dislocations, liquidity disruptions and market corrections whose scope, duration, severity and economic effect remain uncertain. This global liquidity crisis has had, and may continue to have, an adverse effect on markets in the U.S., Europe and Asia, and could affect conditions in the Malaysian economy, on which the Issuer's business depends.

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.

Although the Issuer has not, to date, experienced any substantial adverse effect on its assets or funding sources as a consequence of this liquidity crisis, there can be no assurance that this liquidity crisis will not, if sustained, adversely affect the Issuer's business, financial condition, results of operations or prospects. In particular, if the Issuer 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 operations of the Issuer.

4.1.13 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.

4.1.14 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 results of 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 increase. 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. The proposed reforms are expected to be implemented by the beginning of 2013, however the requirements are subject to a series of transitional arrangements and will be phased in over a period of time, to be fully effective by 2019.

The approach and local implementation of Basel III in Malaysia will depend on the BNM's response to the minimum capital standards set by the Basel Committee. There can be no assurance that, prior to its implementation in 2013, the Basel Committee will not amend the package of reforms described above. Further, the BNM may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital requirements on banks in Malaysia.

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 results of operations.

4.1.15 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 79.8 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 U.S.$1.00. 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 Impact of re-imposition of capital controls

As part of the package of policy responses to the 1997 economic crisis in Southeast Asia, the Government introduced, on 1 September 1998, selective capital control measures. The Government subsequently liberalised such selective capital control measures in 1999 to allow foreign investors to repatriate principal capital and profits, subject to an exit levy based on a percentage of profits repatriated. On 1 February 2001, the Government revised the levy to apply only to profits made from portfolio investments retained in Malaysia for less than one year. On 2 May 2001, the Government lifted all such controls in respect of the repatriation of foreign portfolio funds (largely consisting of proceeds from the sale of stocks listed on Bursa Securities).

There can be no assurance that the Government will not re-impose these or other forms of capital controls in the future. If the Government re-imposes or introduces foreign exchange controls, investors may not be able to repatriate the proceeds of the sale of the Subordinated Notes and interest and principal paid on the Subordinated Notes from Malaysia for a specified period of time or may only be able to do so after paying a tax or levy.

4.2.4 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 rose for the eighth consecutive month to a new record in February 2011, driven mainly by higher prices of sugar, cereals such as wheat, corn and maize as well as oils and fats due to a combination of factors, including strong demand from emerging economies like China, India and Brazil; supply disruptions in producing countries due to bad weather and natural disasters affecting crops and reallocation of crops such as corn into biofuels production (ethanol) as opposed to food production. Meanwhile, crude oil price rose past USD100 per barrel in February 2011 as political tensions erupted in the Middle East and North Africa, home to approximately 40 per cent. of the world's crude oil supplies and 70 per cent. of the world's proven crude oil reserves. 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.

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

Malaysia's inflation rate of 2.4 per cent. as of January 2011 is still relatively low compared with the long-term average of 3.7 per cent. and the recent peak of 8.5 per cent. in July and August 2008. However, the monthly inflation rate has been slowly increasing since March 2010. In its latest Monetary Policy Statement (dated 11 March 2011), BNM highlighted the risk of higher inflation rate as it stated that domestic prices are expected to continue to rise, not only due to increases in global commodity and energy prices, but also amid signs that domestic demand factors could result in possible upward pressure on prices in the latter part of 2011. Adding to the domestic inflationary risk is the rationalization of domestic price subsidies on essential items such as food, fuel, electricity and transport which began in the second half of 2010. Consequently, almost three-quarters of January 2011's inflation rate was due to higher costs of food and non-alcoholic beverages and transport components of the Consumer Price Index ("**CPI**") as the Government cut subsidies on fuel (petrol, diesel, liquefied petroleum gas) and sugar. Such inflationary pressures in the Malaysian economy could adversely affect the business, financial condition and results of operation of the Issuer and the Group.

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

As at 30 June 2010, approximately 71.77 per cent. of the Group's net income is derived from activities in Malaysia while the rest is derived from its international operations, spanning 14 countries and territories, predominantly in the ASEAN region and in particular in Singapore. Malaysia is an open economy where total external trade (exports plus imports of goods and services) and gross international investment position (external assets plus external liabilities) account for 175 per cent. *(Source: Bank Negara Malaysia Annual Report 2009)* and 236 per cent. *(Source: Monthly Statistical Bulletin February 2011) of the country's 2009 Gross Domestic Product ("**GDP**")* respectively, consequently external developments can have an impact on the performance of the Malaysian economy.

Although the world economy and financial markets rebounded in 2010 from the global financial crisis and the ensuing recession in 2008 and 2009 with signs of steady growth momentum in early-2011, the growth performance differs markedly across the regions. In general, advanced economies recorded modest growth, while emerging and developing countries expanded at a faster pace.

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 pressures on vulnerable economies such as Spain and Portugal, 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. In emerging and developing economies, particularly large emerging countries like China, India, Brazil and Russia as well as the Asia Pacific (ex-Japan), the relatively better economic performance and policy responses - especially the interest rate hikes - has brought its own set of issues, namely the risks to macroeconomic and financial stability arising from the influx of short-term capital, excessive currency movements and pressures on general and asset price inflation. These have necessitated further policy tightening, introduction of liquidity management measures, and imposition of some forms of capital controls.

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.

4.2.7 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.
The Malaysian economy registered growth of 4.8 per cent. in the fourth quarter of 2010, driven by domestic demand amid slowing external demand. The expansion in domestic demand was supported by private sector spending. The slowdown in the global economy has led to the moderation in external demand. On the supply side, all major economic sectors, except mining and agriculture, continued to expand during the quarter, but at a more moderate pace. For the year 2010, the Malaysian economy expanded by 7.2 per cent. In the external sector, trade surplus increased to RM25.5 billion (3Q 2010: RM22.3 billion) in the fourth quarter. Both gross exports and imports increased at a slower pace of 3.7 per cent. and 10.1 per cent. respectively (3Q 2010: 10.4 per cent. and 16.5 per cent. respectively), in line with the weaker external environment. Amid the moderation in global recovery, the pace of growth of the Malaysian economy will be influenced by the expected slowdown in external demand. Overall growth will continue to be supported by robust domestic economic activity. Private consumption will benefit from the favourable employment situation and firm commodity prices.

(Source: Economic Report 2010/2011, Ministry of Finance, Malaysia, BNM Quarterly Bulletin, Fourth Quarter 2010)

The banking sector continued to exhibit high resilience in the fourth quarter of 2010. The capitalization of the banking system remained strong with risk-weighted capital ratio ("**RWCR**") and core capital ratio of 14.6 per cent. and 12.8 per cent., respectively, as at the end of December 2010. Meanwhile, the NPL level of the banking system continued to improve, with the total net NPLs based on the three-month classification declining further to 2.0 per cent. (3Q 2009: 2.1 per cent.).

(Source: BNM Quarterly Bulletin, Fourth Quarter 2010)

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.

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 has been transforming through a deregulation process as part of BNM's implementation of its 10-year Financial Sector Master Plan from 2001 to 2010 which 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.

The liberalisation of the banking industry has brought greater competition among banking institutions and this trend is expected to continue in the future.

Increasing competition is encouraging banking institutions to work efficiently on shrinking margins. Banking institutions must improve their profitability, efficiency and technology, and explore cost effective solutions.

The Group faces competition from other domestic banking groups as well as foreign banks operating in Malaysia. The Group faces competition for customers from various other financial services companies. In addition, the level of competition in the Malaysian banking industry has been heightened with the gradual structural deregulation of the industry. The adverse impact of market liberalisation and such increased competition may adversely impact the business, financial conditions and results of operations of the Issuer and the Group.

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 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.

4.4.3 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.

4.4.4 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.

4.4.5 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.

4.4.6 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.

4.4.7 No Events of Default 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.

4.4.8 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.

4.4.9 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.

4.4.10 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.

4.4.11 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.

4.4.12 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.

4.4.13 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.

4.5 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 March 2011, the total authorised share capital of the Issuer is RM10,000,000,000 divided into 10,000,000,000 ordinary shares of par value RM1.00 each, and the issued share capital is RM7,322,240,391 divided into 7,322,240,391 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 31 December 2010 derived from the unaudited consolidated financial statements of the Group as at 31 December 2010 and the adjusted total liabilities and shareholders' equity to reflect the proposed issuance of the Subordinated Notes:

	Unaudited As at 31 December 2010 [(1)]	**Adjusted As at 31 December 2010**
	(RM million)	*(RM million)*
Short-term liabilities		
Deposits and placements of banks and other financial institutions	28,845	28,845
Deposits from customers	248,138	248,138
Obligations on securities sold under repurchase agreements	211	211
Bills and acceptances payable	4,173	4,173
Other liabilities	8,667	8,667
Derivative liabilities	1,606	1,606
Provision for taxation and zakat	716	716
Deferred tax liabilities	179	179
Life, general takaful and family takaful fund liabilities	4,873	4,873
Borrowing (less than one year)	1,616	1,616
Total short-term liabilities	**299,024**	**299,024**
Long-term liabilities		
Recourse obligation on loans sold to Cagamas	550	550
Life, general takaful and family takaful policy holders' funds	13,775	13,775
U.S.$300 million Subordinated Certificates due in 2017[(2)]	924	924
RM1,500 million Subordinated Islamic bonds due in 2018	1,500	1,500
RM1,500 million Subordinated bonds due in 2017	1,500	1,500
RM3,100 million Subordinated Term Loan due in 2023	3,100	3,100
RM3,500 million Stapled Capital Securities[(3)]	3,498	3,498
SGD600 million Innovative Tier 1 Capital Securities[(4)]	1,423	1,423
RM1,100 million Innovative Tier 1 Capital Securities[(3)]	1,099	1,099
RM3,000 million Subordinated Notes[(5)]	-	3,000
Borrowing (more than one year)	1,540	1,540
Total long-term liabilities	**28,909**	**31,909**
Total liabilities	**327,933**	**330,933**
Equity attributable to equity holders of the Bank		
Share capital[(6)]	7,322	7,322
Reserves:		
Share premium	7,539	7,539
Statutory reserve	5,986	5,986
Capital reserve	15	15
Unrealised holding reserve	185	185
Exchange fluctuation reserve	(1,280)	(1,280)
Revaluation reserve	9	9
Retained profits	9,150	9,150
	28,926	**28,926**
Minority interests	764	764
	29,690	**29,690**
Total Liabilities and Shareholders' Equity	**357,623**	**360,623**

Notes:

(1) There has been no material change in the long term liabilities of the Group since 31 December 2010 except for the following:

(i) the syndicated term loan facility of USD700 million entered into by the Issuer on 14 March 2011. The proceeds of this term loan facility were used by the Issuer for its working capital, general banking and corporate purposes;

(ii) the issue of bonds and medium term notes totaling RM556 million by PT Wahana Ottomitra Multiartha (WOM Finance) after 31 December 2010. The proceeds of such issuances were used by WOM Finance for its working capital purposes;

(iii) the issue of RM1.0 billion Tier 2 Capital Islamic Subordinated Sukuk by Maybank Islamic Berhad on 31 March 2011. The proceeds of this issue were used by Maybank Islamic Berhad for its working capital, general banking, business expansion programme and corporate purposes;

(iv) the issue of SGD1.0 billion Tier 2 Subordinated Notes by Maybank under the US$2.0 billion Multicurrency Medium Term Note Programme on 28 April 2011. The proceeds from this issue were used by Maybank for its working capital, general banking and other corporate purposes;

(v) the issue of IDR1.5 trillion Tier 2 Subordinated Notes by PT Bank Internasional Indonesia Tbk ("**BII**") in May 2011. The proceeds from this issue were used by BII to increase earning assets to support its business growth focusing on segment small, medium and emerging business (SME), commercial and consumer.

(2) Translated into Ringgit Malaysia for illustration purposes at a rate of U.S.$1.00 = RM3.085 as at 31 December 2010 and after netting-off transaction cost.

(3) After netting-off transaction cost.

(4) Translated into Ringgit Malaysia for illustration purposes at a rate of SGD1.00 = RM2.384 as at 31 December 2010 and after netting-off transaction cost.

(5) Assuming the entire RM3.0 billion Subordinated Notes is issued under the Subordinated Note Programme.

(6) The par value of each ordinary share of the Issuer is RM1.00. As at 13 May 2011, the enlarged issued and paid-up share capital of Maybank is 7,478,206,067 ordinary shares of RM1.00 each with the issuance and allotment of new Maybank shares pursuant to the Dividend Reinvestment Plan. See "*Recent developments of the Issuer – Dividend Reinvestment Plan*" in section 15.3.1 below.

Save as disclosed in the unaudited financial statements as at 31 December 2010, there are no contingent liabilities (arising in the normal course of business or otherwise) that may have a material adverse impact on the financial conditions of the Group.

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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 six-month periods ended 31 December 2009 and 31 December 2010, and summary of audited consolidated financial information for each of the financial years ended 30 June 2009 and 30 June 2010 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 six-month periods ended 31 December 2009 and 31 December 2010, 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 third quarter ended 31 March 2011 is available on the website of Bursa Securities at www.bursamalaysia.com.

	Unaudited For the six month period ended 31 December		**Audited** For the financial year ended 30 June	
	2009[(1)]	**2010**	**2009[(1)]**	**2010**
	(RM million)	*(RM* million)	*(RM* million)	*(RM* million)
Income Statement Data				
Operating revenue	9,236	10,191	17,586	18,560
Interest income	5,461	5,898	11,570	10,955
Interest expense	(2,150)	(2,311)	(5,650)	(4,184)
Net interest income	3,311	3,587	5,920	6,771
Income from Islamic Banking Scheme operations	737	731	1,224	1,434
Net income from insurance business	154	128	410	425
Allowances for losses on loans, advances and financing	(679)	(382)	(1,726)	(1,226)
Impairment losses on securities, net	(42)	(20)	(197)	(23)
Impairment loss on interest in associates	-	-	(353)	-
Impairment losses on goodwill	-	-	(1,620)	-
Write-back for non-refundable deposit	-	-	484	-
Non-interest income	1,922	1,989	2,477	3,693
Overhead expenses	(2,908)	(3,136)	(5,044)	(5,826)
Share of profits in associates	61	69	99	122
Profit before taxation and zakat	2,556	2,966	1,674	5,370
Profit after taxation and zakat	1,930	2,180	751	3,968
Net profit attributable to equity holders of the Bank	1,875	2,153	692	3,818
Net dividends per share (sen)	8.25	21.00	6.00	41.25
Basic earnings per share (sen)	26.50	30.25	12.00	53.94

Notes:

(1) Certain comparative figures have been reclassified to conform with current year presentation.

	Unaudited As at 31 December		Audited As at 30 June	
	2009	**2010**	**2009**	**2010**
	(RM million)	*(RM* million)	*(RM* million)	*(RM* million)
Balance Sheet Data				
Assets				
Cash and short-term funds	30,975	24,600	23,608	28,708
Deposits and placements with financial institutions	8,704	12,371	6,299	8,915
Securities purchased under resale agreements	136	-	346	371
Securities portfolio	58,226	61,880	57,727	54,170
Loans, advances and financing	195,125	219,420	185,783	205,555
Interest in associates	2,595	2,444	2,630	2,472
Intangible assets	4,612	4,230	4,374	4,481
Derivatives assets	960	1,618	974	1,307
Other assets	5,224	4,936	5,249	5,320
Investment properties	49	45	27	45
Statutory deposits with Central Banks	4,379	4,213	4,051	4,471
Property, plant and equipment	1,396	1,352	1,396	1,360
Deferred tax assets	1,502	1,866	1,493	1,565
Life, general takaful and family takaful fund assets	16,949	18,648	16,782	17,960
Total assets	**330,832**	**357,623**	**310,739**	**336,700**
Liabilities				
Deposits from customers	230,866	248,138	212,599	236,910
Deposits and placements of banks and other financial institutions	27,369	28,845	28,782	23,258
Obligations on securities sold under repurchase agreements	318	211	-	407
Bills and acceptances payable	1,377	4,173	1,470	3,062
Derivatives liabilities	1,214	1,606	1,459	1,346
Other liabilities	6,586	8,667	5,996	6,951
Recourse obligation on loans sold to Cagamas	466	550	516	650
Provision for taxation and zakat	168	716	88	467
Deferred tax liabilities	71	179	57	151
Borrowings	2,934	3,156	2,502	2,825
Subordinated obligations	8,629	7,024	8,672	8,069
Capital securities	6,055	6,020	6,048	5,979
Life, general takaful and family takaful fund liabilities	4,488	4,873	4,530	5,022
Life, general takaful and family takaful policy holders' funds	12,461	13,775	12,252	12,938
Total liabilities	**303,002**	**327,933**	**284,971**	**308,035**
Equity attributable to equity holders of the Bank				
Share capital	7,078	7,322	7,078	7,078
Reserves	19,823	21,604	17,821	20,799
Minority Interests	929	764	869	788
Total liabilities and shareholders' equity	330,832	357,623	310,739	336,700

The following financial ratios are unaudited:

	Unaudited As at 31 December		Audited As at 30 June	
	2009	**2010**	**2009**	**2010**
	(%)	(%)	(%)	(%)
Financial Ratios				
Return on assets(1)	1.20	1.26	0.26	1.23
Return on equity(2)	14.48	15.16	3.13	14.47
Net interest margin(3)	2.26	2.25	2.16	2.27
Net NPL ratio - Pre FRS 139(4)	1.30	-	1.51	1.10
Net impaired loans ratio - Post FRS 139(5)	-	2.74	-	-
Allowance for bad and doubtful debts/NPL - Pre FRS 139(6)	117.80	-	112.88	124.52
Allowance for bad and doubtful debts/impaired loans - Post FRS 139(7)	-	84.62	-	-
Loans and advances/total deposits(8)	84.52	88.43	87.39	86.77
Cost to income(9)	47.48	48.73	50.28	47.28
Core capital ratio(10)	10.76 (12)	-	10.81 (12)	-
- full electable portion paid in cash	-	11.29 (13)	-	10.10 (12)
- full electable portion reinvested	-	11.85 (13)	-	10.97 (12)
Risk-weighted capital ratio(11)	14.61 (12)	-	14.81 (12)	-
- full electable portion paid in cash	-	13.66 (13)	-	13.71 (12)
- full electable portion reinvested	-	14.21 (13)	-	14.58 (12)

Notes:

(1) As at 31 December:

$$\frac{\text{Profit for the period}}{\text{Average total assets}} \times 100 \times 12/6 \text{ months}$$

As at 30 June:

$$\frac{\text{Profit for the year}}{\text{Average total assets}} \times 100$$

(2) As at 31 December:

$$\frac{\text{Profit attributable to equity holders of the Bank for the period}}{\text{Average equity attributable to equity holders of the Bank}} \times 100 \times 12/6 \text{ months}$$

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 31 December:

$$\frac{\text{Interest income for the period – Interest expense for the period}}{\text{Average interest earning assets*}} \times 100 \times 12/6 \text{ months}$$

As at 30 June:

$$\frac{\text{Interest income for the year – Interest expense for the year}}{\text{Average interest earning assets*}} \times 100$$

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

(8) $$\frac{\text{Net loans, advances and financing}}{\text{Total deposits from customers}} \times 100$$

(9) $$\frac{\text{Total overhead expenses for the period/year}}{\text{Net income for the period/year}} \times 100$$

(10) For Basel I Risk-Weighted Capital Adequacy Framework:

$$\frac{\text{Total Tier 1 Capital – Proposed dividends payable}}{\text{Total risk-weighted assets for credit and market risks}} \times 100$$

For Basel II Risk-Weighted Capital Adequacy Framework:

$$\frac{\text{Total Tier 1 Capital – Proposed dividends payable}}{\text{Total risk-weighted assets for credit, market and operational risks}} \times 100$$

(11) For Basel I Risk-Weighted Capital Adequacy Framework:

$$\frac{\text{Total capital base – Proposed dividends payable}}{\text{Total risk-weighted assets for credit and market risks}} \times 100$$

For Basel II Risk-Weighted Capital Adequacy Framework:

$$\frac{\text{Total capital base – Proposed dividends payable}}{\text{Total risk-weighted assets for credit, market and operational risks}} \times 100$$

(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.

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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 Securities, on 17 February 1962. As at 31 March 2011, the Issuer had an authorised share capital of RM10.0 billion divided into 10.0 billion ordinary shares of par value RM1.00 each and an issued and paid-up share capital of RM7.3 billion.

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 2010. As at 31 December 2010, the Group maintains the largest market share in terms of total loans and total deposits in the Malaysian banking system which is approximately 17.3 per cent. and 15.4 per cent., respectively. The Issuer is also the largest company in Malaysia by market capitalisation with a market capitalisation of approximately RM62.0 billion as at 31 March 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, 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 31 December 2010, the Issuer has 385 branches in Malaysia, 22 branches in Singapore and 327 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 27.0 per cent. of the total pre-tax profit for the half year ended 31 December 2010.

The Issuer’s delivery network is enhanced by it 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 the domestic insurance champion and an emerging regional player;
- to be a truly regional organisation with approximately 40.0 per cent. of pre-tax profit derived from international operations; and
- to be the leading Islamic bank in ASEAN.

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.

To be the domestic insurance champion and an 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. In order to achieve organic growth in life/family business, the Group intends to aggressively grow the Assets under Management ("**AuM**") of the life/family funds through product innovation that drives the build-up of surpluses attributable to shareholders. 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 loans and pre-tax profit derived from international operations

The Group aspires to become a truly regional organisation with approximately 40 per cent. of loans and pre-tax profit derived from international operations by 2015, driven by its key markets of Indonesia and Singapore. 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 the leading Islamic bank in ASEAN

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.

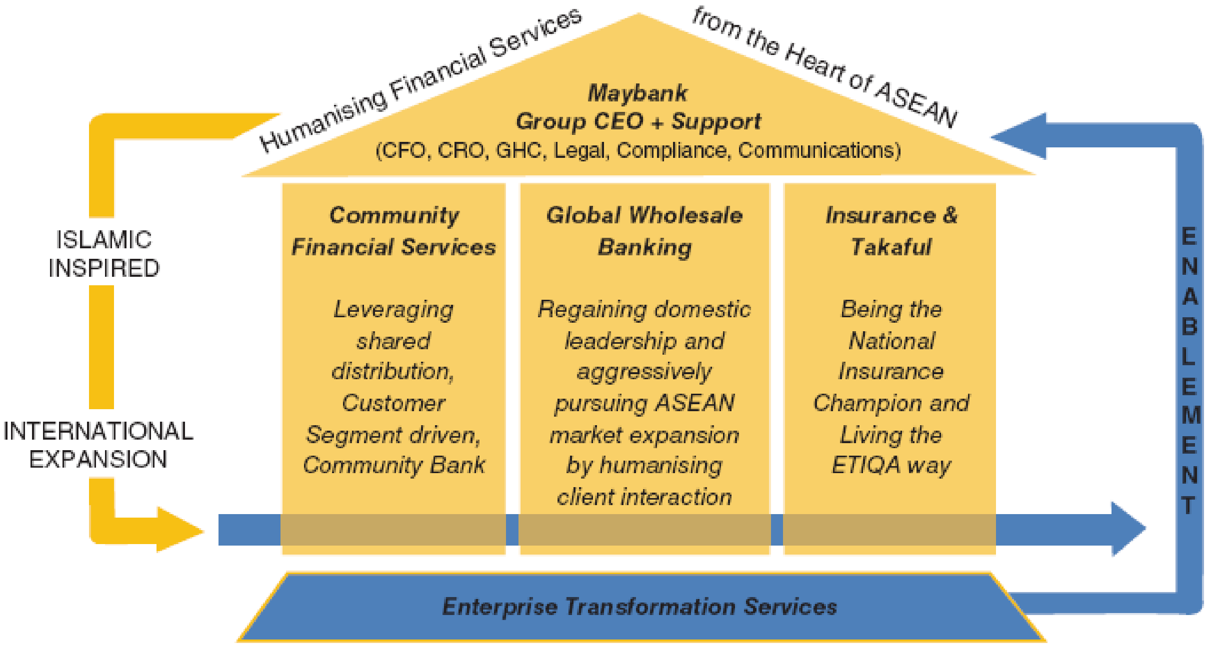
Moving forward, the Group's Islamic banking operations will emphasise on delivering innovative and globally accepted products and services that would differentiate it from other Islamic financial institutions.

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



The Group has adopted the mission "Humanising Financial Services from the Heart of ASEAN" in line with this new corporate structure.

7.4 Competitive Position

- The Group is the largest financial services group in Malaysia and a market leader in many business areas. As at 31 December 2010, it has the largest branch network with a total of 385 branches, more than 2800 ATMs and the most active internet banking portal. The convenience and accessibility of the Group's services enable it to serve more than 9 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 69.0 per cent. in Malaysia as at 31 December 2010. In the cards business, the Group is the leader in Malaysia, in terms of card base, merchant sales and billings with market shares of 16.0 per cent., 30.0 per cent. and 22.0 per cent. respectively as at 31 December 2010. 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 55.0 per cent. market share. It also ranks among the top three for mortgage and hire purchase loans with market shares of 13.0 per cent. and 18.0 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 24.0 per cent. in Malaysia as at 31 December 2010.

- 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 Kim Eng, the Group has expanded its investment banking services beyond Malaysia and across the ASEAN region.

- 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 17.0 per cent. based on its total assets of RM47.5 billion as at 31 December 2010.

- The Group's insurance and takaful business is the country's leading provider of insurance and takaful with a market share of 15.0 per cent of combined gross premium as at 31 December 2010. Etiqa has total assets of RM21.9 billion as of 31 December 2010.

- The Group's banking brand is now present in over 14 countries and territories including Singapore, Indonesia, Vietnam and the Philippines. In Indonesia, the Group owns a stake in BII, which is the eighth largest bank in Indonesia in terms of total assets as at 31 December 2010. 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 327 branches and 952 ATMs as at 31 December 2010.

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, Wealth and Payments, Virtual Banking, HNW and Affluent Banking, SME Banking and Business Banking.

- **Consumer Finance**

  Consumer Finance encompasses four major strategic business units of the Group's retail lending portfolio namely: Mortgages, Automobile Financing, Retail Financing, and Cards and Unsecured Lending. 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 45.0 per cent was derived from mortgages. The Group has a retail domestic loans market share of 16.7 per cent. as at 31 December 2010 and 30 June 2010, 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 eight million customers as at 31 December 2010 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 13.1 per cent. for housing (plus other mortgage loan) and 11.6 per cent. for shophouses respectively, ranking amongst the top three banks in terms of mortgage financing in Malaysia as at 31 December 2010.

  As at 31 December 2010 and 30 June 2010, the Group's domestic mortgages financing portfolio amounted to RM36.2 billion and RM34.6 billion, respectively.

Automobile Financing

The Group's market share for providing financing for the purchase of transport vehicles in Malaysia stands at approximately 18.0 per cent. as at 31 December 2010.

As at 31 December 2010, the Group's domestic automobile financing portfolio registered an outstanding loan balance of RM24.3 billion. The Islamic finance components were approximately 60.0 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 31 December 2010 and 30 June 2010, retail financing loans outstanding amounted to RM16.3 billion and RM17.3 billion, of which the unit trust business, represents 91.5 per cent. and 91.6 per cent., respectively. The Group holds a significant domestic market share in unit trust financing of approximately 69.0 per cent. in December 2010.

Cards and Unsecured Lending

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 6.9 million cards as at 31 December 2010. 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 14.0 per cent. in December 2010. The Group is the domestic market leader in terms of cards base, billing and merchant business with a market share of 16.3 per cent., 22.0 per cent. and 29.8 per cent. respectively as at 31 December 2010.

- **Wealth and Payments**

Wealth and Payments comprises Deposits, Bancassurance, Investments and Payments.

Deposits

As at 31 December 2010, the Group's consumer deposits represented 48.0 per cent. of the total domestic deposits. Consumer deposits comprises fixed deposits, current accounts, savings deposits and others. As at 31 December 2010, fixed deposits are the major contributor, which accounted for 52.0 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 31.7 per cent. market share in Malaysia as at 31 December 2010. 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 55.0 per cent. in terms of total registered users as at 31 December 2010. As at 31 December 2010, there were more than 5.3 million registered users of M2U, of which 1.58 million were active users[1].

M2U is the most visited local website in Malaysia *(Source: ComScore Media Metrix September 2010)*.

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 December 2010, 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 24 centres nationwide, serving more than 150,000 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 below.

- **SME Banking**

SME Banking provides financial services to enterprise customers with an annual turnover of up to RM25.0 million. Products offered by SME comprise overdraft current accounts, term loans, trade bills and short tem revolving credit.

[1] Users who have logged on at least once during the six months prior to the relevant date

As at 31 December 2010, the Issuer's market share was at 15.6 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 RM25.0 million. Business banking customers are provided with the full range of financial services such as trade finance, cash management and factoring. As at 31 December 2010 and 30 June 2010, business banking contributed approximately 11.9 per cent. and 12.0 per cent., respectively to the total retail revenue of the Issuer. As at 31 December 2010 and 30 June 2010, the Issuer's market share for trade finance facilities was 19.2 per cent. and 18.8 per cent., respectively.

  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; 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 calendar year 2010 league table rankings, Maybank IB is ranked first by amount issued for both Malaysian Ringgit Islamic Bonds and second for Malaysian Domestic Bonds (with market shares of 33.1 per cent. and 20.1 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.

- **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 14.0 per cent. of the market share of foreign exchange transactions in Malaysia as at 31 December 2010.

- **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.

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 will introduce supply chain financing while 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 below.

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. Etiqa, the brand name of the Issuer's conventional insurance and takaful sector was launched on 15 November 2007. The holding company is Mayban Ageas Holdings Berhad ("**MAHB**"), formerly known as Mayban Fortis Holdings Berhad. MAHB is 69.1 per cent. owned by Etiqa International Holdings Sdn Bhd, a wholly-owned subsidiary of the Issuer and 30.9 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.

Etiqa also has a presence in Singapore and Brunei Darussalam (general insurance) under Etiqa Insurance Berhad and Pakistan (general takaful) through a 32.5 per cent. ownership in Pak-Kuwait Takaful Company Ltd. Besides conventional insurance and takaful business, Etiqa also owns a fund management company, Mayban Investment Management Sdn Bhd ("**MIMSB**"). It is wholly-owned by MAHB. MIMSB is one of the largest local licensed fund management companies by AuM.

Under 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 through agents, Etiqa branches, the Issuer's branches, third party banks, brokers and affinity groups. Etiqa has a strong agency force comprising over 25,000 agents and 28 branches domestically. Etiqa also has a wide bancassurance and bancatakaful distribution network, with more than 464 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 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 2010, the gross premium written by Etiqa stood at RM4.6 billion with a profit before tax of RM417.7 million. Total premium grew 27.0 per cent. in the financial year ended 30 June 2010 against the financial year ended 30 June 2009, with 33.0 per cent. improvement in both life and family and 16.0 per cent. improvement in general business. Profit before tax also grew 27.0 per cent. to RM417.7 million in the financial year ended 30 June 2010 against previous year, as a result of improving business performance and good technical results supported by strong investment returns.

Etiqa has won numerous awards and accolades including Best Bancatakaful at the International Takaful Awards in London in 2009, Best Takaful Company at the Asia Middle East Takaful Summit in Bahrain in 2010 and Best Group Business Operator at the Malaysia Takaful Association Annual Dinner and Awards Night in 2011.

International Operations

The Group has an international presence in 14 countries through a mixture of branches, subsidiaries, an associate company 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 RM76,344.0 million as at 31 December 2010 and RM68,988.0 million as at 30 June 2010 and accounted for 33.6 per cent. and 32.3 per cent. of the Group's total loans and advances as at 31 December 2010 and 30 June 2010, respectively.

Revenue from international operations increased by 13.1 per cent. in the six months ended 31 December 2010 to RM2,098.0 million, compared to RM1,879.9 million in the previous six months ended 31 December 2009, contributing 33.0 per cent. of the Group's total revenues for that six-month period. Profit before taxation and zakat contribution from international operations stood at 27.6 per cent. in the six months ended 31 December 2010. Loans recorded a growth of approximately 10.5 per cent. from 30 June 2010 to RM76,344.0 million as at 31 December 2010 and accounted for 33.6 per cent. of the Group's total loans and advances as at that date, with the Singapore Branch accounting for 59.6 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 32 offsite ATMs. As at 31 December 2010, Maybank Singapore accounted for 20.0 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 only eight foreign banks in Singapore accorded with the Qualifying Full Bank (**QFB**) status. Maybank Singapore together with these eight QFBs launched Singapore's first and to-date only shared ATM network with a combined reach of more than 140 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 31 December 2010 and 30 June 2010, the Issuer's deposit base in Singapore was divided into fixed deposits (76.5 per cent. and 78.0 per cent., respectively), savings deposits (12.5 per cent. and 11.9 per cent., respectively) and demand deposits (11.0 per cent. and 10.1 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 31 December 2010, BII accounted for 7.7 per cent. of the Group's total loans and advances. BII has a sizeable network of 327 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 31 December 2010 and 30 June 2010, BII's deposit base in Indonesia was divided into fixed deposits (60.0 per cent. and 59.0 per cent., respectively), savings deposits (23.0 per cent. and 24.0 per cent., respectively) and demand deposits (unchanged at 17 per cent.). 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 December 2010, MPI has 50 branches in the Philippines with 24 in Metro Manila and 26 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 December 2010, the Issuer had nine branches operating country-wide in Cambodia and the Issuer aims to add two additional branches 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 15.3.2 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 December 2010, MIB is the largest domestic Islamic bank in Malaysia by asset size of RM47.5 billion. MIB's products and services are available at its 12 dedicated branches as well as at the Issuer's 380 branches and the various distribution channels in Malaysia.

MIB comprises MIB Consumer Banking and MIB Business Banking.

- **MIB Consumer Banking**

  MIB Consumer Banking division remains the core business segment and major contributor to MIB. As at 31 December 2010, MIB Consumer Banking division contributed approximately 70.0 per cent. of MIB's total financing.

  MIB Consumer Banking division comprises mainly the following portfolio - automobile financing, mortgage financing, retail and personal financing, small business financing and wealth management.

  MIB's strong market presence is made possible by its ability to leverage on the cross-selling of its products and services. In addition, MIB is able to reach its domestic customer base through the Group's extensive branch network and ATMs, M2U and telephone banking.

As at 31 December 2010, automobile financing accounted for the largest component of MIB's Consumer Banking portfolio with approximately 51.1 per cent. of MIB's total consumer portfolio. 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 facilities for new buyers and refinancing purposes, securing a share of 19.5 per cent. as at 31 December 2010. House financing accounted for 86.8 per cent. of mortgage financing as at 31 December 2010.

The Islamic Credit Card continues to record positive growth, achieving 19.3 per cent. market share of the Islamic Banking industry and contributed to 6.1 per cent. of the Group's cards receivables as at 31 December 2010.

Islamic wealth management represents a potential area of growth in MIB Consumer Banking to further diversify the Group's revenue stream. MIB has introduced a selected range of Shariah-compliant wealth management products which are distributed directly by MIB as well as by branches of the Issuer. It managed to obtain RM423.4 million AuM due to underpinning demand from its Muslim and non-Muslim retail customers and institutional investors. In addition, wealth management services provided by MIB also include Shariah compliant products such as wasiat, hibah and waqf.

- **MIB Business Banking**

MIB Business Banking segment accounted for approximately 30.0 per cent. of MIB financing portfolio as at 31 December 2010. Key MIB Business Banking portfolios are cashline and short-term revolving credit (overdraft), term financing, trade financing, club deal and syndication financing and foreign currency financing.

As at 31 December 2010, MIB captured strong market shares in Malaysia for selected MIB Business Banking portfolio of term financing (18.9 per cent.), cashline (52.0 per cent.) and trade financing (36.5 per cent.). MIB continues to focus on developing its foreign currency portfolio to cater for the growing demand of Malaysian businesses venturing abroad as well as in support of the Government's Malaysia International Islamic Financial Centre ("**MIFC**") initiative to promote Malaysia as a major hub for international Islamic finance.

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 Bancatakaful Operator	2011
Malaysia Takaful Association Annual Dinner and Awards Night	Best Group Business Operator	2011
The Asian Banker International Excellence in Retail Financial Services Awards	Best Retail Bank in Malaysia Best Deposit and Liability Business	2011
Euromoney Awards	Best Private Banking Services Overall in Malaysia	2011
Association of Accredited Advertising Agents Malaysia/Malaysia's Most Valuable Brands - Putra Brand Awards 2011. The People's Choice	Finance Gold Award: Maybank	2011

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

Awarded By	Description of Award/Accolade	Year
Asian Banker Excellence in Retail Financial Services Awards	Best Improved Retail Bank in Asia for 2009	2009
	Excellence in Employee Engagement for Asia Pacific	2010
	Central Asia and Gulf Regions (Maybank Singapore)	2010
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	2009
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 June 2010:

Subsidiaries

Name	Business	Effective Interest (%)
Banking		
Maybank Islamic Berhad	Islamic banking	100.0
PT Bank Maybank Syariah Indonesia (f.k.a PT Bank Maybank Indocorp)[1]	Islamic banking	96.8
Maybank International (L) Ltd	Offshore banking	100.0
Maybank (PNG) Limited	Banking	100.0
Maybank Philippines, Incorporated	Banking	99.97
PT Bank Internasional Indonesia Tbk	Banking	97.5

Name	Business	Effective Interest (%)
Finance		
Myfin Berhad	Ceased operations	100.0
Aseamlease Berhad	Leasing	100.0
Mayban Allied Credit & Leasing Sdn Bhd	Financing	100.0
PT BII Finance Centre	Multi-financing	97.5
PT Wahana Ottomitra Multiartha Tbk	Multi-financing	48.8
Insurance		
Mayban Ageas Holdings Berhad (f.k.a Mayban Fortis Holdings Berhad)[(3)]	Investment holding	69.05
Mayban Life Assurance Bhd[(4)]	Life insurance	69.05
Etiqa Life International (L) Ltd	Offshore investment - linked insurance	69.05
Sri MGAB Berhad	Under members' voluntary liquidation	69.05
Etiqa Insurance Berhad	Composite insurance	69.05
Etiqa Takaful Berhad	Family & general takaful	69.05
Etiqa Offshore Insurance (L) Ltd	Offshore general reinsurance	69.05
Etiqa International Holdings Sdn Bhd	Investment holding	100.0
Investment Banking		
Maybank Investment Bank Berhad	Investment banking	100.0
Mayban IB Holdings Sdn Bhd (f.k.a Aseam Credit Sdn Bhd)[(2)]	Investment holding	100.0
Maysec Sdn Bhd	Investment holding	100.0
Maysec (KL) Sdn Bhd	Dormant	100.0
Maydis Berhad[(5)]	Dormant	100.0
Mayban Futures Sdn Bhd	Dormant	100.0
Mayban Securities (HK) Limited	Dormant	100.0
Mayban Securities (Jersey) Limited	Investment holding	100.0
PhileoAllied Securities (Philippines) Inc	Dormant	100.0
Budaya Tegas Sdn Bhd[(6)]	Investment holding	100.0
BinaFikir Sdn Bhd	Business/Economic consultancy and advisory	100.0
Asset Management/Trustees/Custody		
Mayban Indonesia Berhad	Dormant	100.0
Cekap Mentari Berhad	Securities issuer	100.0
Mayban International Trust (Labuan) Berhad	Investment holding	100.0
Mayban Offshore Corporate Services (Labuan) Sdn Bhd	Investment holding	100.0
Mayban Trustees Berhad	Trustee services	100.0
Mayban Ventures Sdn Bhd	Venture capital	100.0
Mayban-JAIC Capital Management Sdn Bhd	Investment advisory and administration services	51.0

Name	Business	Effective Interest (%)
Mayban Investment Management Sdn Bhd	Fund management	69.05
Philmay Property, Inc	Property leasing and trading	60.0
Mayban (Nominees) Sendirian Berhad	Nominee services	100.0
Mayban Nominees (Tempatan) Sdn Bhd	Nominee services	100.0
Mayban Nominees (Asing) Sdn Bhd	Nominee services	100.0
Mayban Nominees (Singapore) Private Limited	Nominee services	100.0
Mayban Nominees (Hong Kong) Limited	Nominee services	100.0
Aseam Malaysia Nominees (Tempatan) Sdn Bhd	Nominee services	100.0
Aseam Malaysia Nominees (Asing) Sdn Bhd(7)	Nominee services	100.0
Mayfin Nominees (Tempatan) Sdn Bhd(8)	Under members' voluntary liquidation	100.0
Mayban Securities Nominees (Tempatan) Sdn Bhd	Nominee services	100.0
Mayban Securities Nominees (Asing) Sdn Bhd	Nominee services	100.0
AFMB Nominees (Tempatan) Sdn Bhd	Under members' voluntary liquidation	100.0
Mayban Allied Berhad	Investment holding	100.0
Anfin Berhad	Under members' voluntary liquidation	100.0
Dourado Tora Holdings Sdn Bhd(9)	Dormant	100.0
Maysec (Ipoh) Sdn Bhd(10)	Dormant	100.0
Aurea Lakra Holdings Sdn Bhd(11)	Property investment	100.0
Mayban Property (PNG) Limited	Property investment	100.0
Mayban International Trust (Labuan) Ltd	Trustee services	100.0
MNI Holdings Berhad	Under members' voluntary liquidation	69.05
KBB Nominees (Tempatan) Sdn Bhd	Nominee services	100.0
KBB Properties Sdn Bhd	Ceased operations	100.0
Sri MTB Berhad	Under members' voluntary liquidation	69.05
Etiqa 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	100.0
PT Prosperindo(12)	Investment holding	100.0

Associated companies

Name	**Business**	**Effective Interest (%)**
UzbekLeasing International AO	Leasing	35.0
Philmay Holding, Inc	Investment holding	33.0
Pelaburan Hartanah Nasional Berhad	Property trust	30.0
Mayban Agro Fund Sdn Bhd	Fund specific purpose vehicle	33.3
Mayban Venture Capital Company Sdn Bhd	Venture capital	33.3
An Binh Commercial Joint Stock Bank	Banking	20.0
Baiduri Securities Sdn Bhd	Under members' voluntary liquidation	39.0
Pak-Kuwait Takaful Company Limited	Investment holding	22.4
MCB Bank Limited	Banking	20.0
Maybank JAIC Management Ltd	Fund management	50.0
Asian Forum Inc	Offshore captive insurance	23.0
Maybank MEACP Pte Ltd	Fund management	50.0

Notes:

(1) On 23 September 2010, PT Bank Maybank Indocorp ("**BMI**") changed its name to PT Bank Maybank Syariah Indonesia and BMI business activities have been converted from conventional banking to Syariah banking.

(2) On 19 January 2011, Aseam Credit Sdn Bhd changed its name to Mayban IB Holdings Sdn Bhd and Aseam Credit Sdn Bhd's principal activities have been changed from being a dormant company to an investment holding company.

(3) On 27 January 2011, Mayban Fortis Holdings Berhad changed its name to Mayban Ageas Holdings Berhad.

(4) On 1 November 2010, Mayban Life Assurance Bhd ("**MLA**") transferred its business to Etiqa Insurance Berhad under a scheme made pursuant to Part XI of the Insurance Act 1996. Following the completion of the business transferred, MLA no longer operates as a life insurance company.

(5) Maydis Berhad is under member's voluntary liquidation with effect from 10 December 2010.

(6) Budaya Tegas Sdn Bhd is under member's voluntary liquidation with effect from 16 February 2011.

(7) Aseam Malaysia Nominees (Asing) Sdn Bhd is under member's voluntary liquidation with effect from 10 December 2010.

(8) Mayfin Nominees (Tempatan) Sdn Bhd was dissolved on 29 September 2010.

(9) On 11 November 2010, Mayban Allied Property Holdings Sdn Bhd changed its name to Dourado Tora holdings Sdn Bhd.

(10) Maysec (Ipoh) Sdn Bhd is under member's voluntary liquidation with effect from 10 December 2010.

(11) On 10 November 2010, Mayban P.B Holdings Sdn Bhd changed its name to Aurea Lakra Holdings Sdn Bhd.

(12) PT Prosperindo, an indirect subsidiary of Maybank was incorporated in Indonesia on 1 December 2010 as an investment holding company.

New Subsidiary

Kim Eng Holdings Limited, an investment holding company, is a subsidiary of Mayban IB Holdings with effect from 10 May 2011. The principal activities of its subsidiaries and associated companies consist of stockbroking, futures broking, investment advisory, provision of corporation finance services, margin financing, money lending, fund management, provision of nominee and fiduciary services, investment holding, property investment and real estate development.

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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 51.2 per cent., 22.0 per cent. and 16.7 per cent., of total deposits, respectively, as at 31 December 2010 and 51.4 per cent., 21.7 per cent. and 16.5 per cent., of total deposits respectively as at 30 June 2010. The Issuer is able to maintain stable growth in deposits through its large branch network and leading domestic market position. As at 30 June 2010 and 31 December 2010, 72.2 per cent. and 75.3 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 31 December 2010 and 30 June 2010, 51.6 per cent. and 51.9 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 Domestic Deposits by Type

	Unaudited		**Audited**	
	As at 31 December		**As at 30 June**	
	2009	**2010**	**2009**	**2010**
	RM million	*RM million*	*RM million*	*RM million*
Fixed and NID	93,396	93,639	87,894	90,180
Demand	38,147	40,243	35,709	38,085
Savings	28,533	30,453	26,554	28,860
Money Market	15,738	16,135	11,119	16,176
Structured	2,300	2,403	2,177	2,079
Total	**178,114**	**182,873**	**163,453**	**175,380**

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 31 December 2010 and 30 June 2010, the Issuer's core capital ratio before deducting applicable dividends for the six month period ended 31 December 2010 and for the financial year ended 30 June 2010 (the ratio of Tier 1 capital to risk-weighted assets) was 13.8 per cent. and 15.0 per cent. (Issuer) respectively and 12.0 per cent. and 11.1 per cent. (the Group) respectively and RWCR (the ratio of total capital to risk-weighted assets) was 13.8 per cent. and 15.0 per cent. (Issuer) respectively and 14.3 per cent. and 14.7 per cent. (the Group) respectively, which are well above the minimum requirements of BNM of 8.0 per cent. 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 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 31 December 2009, 31 December 2010, 30 June 2009 and 30 June 2010.

	Unaudited As at 31 December		Audited As at 30 June	
	2009	**2010**	**2009**	**2010**
Without deducting proposed dividends[1]				
Core capital ratio	11.00%	11.95%	11.00%	11.06%
Risk-weighted capital ratio	14.86%	14.31%	14.99%	14.67%
After deducting proposed dividends				
Core capital ratio	10.76%	-	10.81%	-
- full electable portion paid in cash	-	11.29%	-	10.10%
- full electable portion reinvested	-	11.85%	-	10.97%
Risk-weighted capital ratio	14.61%	-	14.81%	-
- full electable portion paid in cash	-	13.66%	-	13.71%
- full electable portion reinvested	-	14.21%	-	14.58%

Breakdown of capital base in the various categories of capital:

	Unaudited As at 31 December		Audited As at 30 June	
	2009	**2010**	**2009**	**2010**
	(RM million)	*(RM million)*	*(RM million)*	*(RM million)*
Tier 1 capital				
Paid-up share capital	7,078	7,322	7,078	7,078
Share Premium	5,903	7,539	5,902	5,903
Other Reserves	12,329	13,390	11,310	13,814
Capital Securities	6,055	6,021	6,047	5,979
Less: Deferred tax assets	(1,481)	(1,868)	(1,493)	(1,565)
Less: Goodwill	(3,963)	(4,154)	(3,963)	(4,154)
Total Tier 1 capital	**25,921**	**28,250**	**24,881**	**27,055**
Tier 2 capital				
Subordinated obligations	8,629	7,024	8,653	8,069
General allowances for bad and doubtful debts and financing	3,779	706	3,726	3,838
Surplus of total EP over total EL[2]	-	787	-	-
Total Tier 2 capital	**12,408**	**8,517**	**12,379**	**11,907**
Less: Investment in subsidiaries and associates	(3,308)	(2,929)	(3,343)	(3,065)
Less: Other deductions	(15)	(3)	-	(18)
Total capital base	**35,006**	**33,835**	**33,917**	**35,879**

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

	Unaudited As at 31 December		Audited As at 30 June	
	2009	**2010**	**2009**	**2010**
	(RM million)	*(RM million)*	*(RM million)*	*(RM million)*
Basel I				
0%	46,618	-	35,034	47,976
10%	988	-	363	359
20%	31,555	-	28,968	34,064
50%	35,754	-	33,249	36,259
100%	180,331	-	170,960	192,475
Total principal amount	295,246	-	268,574	311,133
Total risk-weighted assets for credit risk	204,618	-	193,414	217,454
Total risk weighted assets for market risk	30,941	-	32,701	27,081
Total risk-weighted assets for credit and market risk	235,559	-	226,115	244,535
Basel II				
Standardised Approach exposure	-	57,165	-	-
IRB Approach exposure after scaling factor	-	131,183	-	-
Total risk-weighted assets for credit risk	-	188,348	-	-
Total risk weighted assets for market risk	-	24,647	-	-
Total risk weighted assets for operational risk	-	23,498	-	-
Total risk-weighted assets	-	236,493	-	-

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 33.6 per cent. and 32.3 per cent. of its total loans portfolio as at 31 December 2010 and 30 June 2010 respectively (33.2 per cent. and 32.8 per cent. as at 31 December 2009 and 30 June 2009 respectively), are made to customers and institutions outside Malaysia.

As at 31 December 2010 and 30 June 2010, the Group's total gross outstanding loans were RM227.5 billion and RM213.3 billion respectively, which represented 63.6 per cent. and 63.3 per cent. respectively of the Group's total consolidated assets (RM203.0 billion and 61.4 per cent. as at 31 December 2009 and RM193.4 billion and 62.2 per cent. as at 30 June 2009).

The composition of Group loan portfolio as at 31 December 2009, 31 December 2010, 30 June 2009 and 30 June 2010 is set out below.

Loans, Advances and Financing by Type

	Unaudited As at 31 December				**Audited As at 30 June**			
	2009		**2010**		**2009**		**2010**	
	(RM million)	*(%)*	*(RM million)*	*(%)*	*(RM million)*	*(%)*	*(RM million)*	*(%)*
Overdrafts	15,495	7.63	15,747	6.92	14,493	7.50	15,394	7.22
Term loan								
- Housing loans/financing	36,046	17.76	38,536	16.94	33,538	17.34	36,294	17.02
- Syndicated loans/financing	12,844	6.33	15,884	6.98	12,407	6.42	13,054	6.12
- Hire purchase receivables	39,319	19.37	43,654	19.18	38,051	19.68	40,749	19.11
- Lease receivables	3	0.00	3	0.00	3	0.00	3	0.00
- Other loans/financing	65,047	32.05	84,896	37.31	56,782	29.37	74,265	34.82
Credit card receivables	4,662	2.30	5,315	2.34	4,284	2.21	4,973	2.33
Bills receivables	2,102	1.04	3,435	1.51	2,294	1.19	2,289	1.07
Trust receipts	2,198	1.08	2,020	0.89	2,082	1.08	2,251	1.06
Claims on customer under acceptance credits	9,790	4.81	10,554	4.64	11,129	5.76	10,317	4.84
Loans/financing to banks and other financial institutions	9,009	4.44	6,401	2.81	10,171	5.26	10,407	4.88
Revolving credits	20,351	10.03	21,230	9.33	20,228	10.46	20,853	9.78
Staff loans	1,555	0.77	1,818	0.80	1,461	0.75	1,636	0.77
Loans to:								
- Executive directors of subsidiaries	2	0.00	9	0.00	2	0.00	1	0.00
- Others	525	0.26	399	0.18	489	0.25	348	0.16
	218,948	107.87	249,901	109.83	207,414	107.27	232,834	109.18
Unearned interest and income	(15,968)	(7.87)	(22,357)	(9.83)	(14,051)	(7.27)	(19,575)	(9.18)
Gross loans, advances and financing	202,980	100.00	227,544	100.00	193,363	100.00	213,259	100.00
Allowances for bad and doubtful debts/financing								
- Specific	(4,076)	-	-	-	(3,854)	-	(3,865)	-
- General	(3,779)	-	-	-	(3,726)	-	(3,839)	-
- Individual	-	-	(3,421)	-	-	-	-	-
- Collective	-	-	(4,703)	-	-	-	-	-
Net loans, advances and financing	**195,125**	-	**219,420**	-	**185,783**	-	**205,555**	-

Loans, Advances and Financing by Domestic and Overseas Operations

	Audited As at 30 June			
	2009		**2010**	
	(RM million)	*(%)*	*(RM million)*	*(%)*
Domestic operations				
Purchase of securities	11,437	5.91	14,705	6.90
Purchase of transport vehicles	19,844	10.26	22,457	10.53
- Less: Islamic transport vehicles sold to Cagamas	(268)	(0.14)	(1,137)	(0.53)
Purchase of landed properties				
- Residential	24,649	12.75	26,284	12.32
- Non-residential	6,493	3.36	7,309	3.43
- Less: Islamic housing loans sold to Cagamas	(315)	(0.16)	-	0.00
Purchase of fixed assets	3	0.00	2	0.00
Personal use	3,783	1.96	4,586	2.15
Credit card	3,557	1.84	4,125	1.93
Purchase of consumer durables	16	0.00	7	0.00
Construction	6,300	3.26	6,707	3.15
Working Capital	51,006	26.38	56,857	26.66
Others	3,439	1.78	2,369	1.11
	129,944	67.20	144,271	67.65
Overseas operations				
Singapore	39,270	20.31	40,589	19.03
Labuan Offshore	3,128	1.62	3,269	1.53
United States of America	1,339	0.69	753	0.35
United Kingdom	1,281	0.66	995	0.47
Hong Kong SAR	2,892	1.50	3,069	1.44
Brunei	131	0.07	158	0.07
Vietnam	548	0.28	481	0.23
Cambodia	303	0.16	271	0.13
People's Republic of China	969	0.50	1,018	0.48
Bahrain	281	0.15	237	0.11
Papua New Guinea	66	0.03	76	0.04
Philippines	793	0.41	970	0.45
Indonesia	12,418	6.42	17,102	8.02
	63,419	32.80	68,988	32.35
Gross loans, advances and financing	**193,363**	**100.00**	**213,259**	**100.00**

Working Capital

The Group's largest concentration of loans, as at 30 June 2010, was to the businesses and individuals for the purpose of working capital (capital used to facilitate daily business undertakings or transactions) comprising 39.4 per cent. of its total domestic loans.

Purchase of Residential Property

The second largest concentration of the Group's domestic loans, as at 30 June 2010, was for purchase of landed properties for residential purposes comprising 18.2 per cent. of its total domestic loans. The Group retains its strategy of maintaining housing loans as a core product to provide the Group with both annuity income and opportunities for product bundling and cross-selling. Loans for this purpose are to individuals and are secured by charges on the properties being financed.

Overseas Loans

As at 30 June 2010, overseas loans constituted 32.3 per cent. of the Group's total loan portfolio (32.8 per cent. as at 30 June 2009). 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.

9.2 Loan Maturity Profile

As at 30 June 2010, loans maturing in less than one year constituted 32.5 per cent. of the Group's gross loans, 8.8 per cent. of gross loans had maturities of one to three years, 8.9 per cent. of gross loans had maturities of three to five years and 49.8 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 June 2009 and 30 June 2010:

	Audited As at 30 June			
Loan maturity	**2009**		**2010**	
	(RM million)	*(%)*	*(RM million)*	*(%)*
Due within one year	63,416	32.80	69,371	32.53
One to three years	20,379	10.54	18,692	8.77
Three to five years	19,353	10.00	18,942	8.88
Over five years	90,215	46.66	106,254	49.82
Gross loans, advances and financing	**193,363**	**100.00**	**213,259**	**100.00**

9.3 Impact 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. (2.0 per cent. as at 30 June 2009). The Group's internal policies provide a general allowance based on a percentage of risk-weighted assets for credit risk, which is more prudent and, as at 30 June 2010, the Group's general allowance was equal to 1.8 per cent. of total risk-weighted assets for credit risk (1.9 per cent. as at 30 June 2009).

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 and relevant economic data.

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 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 NPLs 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 NPLs are secured against real property, there will be a partial write-off of the NPL. Secured NPLs 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 31 December 2010 and 30 June 2010, the Group's Net Impaired Loan/NPLs was RM6,179.2 million and RM2,321.5 million respectively (RM2,592.6 million and RM2,861.2 million as at 31 December 2009 and 30 June 2009 respectively), the ratio of Net Impaired Loans to total loans was 2.7 per cent. and 1.1 per cent. for the corresponding periods (1.3 per cent. and 1.5 per cent. as at 31 December 2009 and 30 June 2009 respectively).

Based on BNM statistics as at 31 December 2010 and 30 June 2010, the Net NPL ratio for the banking system was 2.0 per cent. and 2.2 per cent. respectively (1.8 per cent. and 2.2 per cent. as at 31 December 2009 and 30 June 2009 respectively).

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 31 December		**As at 30 June**	
	2009	**2010**	**2009**	**2010**
	(RM million)	*(RM million)*	*(RM million)*	*(RM million)*
Gross loans, advances and financing	202,980	227,544	193,363	213,259
Add: Islamic financing sold to Cagamas	753	995	583	1,137
Gross loans, advances and financing including loans sold to Cagamas	203,733	228,539	193,946	214,396
Less: Specific Provision /Individual Allowance	4,076	3,421	3,854	3,865
Net loans, advances and financing including loans sold to Cagamas	199,657	225,118	190,092	210,531
Non-performing loans/Impaired loans	6,669	9,601	6,715	6,186
Net Non-performing loans /Net Impaired loans	2,593	6,179	2,861	2,321
Allowance for bad and doubtful debts[(1)]	7,856	8,124	7,580	7,703
Ratios				
Net Non-performing loans/Impaired loans -Pre FRS 139	1.30%	-	1.51%	1.10%
Net Non-performing loans/Impaired loans -Post FRS 139	-	2.74%	-	-
Allowance for bad and doubtful debts - Pre FRS 139	117.80%	-	112.88%	124.52%
Allowance for bad and doubtful debts - Post FRS 139	-	84.62%	-	-

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, 80.8 per cent. and 82.9 per cent. of the total Impaired Loans/NPLs of the Issuer as of 31 December 2010 and 30 June 2010, respectively (85.4 per cent. and 84.7 per cent. as at 31 December 2009 and 30 June 2009 respectively).

Impaired Loans/NPLs in the construction, housing and capital purpose comprised 9.4 per cent., 33.7 per cent. and 43.0 per cent., respectively, of total domestic Impaired Loans/NPLs as of 30 June 2010 (8.1 per cent., 34.4 per cent. and 42.1 per cent. respectively, as at 30 June 2009).

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 31 December 2010 and 30 June 2010, the Group's HfT securities constituted 1.8 per cent. and 0.8 per cent., respectively, of its total assets. The Group's HfT portfolio as at 31 December 2010 comprised mainly of BNM Monetary Notes (41.7 per cent.) and unquoted securities (28.3 per cent.).

Securities AfS

The AfS portfolio covers the holding of approved securities that are not classified as held-for-trading or held-to-maturity ("**HtM**") 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 31 December 2010 and 30 June 2010, AfS securities constituted 12.9 per cent. and 12.6 per cent., respectively, of the Group's total assets. The Group's AfS portfolio as at 31 December 2010 mainly consisted of Foreign Government Securities (13.8 per cent.), Malaysian Government Investment Issues (13.1 per cent.) and unquoted securities (39.5 per cent.).

Securities 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 31 December 2010 and 30 June 2010, HtM securities constituted 2.6 per cent. and 2.7 per cent., respectively, of the Group's total assets. The Group's HtM portfolio as at 31 December 2010 mainly consisted of Malaysian Government Securities (66.7 per cent.) and unquoted securities (19.2 per cent.).

The following tables set out the Group's securities portfolio as at 30 June 2009, 30 June 2010, 31 December 2009 and 31 December 2010.

	As at 31 December		As at 30 June	
	2009	**2010**	**2009**	**2010**
	(RM million)	*(RM million)*	*(RM million)*	*(RM million)*
Securities Held-For-Trading				
At Fair value				
Money market instruments:				
Malaysian Government Securities	64	268	500	683
Malaysian Government Treasury Bills	73	26	61	105
Malaysian Government Investment Issues	30	51	167	155
Bank Negara Malaysia Bills and Notes	-	-	-	347
Khazanah Bonds	5	-	-	41
Bank Negara Malaysia Monetary Notes	444	605	145	2,734
Foreign Government Treasury Bills	-	509	121	-
Foreign Government Securities	5	91	38	316
Foreign Certificate of Deposits	219	228	246	259
Sukuk Ijarah Bonds	-	70	-	50
	840	1,848	1,278	4,690
Quoted securities:				
Shares	28	23	28	12
	28	23	28	12

	As at 31 December		As at 30 June	
	2009	2010	2009	2010
	(RM million)	*(RM million)*	*(RM million)*	*(RM million)*
Unquoted securities:				
Islamic Private Debt Securities in Malaysia	333	595	1,246	641
Foreign Government Bonds	-	-	-	116
Foreign Private Debt Securities	288	185	412	1,099
	621	780	1,658	1,856
Total Securities held-for-trading	**1,489**	**2,651**	**2,964**	**6,558**
<u>Securities Available-For-Sale</u>				
At fair value, or at cost less impairment losses for certain unquoted equity instruments				
Money market instruments:				
Malaysian Government Securities	8,001	5,285	5,748	5,614
Sukuk BNM Ijarah	-	-	-	30
Cagamas Bonds	289	1,978	352	1,514
Foreign Government Securities	7,602	7,357	7,951	6,341
Malaysian Government Investment Issues	8,128	5,655	6,281	6,008
Foreign Government Treasury Bills	556	2,489	1,533	4,386
Negotiable Instruments of Deposits	1,777	1,305	2,035	476
Bankers' Acceptance and Islamic Accepted Bills	3,070	1,105	3,984	1,920
Khazanah Bonds	829	831	987	968
Bank Negara Malaysia Monetary Notes	50	100	-	100
Malaysian Government Treasury Bills	10	-	-	-
	30,312	26,105	28,871	27,357
Quoted securities:				
In Malaysia				
Shares, Warrants, Trust Units and Loan Stocks	386	408	421	386
Outside Malaysia				
Shares, Warrants, Trust Units and Loan Stocks	98	82	103	91
	484	490	524	477
Unquoted securities:				
Shares, Trust Units and Load Stocks in Malaysia	691	701	695	587
Shares, Trust Units and Load Stocks outside Malaysia	39	27	34	28
Islamic Private Debt Securities in Malaysia	11,016	9,925	10,964	9,782
Malaysian Government Bonds	162	144	156	140
Foreign Government Bonds	81	110	83	1,552
Foreign Islamic Private Debt Securities	4,866	4,714	4,826	5,639

	As at 31 December		As at 30 June	
	2009	**2010**	**2009**	**2010**
	(RM million)	*(RM million)*	*(RM million)*	*(RM million)*
Credit Linked Notes	226	152	217	75
Malaysia Global Sukuk	-	208	-	350
	17,081	15,981	16,975	18,153
Total Securities available-for-sale	**47,877**	**42,576**	**46,370**	**45,987**
Securities Held-To-Maturity				
At Amortised cost				
Money market instruments:				
Malaysian Government Securities	6,263	6,237	6,251	6,223
Cagamas Bonds	13	12	12	12
Foreign Government Securities	444	824	736	793
Malaysian Government Investment Issues/Certificates	513	527	528	527
Khazanah Bonds	-	17	16	17
	7,233	7,617	7,543	7,572
Unquoted securities:				
Islamic Private Debt Securities in Malaysia	495	954	925	1,339
Malaysian Government Bonds	8	7	7	6
Foreign Government Bonds	-	-	446	24
Foreign Islamic Private Debt Securities	641	395	-	424
Others	2	2	2	2
	1,146	1,358	1,380	1,795
Accumulated impairment losses	(18)	(32)	(31)	(32)
Total Securities held-to-maturity	8,361	8,943	8,892	9,335
Total Securities Portfolio	**57,727**	**54,170**	**58,226**	**61,880**

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10.0 RISK MANAGEMENT

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**").

At the executive level, risk matters are managed by the Executive Risk Committee ("**ERC**") and the Asset and Liability Management Committee ("**ALCO**"). The Group Management Credit Committee ("**GMCC**") is responsible for approval of large credit transactions.

The risk management departments of the Group comprises the Credit Risk Management Unit ("**CRM**") reporting to the Chief Credit Officer, and the Market Risk Management Unit ("**MRM**") and the Operational Risk Management Unit ("**ORM**") and the Governance and Risk Aggregation Unit, all reporting to the Chief Risk Officer. The Chief Credit Officer and Chief Risk Officer report to the Group Chief Risk Officer.

While risk taking units have the primary responsibility for managing specific risks assumed by them, risk management provides the central resource for developing tools and methodologies for the identification, assessment, quantification, aggregation, monitoring and control of risks taken by the Group as a whole.

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 Initiatives under Basel II

Credit risk initiatives under the Basel II programme have been a major catalyst and contributor to the enhancement of risk management practices within the Group, further embedding the risk culture and best practice methodologies in Group operations. BNM has approved the Issuer and MIB to migrate fully to the Basel II Internal Ratings-Based ("**IRB**") approach for credit risk from 1 July 2010. The Group has built the required infrastructure to support these Basel II initiatives, which include the following:

- The "retail IRB segmentation project" that provides the framework for the calculation of the Group retail portfolio's minimum capital requirement. This project entails the development of models for probability of default, exposure at default and loss given default. It could provide for potential regulatory capital reduction, which results in capital savings and consequently allows for more business growth opportunity. It can be used as a business tool to optimise approval processes, collection efforts and limit setting;

- The "credit risk rating system group-wide implementation project" that has already been completed and implemented group-wide provides a statistically based internal risk rating system for risk grading of corporate and commercial borrowers. For overseas business units, international risk rating scorecards have been developed to complement the domestic credit risk rating system. For retail customers, the Issuer has also completed its IRSS Project, which developed application scorecards for the Issuer's residential mortgage, auto loan and credit card portfolios;

- The "group collateral management system" that automates aggregation of portfolio information on collateral across business and entity lines, which enhances the Group's ability to manage and monitor collateral related risks. It provides a single view of customer and obligor group, collateral values and exposures to the Group;

- The "risk data management solutions project" that provides a seamless integration between risk systems for the development of a consistent approach in management of risk data associated with Basel II, regulatory and management reporting. It ensures compliance with BNM requirements for minimal regulatory capital add-ons; and

- The "group exposure management system" that provides solutions for computing exposures of connected borrower in order to track group exposures on a timely basis. This provides an accurate management reporting on Group exposures in compliance with BNM's GP5, Basel II Risk Concentration Policy and the Issuer's internal policies on exposure and limits.

10.2 Market Risk Management

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.

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.

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), Interest Rate Risk/Rate of Return Risk in the Banking Book and Liquidity Risk.

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.

Liquidity Risk Management Process

Liquidity is the ability of a 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 Issuer 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 Issuer. Market liquidity risk is the risk that a firm cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

The Group's Liquidity Risk Management Framework and leading practices (including Basel III) serves as the guiding principle for the overall management of liquidity risk of the Group. This is supplemented by individual Liquidity Policy Statements at each overseas unit which are customised according to the various regulatory and business requirements of both local and overseas units. For domestic operations, liquidity exposure is managed based on BNM's Liquidity Framework ("**BNM LF**"), which requires applicable entities within the Group to evaluate the timing of cash inflows and outflows for assets, liabilities and off-balance sheet commitments based on contractual and behavioural maturity profiles in different currencies. In addition, at the Group level, the liquidity positions are monitored regularly against the established policies, procedures and limits.

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. Based on observed data, the Issuer's most actively traded currencies include U.S. Dollars, Singapore Dollars, Hong Kong Dollars, Pound Sterling, Euro, Japanese Yen, Chinese Renminbi and Australian Dollars. 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.

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 is inherent in all activities undertaken by the Group and such risk cannot be entirely eliminated. In managing its operational risk, the Group strives to adopt the best industry practices, meet regulatory requirements and enhance shareholder value.

Under the Group's broad principles for the management of risks, risk-taking units (business/support units) are primarily responsible for the day-to-day management of operational risks inherent in their business activities. Operational Risk Management is responsible for the formulation and implementation of operational risk management framework, developing and implementing various operational risk management tools and methodologies to identify, measure, monitor and control operational risks.

Operational Risk Measurement and Monitoring

The key methods and tools used to measure and monitor operational risks are as follows:

Risk & Control Self Assessment ("RCSA")

RCSA is a process of continual assessment of inherent operational risks and controls to identify control gaps and to develop action plans to close the gaps. It is a risk profiling tool that facilitates effective operational risk management for the Group. Business/Support units ("**BSU**") undertake the RCSA exercise to give due focus in the review of business processes to enhance critical operations and controls, especially those assessed to be in the 'Caution' and 'Alert' categories. The sector level risk profiling exercises are compiled to establish the Group Operational Risk Profile on a half-yearly basis. The consolidated risk profile is presented to the ERC and RMC.

Key Risk Indicators ("KRIs")

KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/monitoring. The BSU monitor their risk exposures via KRIs and are required to develop specific and concrete action plans for those indicators that fall under ‘Caution’ and ‘Alert’. The ORM assists the BSU to develop and validate the KRIs to ensure appropriate thresholds are set. KRIs are tracked at Group, Business and Operating levels. The main source of KRIs are from the periodic RCSA process, IMDC database, BSU experiences, internal/external audit findings and BNM examination findings.

Incident Management & Data Collection (“IMDC”)

IMDC provides a structured process and system to identify and focus attention on operational ‘hotspots’ and facilitates the minimisation of risk impact. With the implementation of the IMDC and the availability of a centralised operational risk loss database, the ORM and BSU are able to analyse operational incidents based on causal factors as well as Basel II loss event types and identify ‘operational hotspots’ for appropriate action plans to address the critical areas.

Risk Mitigation And Control

Risk Mitigation tools and techniques are used to minimise risk to an acceptable level and are focused on:

- decreasing the likelihood of an undesirable event occurring; and
- decreasing the impact on the business, should it occur.

The control tools and techniques to mitigate operational risk are as follows:

Business Continuity Management (“BCM”)

The Group BCM Programme, which commenced in August 2004, aims to ensure business continuity and people safety in the event of disruptions or disaster. The programme covers the implementation of various BCM initiatives that have been developed in line with BNM’s requirements and best BCM practices. Under BCM implementation, Business Continuity Plans (“**BCP**”) have been developed for all critical sectors, including subsidiaries and overseas branches. To coordinate the crisis escalation procedures and recovery efforts, the Group has established the BCM Command Centre and Recovery Centres. By having a proper BCM Programme in place, the Group is able to respond effectively and in a structured manner in the event of disruptions/disaster, hence ensuring the Group’s business continuity.

Insurance

Insurance programme is another risk mitigation technique aimed at reducing operational risk exposures from ‘low frequency - high severity’ events that are beyond the Group’s control. The Group has put in place a risk-based insurance management framework to enable the following:

- Implement and monitor the Group’s insurance programme as a risk mitigation technique in a coordinated and consistent manner.
- Minimise operational losses to the Group, particularly for low likelihood events with high impact.
- Enable a structured and consistent review in the scope and adequacy of the Group’s insurance programme.
- Reduce the risk to an acceptable level based on the Group’s risk appetite.

Outsourcing

Outsourcing is a technique used by the Group mainly to reduce fixed and/or current expenditure and to concentrate on the Group's core businesses with a view to enhance operational efficiency. For effective operational risk management, a Group Outsourcing Policy, designed in accordance with local regulatory requirements and international leading practices, has been put in place. All new outsource services introduced are subject to rigorous risk review by the risk taking unit proposing the outsourcing service and independent risk review by Operational Risk Management.

Continuous review, monitoring and reporting to the ERC and RMC are also carried out by Operational Risk Management to ensure the integrity and service quality of the service providers are not compromised.

Fraud Reporting Hotline

The Fraud Reporting Policy provides all employees of the Group a framework and avenue to report actual or suspected misconduct or violations of the Group's policies and regulations in a safe and protected manner. The purpose of implementing a fraud reporting hotline is to promote a culture where it is safe and acceptable for all employees to raise concerns regarding fraud, criminal activities, dishonesty and malpractice committed by another employee via dedicated reporting mechanism.

Fraud Anti Money Laundering Detection Solution ("FADS")

The Group has implemented a Fraud Anti Money Laundering detection solution which analyses an account's trend and behavioural patterns. This solution:

- provides automated tracking processes for the detection of the most probable fraudulent and abnormal transactions;

- facilitates monitoring of such detection to mitigate potential monetary losses on probable fraudulent incidents perpetrated by fraudsters;

- provides timely and effective early detection for immediate actions; and

- provides automated customer profiling from banking activities performed via various channels (such as current accounts, savings accounts, fixed deposits, internet banking and ATM).

With the emplacement of FADS, the Group has been able to reduce losses due to fraudulent transactions. The system facilitated detection of abnormal behaviour in accounts, thereby enabling prompt action taken to curtail possible losses and money laundering activities.

Treatment for Operational Risk Capital Charge

Operational risk capital charge is calculated using the BIA as per the BNM's RWCA Framework.

The Group intends to adopt the SA for operational risk capital charge calculation, subject to BNM's approval. For this purpose, the Group has mapped its business activities into the eight business lines as prescribed by Basel II and the BNM's RWCA Framework. 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 SA.

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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 ("**DFls**") 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 DFls 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 eight 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 March 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
Sreesanthan Eliathamby	Member - non-independent non-executive	26 August 2009

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 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 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.

His current directorships in companies within the Maybank Group include being Chairman of Maybank IB and President Commissioner of PT Bank Internasional Indonesia Tbk. Additionally, he is also a Director of Woodside Petroleum Ltd, a company listed on the Australian Securities Exchange and The ICLIF Leadership and Governance Centre.

Dato' Mohd Salleh 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 Hj Harun was appointed as a Director and Vice Chairman of Maybank on 18 November 2009. He serves as Chairman of the Credit Review Committee of the Board.

His current directorships in companies within the Maybank Group include being Chairman of MAHB, 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 Group Management Credit Committee and as a member of the Credit Review Committee of the Board.

His current directorships in companies within the Maybank Group include as Director of MAHB, Maybank IB 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 Bursa Malaysia Berhad, Perbadanan Usahawan Nasional Berhad, Cagamas Holdings Berhad and ASEAN Finance Corporation Limited.

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

Tan Sri Datuk 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 Committee of the Board.

His current directorships in companies within the Maybank Group include as Director of MIB. He is also Chairman of ICB Islamic Bank Ltd (Bangladesh), Protasco Berhad and 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 Nomination and Remuneration Committee and as a member of the Credit Review, Committee of the Board.

His current directorships in companies within the Maybank Group include as Chairman of MIB. He is also a director of several public listed companies which include PLUS Expressways Berhad, Mutiara Goodyear Development Berhad, SMPC Corporation Berhad, EP Manufacturing Berhad, Opus International Consultants Ltd, MCB Bank Ltd, Pakistan 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.

Within the Maybank Group, he is a Director of Maybank IB 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.

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 and Nomination and Remuneration Committees of the Board.

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, MIB, Maybank International (L) Limited, and Mayban International Trust (L) Ltd. He also serves on the Boards of Lam Soon (M) Berhad, Kesas Holdings Berhad, PNB Asset Management (Japan) Co Ltd, PNB International Limited, PNB-SBI ASEAN Gateway Investment Management Limited and several other private limited companies.

Alister Maitland
Member

Independent Non-Executive Director

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

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

His current directorships in companies within the Maybank Group includes as Chairman of Maybank (PNG) Limited.

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.

His current directorships in companies within the Maybank Group include as Chairman of Mayban Ventures Sdn Bhd, Mayban Ventures Capital Company Sdn Bhd, Mayban Agro Fund Sdn Bhd, as well as Director of Maybank IB.

He is a board member of Kumpulan Wang Persaraan ("**KWAP**") and in 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.

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 MAHB, Etiqa Insurance Berhad, Etiqa Takaful Berhad and Mayban Investment Management Sdn Bhd.

He is currently also Chairman of Mitraland Properties Sdn Bhd and a National Council member of the Real Estate Housing Developers' Association Malaysia ("**REHDA**"), besides serving on the boards of several subsidiaries of Lembage Tabung Haji.

Sreesanthan Eliathamby
Member

Non-Independent Non-Executive Director

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

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

Within the Maybank Group, he sits on the boards of Maybank (PNG) Limited, Mayban Ventures Sdn Bhd, Mayban Ventures Capital Company Sdn Bhd 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 Boards. He currently sits on the Boards of Scomi Group Berhad, Guinness Anchor Berhad and Sime Darby Berhad.

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
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

Name	Position
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
Ridha Wirakusumah	President Director, PT Bank Internasional Indonesia Tbk

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;

(v) the Internal Audit Committee which is responsible for reviewing the audit reports and decides on the most appropriate actions required to address issues and risks raised in such audit report;

(vi) the Group Procurement Committee which is responsible for evaluating and establishing the rules and procedures for the tender process of procurement activity and approving expenses of certain amount within its limit of authority; and

(vii) the Group IT Steering Committee which is responsible for ensuring that the IT strategic plan supports the overall organisational strategic business plan. The committee also formulates key IT standards/policies guidelines, evaluate software/hardware as well as negotiates IT contracts and assessing business case of the IT spending.

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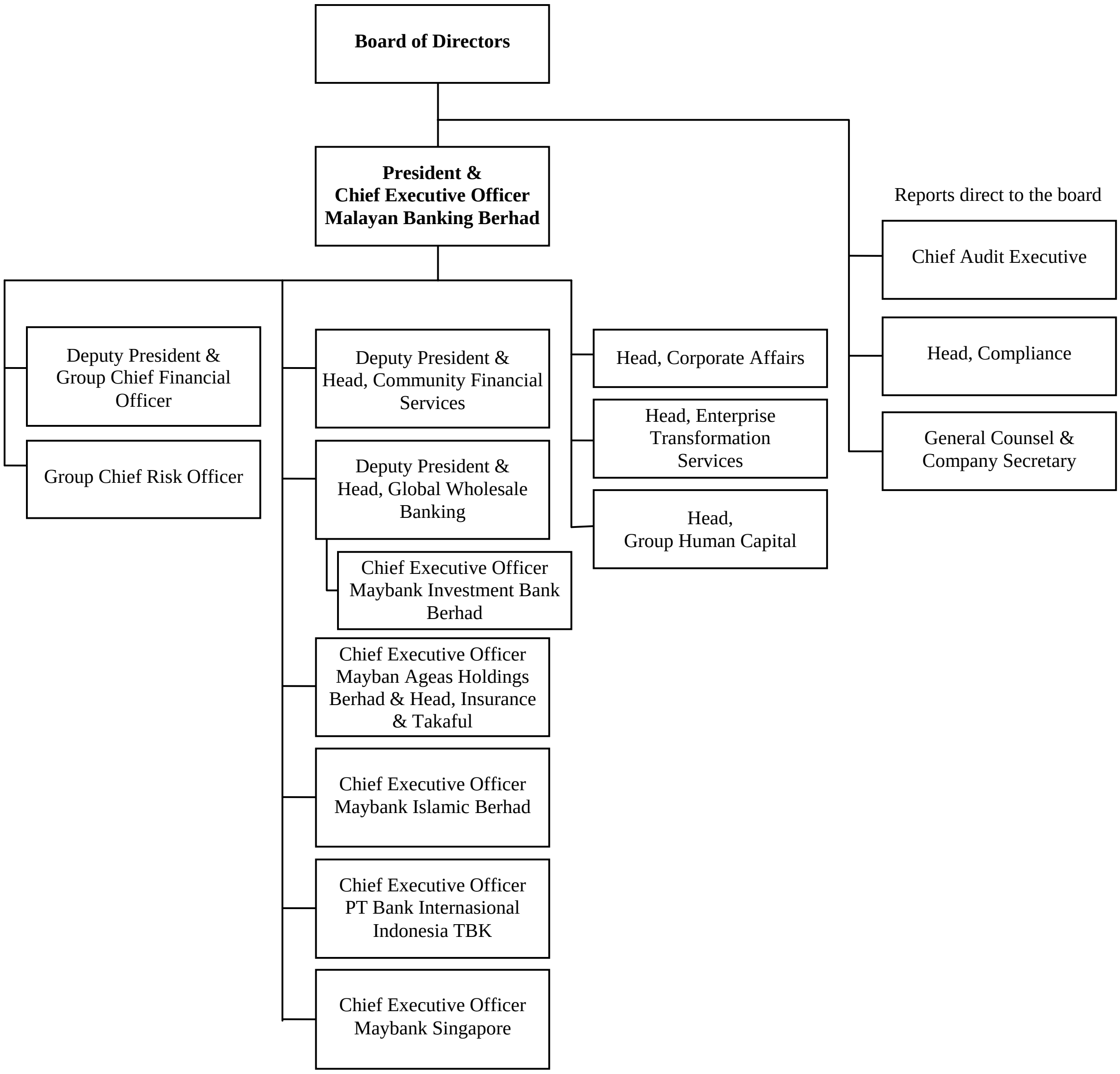
13.0 ORGANISATION CHART

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 March 2011 are as follows:

Name	Number of shares held	Percentage of shareholding
Amanah Raya Trustees Berhad (B/O: Skim Amanah Saham Bumiputera)	3,345,515,967	45.69
Citigroup Nominees (Tempatan) Sdn Bhd (B/O: Employees Provident Fund Board	827,673,980	11.30
Permodalan Nasional Berhad	392,887,334	5.37

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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.

MTB on 26 July 2010 filed the respective notices of appeal against the entire decision of the High Court. On 19 August 2010, MTB's solicitors filed an application for a joint hearing of

MTB's appeals (hereinafter referred to as the "**Application**"). The other defendant (Arranger for the bonds), served its notice of appeal against the entire decision of the High Court on 27 July 2010.

The Application was fixed for hearing on 22 September 2010 and the Court granted order in terms for the Application. MTB decided, based on the advice of its lawyers, to discontinue the appeal against one of the litigants. MTB's record of appeal was filed on 1 December 2010.

The plaintiffs on 9 December 2010 served on MTB's lawyers their notice of cross appeal wherein the plaintiffs sought to vary the judgment of the High Court to include pre-judgment interest at 8 per cent. from 1 October 2005 to 29 June 2010.

The Court of Appeal had on 15 April 2011, fixed the hearing of MTB's appeals as well as the appeals of the plaintiff and the other defendant's (Arranger for the bonds) appeal on 20 September 2011 to 23 September 2011 and 26 September 2011 to 30 September 2011.

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 counter-claim. 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 also dismissed the First Defendant's counterclaim against ETB with costs. The defendants filed two separate applications in the Kuala Lumpur High Court for stay of execution of the summary judgment. Both applications for stay of execution were dismissed by the Kuala Lumpur High Court with costs.

All four defendants then filed for appeal against the decision of the High Court and the Court of Appeal on 4 March 2010 reversed the decision of the High Court and ordered that the matter be returned to the High Court for full hearing. Accordingly, the summary judgment obtained against the defendants is no longer operative. The full trial had since proceeded on 4 May 2011. The matter was fixed for case management on 15 June 2011 and hearing of oral submissions by both the parties fixed for 29 June 2011. On 29 June 2011, the learned Judge heard submissions from counsel for the parties and fixed for clarification and or decision on 21 September 2011. ETB's solicitors are of the view that ETC has a good chance of succeeding in this action.

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 an estimated RM115.5 million with interest at 6% per annum from date of disbursement to realisation. Maybank IB has filed a notice of appeal and an application for stay of execution of the judgment sum.

The balance of the judgment claim (including for general damages) against Maybank IB as agent for the syndicated lenders was ordered to be assessed by the Senior Assistant Registrar, at a later date. At this juncture, the Bank as one of the syndicated lenders has an exposure of RM48 million out of RM115.5 million judgment. Maybank IB has filed a notice of appeal and an application for stay of execution of the judgment sum.

Maybank IB on 24 June 2009 obtained a stay order pending its appeal. The corporate borrower on 24 June 2009 filed an appeal against the decision on the stay order ("**Appeal**") to the Court of Appeal. On 23 November 2009, the Court of Appeal dismissed the Appeal against the stay order.

Case management was held on 3 June 2010 at the Court of Appeal for Maybank IB's appeal against the judgment obtained on 6 May 2009 at the High Court. On 3 June 2010, Maybank IB's solicitors informed the Court of Appeal that the notes of proceedings and the grounds of judgment have not been issued thus far. In view of the same, the Court of Appeal fixed the matter for further case management on 29 July 2010 pending issuance of the notes of proceedings and the grounds of judgment. Pending the issuance of the notes of proceedings and the grounds of judgement, another case management date has now been fixed for 16 June 2011. On 16 June 2011, the court fixed another case management date for the 14 July 2011. Maybank IB's solicitors are of the view that it has a more than even chance of succeeding in its appeal against the said judgment.

15.2.4 Kamalul Arifin bin Yusof

MTB, as the trustee and Maybank IB as the 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 wherein an individual, Kamalul Arifin bin Yusof, as the sole Junior Noteholder of the Junior Notes issued, claimed against both MTB and Maybank IB, the sum of RM556,500,000.00 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. Trial has been fixed for 15, 19 and 20 July 2011. Both MTB's and Maybank IB's solicitors are of the view that they each have a more than even chance of successfully defending this claim against them.

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 that date had exercised her discretion to hear Maybank's application to transfer and consolidate the JB High Court Suit with the 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.

Maybank has entered its appearance to the KL High Court Suit on 30 March 2011. Its defence to the suit was filed on 19 April 2011. The KL High Court has directed the Plaintiff to file its reply to the defence by 16 May 2011 and fixed a case management date on 27 May 2011. The KL High Court has also fixed trial dates for the KL High Court Suit on 21, 22 and 28 September 2011.

Maybank has been advised by its solicitors that there are no merits to the KL High Court Suit and it is frivolous and vexatious.

15.3 Recent developments of the Issuer

The following are recent developments involving Maybank and its subsidiaries:

15.3.1 Dividend Reinvestment Plan

Maybank has put in place a recurrent and optional dividend reinvestment plan that allows shareholders of Maybank ("**Shareholders**") to reinvest their Dividend (as defined below) into new ordinary share(s) of RM1.00 each in Maybank ("**Maybank Shares**") ("**Dividend Reinvestment Plan**").

Whenever a cash dividend (either an interim, final, special or other dividend) ("**Dividend**") is announced, the board of directors of Maybank ("**Board**") may, in its absolute discretion, determine that the Dividend Reinvestment Plan will apply to the whole or a portion of the cash Dividend ("**Electable Portion**") and where applicable any remaining portion of the Dividend will be paid in cash.

Each Shareholder has the following options in respect of the Electable Portion:

(i) elect to receive the Electable Portion in cash; or

(ii) elect to reinvest the entire Electable Portion into new Maybank Shares credited as fully paid-up at an issue price to be determined on a price fixing date subsequent to the receipt of all relevant regulatory approvals.

15.3.2 Acquisition of Kim Eng

On 6 January 2011**,** Maybank announced that Mayban IB Holdings, a wholly-owned subsidiary of Maybank has entered into separate conditional Share Purchase Agreements ("**SPAs**") with each of Mr Ronald Anthony Ooi Thean Yat ("**Ronald Ooi**") and Yuanta Securities Asia Financial Services Limited ("**Yuanta Securities**") (collectively the "**Vendors**") (the "**Announcement**"), pursuant to which, *inter alia*,:

(i) Ronald Ooi has agreed to sell and procure the sale of, and Mayban IB Holdings has agreed to purchase, 89,082,698 ordinary shares ("**RO Sale Share**") in the capital of Kim Eng Holdings Limited ("**Kim Eng**"), representing approximately 15.44% of the ordinary shares ("**Kim Eng Shares**") in the capital of Kim Eng in issue as at the date of the Announcement, for an aggregate cash consideration of Singapore Dollar ("**SGD**") 276,156,363.80 ("**RO Consideration**"), being SGD3.10 in cash for each RO Sale Share; and

(ii) Yuanta Securities has agreed to sell, and Mayban IB Holdings has agreed to purchase, 168,476,566 Kim Eng Shares ("**Yuanta Sale Shares**"), and together with the RO Sale Shares, ("**Sale Shares**"), representing approximately 29.19% of the Kim Eng Shares in issue as at the date of the Announcement, for an aggregate cash consideration of SGD522,277,354.60 ("**Yuanta Consideration**"), being SGD3.10 in cash for each Yuanta Sale Share,

collectively referred as "**Proposed Acquisition**".

The total cash consideration payable by Mayban IB Holdings for the Sale Shares is SGD798.4 million (equivalent of approximately RM1,899.5 million) ("**Aggregate Consideration**").

Upon completion of the SPAs, Maybank through Mayban IB Holdings will emerge as the single largest shareholder of Kim Eng. As Mayban IB Holdings' shareholdings in Kim Eng exceeds 30% of the issued and paid-up share capital of Kim Eng upon completion of the Proposed Acquisition, Mayban IB Holdings is obliged to extend a mandatory general offer for all the Kim Eng Shares, other than those already owned by Mayban IB Holdings, its related corporations and the irrespective nominees, pursuant to Section 139 of the Securities and Futures Act, Chapter 289 and Rule 14.1 of the Singapore Code on Take-overs and Mergers.

On 6 January 2011, Nomura Singapore Limited ("**Nomura**") announced for and on behalf of Mayban IB Holdings that Mayban IB Holdings intends to make a mandatory conditional cash offer ("**Offer**") for all the Kim Eng Shares, other than the Kim Eng Shares already owned by Mayban IB Holdings, its related corporations and the irrespective nominees ("**Offer Shares**").

On 5 May 2011, Maybank announced that the pre-condition to the making of the Offer ("**Pre-Condition**"), which is the satisfaction of certain key conditions (including obtaining approvals from Bank Negara Malaysia and the Monetary Authority of Singapore) in accordance with the terms, and subject to the conditions of the SPAs, has been satisfied on 5 May 2011. Pursuant to the satisfaction of the Pre-Condition, Nomura has on 5 May 2011 announced on the SGX-ST, for and on behalf of Mayban IB Holdings, Mayban IB Holdings' firm intention to make the Offer.

Upon completion of the Proposed Acquisition, Mayban IB Holdings will hold approximately 50.22 per cent. of Kim Eng and therefore, in accordance with the Notification of the Securities and Exchange Commission No. KorChor.53/2545, Mayban IB Holdings will be required to make an offer for all the issued shares in Kim Eng Securities (Thailand) Public Company Limited ("**KEST**") ("**Thai Tender Offer**"). Mayban IB Holdings will, following completion, announce its intention to make the Thai Tender Offer at an offer price of Baht 16.00 for each share in KEST. Further information on the Thai Tender Offer will be available on the websites of the Securities and Exchange Commission of Thailand and the Stock Exchange of Thailand at www.sec.or.th and www.set.or.th, respectively.

On 10 May 2011, Maybank announced that the Proposed Acquisition has been completed.

On 11 May 2011, Maybank announced that Capital Nomura Securities Public Company Limited ("**CNS**") has submitted form 246-2 to the Securities and Exchange Commission of Thailand and the Stock Exchange of Thailand in relation to the acquisition of securities. CNS has also announced, on behalf of Mayban IB Holdings, the intention of Mayban IB Holdings to make the Thai Tender Offer (form 247-3) at an offer price of Baht 16.00 for each share in KEST.

On 23 May 2011, Maybank announced that the offer documents in respect of the mandatory unconditional cash offer to acquire all the ordinary shares in the capital of Kim Eng other than those already owned by Mayban IB Holdings, its related corporations and their respective nominees and the Thai Tender Offer for all the issued shares in KEST have been despatched to the shareholders of Kim Eng and KEST respectively.

On 20 June 2011, Maybank announced that as at 20 June 2011, Mayban IB Holdings owns, controls or has acquired not less than 90% of Kim Eng Shares (other than those already held by Mayban IB Holdings, its related corporations or their respective nominees as at the date of the offer document). Accordingly, Mayban IB Holdings is entitled to, and will in due course, exercise its right of compulsory acquisition under Section 215(1) of the Companies Act of Singapore to acquire all the Kim Eng Shares of shareholders of Kim Eng who have not accepted the Offer prior to 4 July 2011 ("**Final Closing Date**") at the offer price of S$3.10 for each Kim Eng Share and on the same terms as those offered under the Offer. Mayban IB Holdings has no intention to extend the Offer beyond 5.30 p.m. (Singapore time) on the Final Closing Date and the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Final Closing Date.

On 23 June 2011, Maybank announced that CNS has on 23 June 2011 submitted form 247-6 Gor, announcing the final offer period, the amendment to the terms of the tender offer document and the final Offer to the Securities and Exchange Commission of Thailand and the Stock Exchange of Thailand, in relation to the Thai Tender Offer. The last day of the Thai Tender Offer period is on 18 July 2011 and will not be extended further. In addition, the last day that the shareholders may revoke their tendered shares has been extended from 20 June 2011 to 8 July 2011 and the final tender offer price remains unchanged at Baht 16.00 for each share in KEST. The form 247-6 Gor has also been despatched to the shareholders of KEST on 23 June 2011.

On 28 June 2011, Maybank announced that Nomura has on 28 June 2011 announced on the SGX-ST, that Mayban IB Holdings has given notice in the prescribed form 57 ("**Form 57**"), pursuant to Section 215(1) of the Companies Act of Singapore, together with a cover letter ("**Letter**") to the dissenting shareholders. Mayban IB Holdings has also despatched, together with the Letter, the notice in the prescribed form 58 ("**Form 58**") pursuant to Section 215(3) of the Companies Act of Singapore, whereby dissenting shareholders may, within three (3) months after the Form 58 is given (i.e. by 28 September 2011), give notice to Mayban IB Holdings requiring it to acquire their Kim Eng Shares at the Offer Price of S$3.10 for each Kim Eng Share and on the same terms as those offered under the Offer.

Mayban IB Holdings intends to exercise its right of compulsory acquisition to acquire all the Kim Eng Shares held by the dissenting shareholders on or after 29 July 2011, subject to and on the terms set out in Form 57 and the provisions of Section 215(4) of the Companies Act of Singapore.

On 29 June 2011, Maybank announced that Kim Eng had entered into a conditional sale and purchase agreement ("**CSPA**") with ATR Holdings, Inc. ("**ATRH**") in relation to the sale by ATRH, and the purchase by Kim Eng, of 344,427,134 issued common shares in ATR KimEng Financial Corporation ("**ATR KE**"), representing approximately 32.24% of the total number of issued common shares of ATR KE ("**ATR KE Shares**").

The execution of the CSPA will trigger an obligation by Kim Eng to undertake a mandatory tender offer for the ATR KE Shares other than those already owned, controlled or agreed to be acquired by Kim Eng.

On 5 July 2011, Maybank announced that Nomura has on 4 July 2011 announced on the SGX-ST, that the Offer closed at 5.30 p.m. (Singapore time) on the Final Closing Date. Accordingly, the Offer is no longer open for acceptance and any acceptances received after 5.30 p.m. (Singapore time) on the Final Closing Date will be rejected.

In addition, Maybank announced that as at 4 July 2011, as Mayban IB Holdings now owns, controls or has agreed to acquire more than 90% of Kim Eng Shares in issue, Kim Eng no longer meets the minimum public float requirement under the Listing Manual of the SGX-ST ("**Listing Manual**"). Accordingly, the trading of Kim Eng Shares on the SGX-ST will be suspended with effect from 9.00 a.m. (Singapore time) on 5 July 2011, pursuant to Rules 724, 1105 and 1303(1) of the Listing Manual.

15.3.3 Maybank Islamic Berhad's ("MIB") Issuance of Tier 2 Capital Islamic Subordinated Sukuk of RM1.0 billion in Nominal Value ("Subordinated Sukuk")

On 31 March 2011, MIB, a wholly owned subsidiary of Maybank, has successfully completed the issuance of Subordinated Sukuk.

The proceeds from the issue will be used for MIB's working capital, general banking, business expansion programme and other corporate purposes.

15.3.4 Proposed Establishment of an Employees' Share Scheme ("Proposed ESS") of Up to Ten Percent (10%) of the Issued and Paid-up Ordinary Share Capital of the Company at any Point in Time

Maybank via the announcement on 19 April 2011 proposed to establish and implement an employees' share scheme of up to ten per cent (10%) of the issued and paid-up share capital of Maybank at any point in time for the option(s) to subscribe for and/or award of new ordinary shares of RM1.00 each in Maybank to the following:

(i) eligible employees and executive director(s) of Maybank and its branches and subsidiaries in Malaysia, excluding listed subsidiaries, overseas subsidiaries and subsidiaries which are dormant;

(ii) eligible employees of overseas branches of Maybank; and

(iii) top management and selected key eligible personnel of PT Bank Internasional Indonesia Tbk.

On 12 May 2011, Maybank announced that Bursa Malaysia Securities Berhad had, vide its letter dated 11 May 2011, approved the listing of such number of additional new ordinary shares of RM1.00 each to be issued under the Proposed ESS, representing up to ten percent (10%) of the issued and paid-up ordinary share capital of Maybank.

On 13 June 2011, Maybank announced that the ordinary resolutions for the Proposed ESS as set out in the notice of the extraordinary general meeting ("**EGM**") and tabled at the EGM of Maybank were duly approved by the shareholders of Maybank.

On 23 June 2011, Maybank announced that Bank Negara Malaysia had vide its letter dated 22 June 2011, approved the increase of the issued and paid-up share capital of Maybank up to ten percent (10%), pursuant to the Proposed ESS.

15.3.5 Establishment of US$2,000,000,000.00 Multicurrency Medium Term Notes Programme ("MTN Programme") and Proposed Issuance of SGD1,000,000,000.00 Subordinated Notes in Nominal Value under the MTN Programme

Maybank has on 18 April 2011 announced that it has obtained approval from the SC vide their letter dated 18 April 2011 for the establishment of the MTN Programme and the issue of notes thereunder.

The establishment of the MTN Programme will enable Maybank to issue from time to time, senior and/or subordinated notes (collectively "**Notes**") in currencies other than Ringgit Malaysia at any time, provided that the aggregate amount of outstanding Notes shall not at any time exceed US$2,000,000,000.00 (or its equivalent in other currencies) in nominal value.

The MTN Programme also provides flexibility to Maybank to issue Notes from time to time through its Hong Kong Branch and/or its Singapore Branch.

The proceeds from each issuance of Notes will be used for Maybank's working capital, general banking and other corporate purposes.

Further to the above, Maybank has on 21 April 2011 announced that it had successfully priced its SGD1,000,000,000.00 Capital Subordinated Notes ("**SGD Subordinated Notes**") in nominal value. This issuance is the maiden issue under the MTN Programme.

15.3.6 Possible merger of the business of Maybank and RHB Capital Berhad

Maybank has on 31 May 2011 announced that BNM has, vide its letter dated 31 May 2011, stated that it has no objection in principle to Maybank commencing preliminary negotiations with RHB Capital Berhad and its major shareholders for a possible merger of the businesses of the two banking groups. The approval from BNM to commence negotiations is valid for three (3) months from 31 May 2011. Maybank has on 23 June 2011 announced that in light of recent developments and following further deliberations, the Board of Directors of Maybank has decided not to pursue the possible merger at this juncture.

15.3.7 Change of Financial Year End

Maybank has on 11 July 2011 announced that its Board of Directors has approved the change in the financial year end of Maybank from 30 June to 31 December, which shall be implemented after the close of the financial year ended 30 June 2011. The new financial year will run from 1 July 2011 to 31 December 2011, covering a period of six (6) months. Thereafter, the financial year of Maybank shall revert to twelve (12) months ending 31 December, of each subsequent year.

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 Zul Rafique and partners 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 Zul Rafique & partners

After making enquiries as were reasonable in the circumstances, Messrs Zul Rafique & partners 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 Pacific Trustees Berhad

After making enquiries as were reasonable in the circumstances, Pacific 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 2010