

# Basel II

## Pillar 3 Disclosure

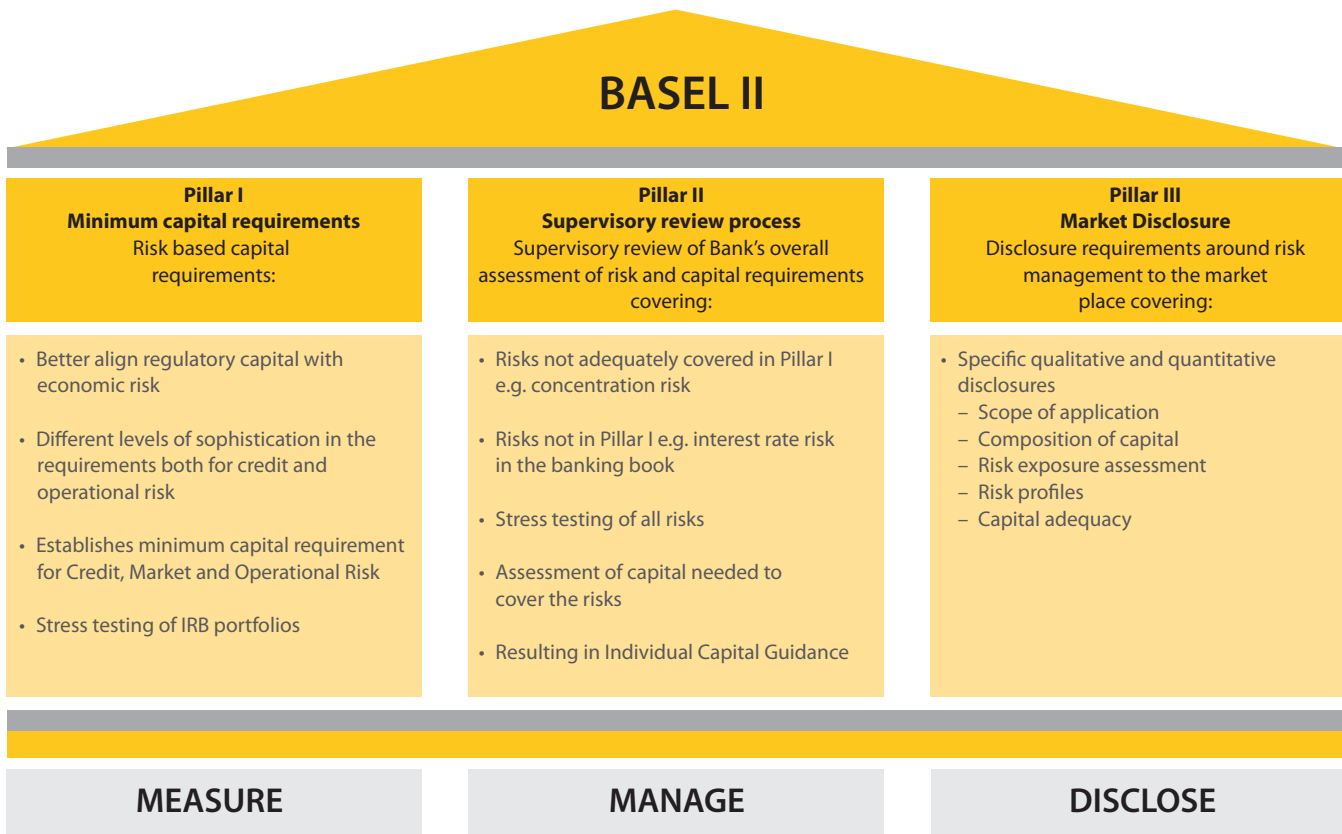
<b>443</b>	Overview
<b>446</b>	Scope of Application
<b>447</b>	Capital Management
<b>455</b>	Risk Management
<b>459</b>	Credit Risk
	Credit Risk Definition
	Regulatory Capital Requirements
	Management of Credit Risk
	Credit Impairment Policy – Classification And Impairment Provisions For Loans/Financing
	Non-Retail Portfolios
	Retail Portfolios
	Independent Model Validation
	Credit Risk Mitigation
	Credit Exposures Subject to Standardised Approach (SA)
	Counterparty Risk Management
<b>522</b>	Market Risk
	- Liquidity Risk
<b>527</b>	Operational Risk
<b>530</b>	Shariah Governance
<b>531</b>	Forward Looking Statements

# Overview

The Pillar 3 Disclosure for financial year ending 30th June 2011 for Maybank Group (the Group) complies with the Bank Negara Malaysia's (BNM) "Risk Weighted Capital Adequacy Framework (RWCAF) – Disclosure Requirements (Pillar 3)", which is the equivalent of that issued by the Basel Committee on Banking Supervision (BCBS) entitled "International Convergence of Capital Measurement and Capital Standards" (commonly referred to as Basel II). In December 2009, BNM had issued the final requirements and guidance on the adoption of the Internal Ratings-Based (IRB) Approach for credit risk under the RWCAF for banking institutions and the Capital Adequacy Framework for Islamic Banks (CAFIB). BNM has approved Maybank and Maybank Islamic Berhad to migrate fully to the Basel II IRB Approach for credit risk from 1 July 2010.

The Group also made reference to other regulators' guidelines on Pillar 3, namely, from Monetary Authority of Singapore (MAS), Hong Kong Monetary Authority (HKMA), Committee of European Banking Supervisors (CEBS) and Financial Services Authority, UK (FSA) when preparing this document.

Basel II is structured and developed around three pillars as illustrated in the following diagram:



## Overview

- Pillar 1 sets out the minimum regulatory capital requirements – the minimum amount of regulatory capital banks must hold against the risks that they assume. It focuses on the measurement methodologies and their respective qualifying criteria to use various specified approaches available to calculate the risk weighted assets (RWA) for credit, market and operational risks.
- Pillar 2 provides the key principles for supervisory review of a bank's risk management framework and its capital adequacy. It sets out the requirements for banks to make their own internal assessments of capital adequacy vis-à-vis their risk profile, and to have a comprehensive strategy in place for maintaining their appropriate capital levels. It further sets out specific oversight responsibilities for the Board of Directors (Board) and senior management, thus reinforcing principles of internal control and other corporate governance practices.
- Pillar 3, as covered in this document, aims to bolster market discipline by developing a set of disclosure requirements, which allows market participants to assess certain specified information on the scope of application of Basel II, capital, particular risk exposures and risk assessment processes and hence, the capital adequacy of the institution. Disclosures consist of both quantitative and qualitative information and are provided at the consolidated level.

Basel II provides three approaches of increasing sophistication to the calculation of credit risk capital, namely, the Standardised Approach, the Foundation IRB Approach (FIRB) and the Advanced IRB Approach (AIRB). Basel II also introduced capital requirements for operational risk for the first time.

The IRB Approach for credit risk allows banks to use internal estimates of risk parameters, namely, the probability of default (PD), loss given default (LGD) and exposure at default (EAD) to determine regulatory capital requirements under Basel II.

The table below illustrates the various approaches that are available to be adopted for capital requirements calculation under Basel II in relation to the various risk types under Pillar 1:

### Types of Approaches

Credit Risk	Market Risk	Operational Risk
1. Standardised Approach (SA)	Standardised Approach (SA)	Basic Indicator Approach (BIA)
2. Foundation Internal Ratings-Based Approach (FIRB)	Internal Models Approach (IMA)	The Standardised Approach (TSA)
3. Advanced Internal Ratings-Based Approach (AIRB)		Advanced Measurement Approach (AMA)

The Group has adopted the FIRB Approach and supervisory slotting criteria to calculate credit risk weighted assets for major non-retail portfolios, and the AIRB Approach for major retail portfolios. Other credit portfolios, especially those in the Bank's subsidiaries and some overseas units, are on the Standardised Approach and will be progressively migrated to the internal ratings-based approaches.

For market risk, the Group has adopted the Standardised Approach (SA) whereas for operational risk, the Basic Indicator Approach (BIA) is currently being adopted pending migration to The Standardised Approach (TSA) once approval has been obtained from BNM.

The Group's Pillar 3 Disclosure is governed by the Policy on Basel II Risk-Weighted Capital Adequacy Framework – Pillar 3, which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process, which cover the verification and review of the accuracy of information disclosed.

The information provided herein has been verified and approved internally by the Group. At the present, there is no requirement for independent external audit of this disclosure under BNM's Pillar 3 Disclosure guidelines.

The qualitative disclosures in this document are updated and published on an annual basis and will be updated more frequently in the event of significant changes to policies and regulatory requirements. The capital structure and capital adequacy disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually (limited specific requirements), whilst the full quantitative disclosure requirements will be published annually.

### Medium and Location of Disclosure

The Group's Pillar 3 disclosure will be made available under the Investor Relations section of the Group's website at [www.maybank2u.com.my](http://www.maybank2u.com.my) and as a separate report in the annual and half-yearly financial reports, after the notes to the financial statements. Where the disclosure requirements of the BNM's Pillar 3 guidelines are reported in the financial reports or notes to the financial statements as required under Financial Reporting Standard (FRS) 7, such disclosures are deemed to have met the Pillar 3 requirements.

## Basis of Disclosure

This Pillar 3 disclosure document has been designed to be in compliance with the BNM's Pillar 3 Guidelines, and is to be read in conjunction with the Group's and Bank's Financial Statements for financial year ending 30th June 2011. Whilst this document discloses the Group's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the Financial Statements 2011 published by the Group.

This is most apparent for credit risk disclosures, where the risk arising from credit exposures are estimated by using parameters specified under Basel II. The term "credit exposure" used in this document is a prescribed definition by BNM based on the RWCAF – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). Credit exposure is defined as the maximum amount a banking institution may be exposed to a counterparty in the event of a default.

This differs from similar terms applied in the financial year ending 30th June 2011 financial statements as the definition of credit exposures within the ambit of accounting standards represents the balance outstanding as per the balance sheet date and does not take into account the expected undrawn contractual commitments. This is one of the main reasons why exposure values in the Pillar 3 Disclosure document may differ from asset values in the published financial statements.

## Comparative Information

Although BNM requires that comparative information regarding quantitative disclosures must be reported, the following exceptions are permitted:

- i. For first time adoption and disclosure of RWCAF where there are no corresponding disclosures in the previous reporting periods; and
- ii. For banking institutions that adopt a different approach (subject to approval obtained from BNM) to compute its regulatory capital for credit, market or operational risks from that used in the preceding reporting period.

Since this is the first year of disclosure by the Group, there is no corresponding disclosure in the preceding reporting period.

## Scope of Application

---

In this Pillar 3 document, Malayan Banking Berhad's (Maybank) information is presented on a consolidated basis, namely Maybank Group covering Maybank, its subsidiaries and overseas branches.

For regulatory reporting purposes, Maybank establishes two main levels of reporting namely at Maybank Group (the Group) level, covering Maybank Malaysia, Maybank International Labuan Limited (MILL), overseas units and subsidiaries, and at Maybank Global (the Bank) level covering Maybank Malaysia, overseas units and MILL.

This Pillar 3 disclosure is at the former level. In this Pillar 3 document, Malayan Banking Berhad, its subsidiaries and overseas branches are referred to as "Maybank Group" or "the Group". The Group offers Islamic banking financial services via its wholly-owned subsidiary company, Maybank Islamic Berhad (MIB).

Information on subsidiary and associated companies of the Group is available in the notes to the financial statements. The basis of consolidation for financial accounting purposes is described in the notes segment of the financial statements, and differs from that used for regulatory capital reporting purposes.

The Group manages its capital resources to ensure that those Group entities that are subject to local capital adequacy regulation in individual jurisdictions meet their minimum capital requirements. The Bank is the primary provider of equity capital to its subsidiaries. Each subsidiary manages its own capital to support its planned business growth and meet its local regulatory requirements. Injections of capital resources into Group entities are approved by the Board. The Group's policy is for capital held in Group entities in excess of local regulatory requirements to be repatriated to the Bank in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and tax implications.

Capital in branches and subsidiaries is maintained on the basis of the host regulators' regulatory requirements. Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios in all our legal entities. These processes are designed to ensure that the Group has sufficient capital available to meet local regulatory requirements at all times.

The Group is not aware of any material, practical impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of intra-group liabilities when due.

Regulators have set a range of minimum levels for regulatory capital ratios. There are also limits relating to the structure and quality of capital resources. The Group ensures that it maintains sufficient buffers above these regulatory minimums at all times.

# Capital Management

## Introduction

A strong capital position is essential to the Group's business strategy and competitive position. The Group's capital strategy focuses on long-term stability, which enables it to build and invest in market leading businesses.

Senior management considers the implications on the Group's capital strength prior to making any decisions on future business activities. In addition to considering the Group's earnings outlook, senior management evaluates all sources and uses of capital and makes strategic decisions to regulate the supply and demand of its capital to preserve the Group's overall capital strength and position.

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

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

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

- Maintain Core Capital Ratio and Risk Weighted Capital Ratio at levels sufficiently above the current minimum requirements of BNM;
- Support the Group's credit rating;
- Ensure regulated subsidiaries can meet their minimum capital requirements;
- Allocate capital to businesses to support the Group's strategic objectives and optimise returns on capital;
- Remain flexible to take advantage of future opportunities;
- Build and invest in businesses, even in a reasonably stressed environment; and
- Optimise returns to shareholders.

The Group also seeks to maintain adequate levels of capital and an optimum mix of the different components of capital are important in order to:

- Support the underlying risks of the Group's business;
- Optimise growth; and
- Be able to withstand capital demands under market shocks and stress condition.

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

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

Strategic, business and capital plans are drawn up annually covering a three year horizon and approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy. The capital plan takes the following into account:

- Regulatory capital requirements;
- Future demand for capital to support the credit ratings;
- Increases in demand for capital due to business growth, market shocks or stresses;
- Available supply of capital and capital raising options;
- Continuous enhancement of the efficient usage of capital;
- Measure the performance of business sectors based on return on capital and return on equity;
- Growing non-interest income sources which are less capital intensive;
- Significant focus on measuring risk adjusted return on capital in evaluating business proposals; and
- Continuous monitoring of the robustness of its capital position and an efficient mix of capital through a 3-year capital management plan.

In its pursuit of an efficient and healthy capital structure, the following initiatives were undertaken by the Group:

## Capital Management

### Gearing up of capital

The Group has issued various capital instruments including equity, Non-Innovative Tier 1 Capital Securities, Innovative Tier 1 Capital Securities and Subordinated Bonds/Certificates/Notes to strengthen its capital position. Details of the said various capital instruments are as follows:

#### Tier I capital

The Group has RM3.5 billion Non-Innovative Tier 1 Capital Securities as well as Innovative Tier 1 Capital Securities of RM1.1 billion and SGD600 million outstanding as at 30 June 2011.

During the financial year, the share capital of the Group increased by RM400,223,299 arising from issuance of new ordinary shares of Maybank pursuant to the Dividend Reinvestment Plan (DRP).

#### Tier II capital

In November 2010, the Group redeemed the RM1.0 billion Islamic Subordinated Bonds, which was issued in November 2005 on a 10 non-callable 5 basis feature. The following Subordinated Bonds/Certificates/Notes are outstanding as at 30 June 2011, including 2 new issuances during the financial year:

No	Name	Issue Date
1	RM1.5 billion subordinated Islamic bonds due in 2018	15 May 2006
2	RM1.5 billion subordinated bonds due in 2017	11 April 2007
3	USD300 million subordinated certificates due in 2017	25 April 2007
4	RM3.1 billion Subordinated Term Loan due in 2019	28 November 2008
5	RM1.0 billion subordinated sukuk due in 2021	31 March 2010
6	SGD1.0 billion subordinated notes due in 2021	28 April 2011
7	IDR1.5 trillion subordinated debt due in 2018	19 May 2011

Brief terms and conditions of the Tier II capital instruments issued during the current financial year are as follows:

- i. RM1.0 billion Subordinated Sukuk issued by MIB due in 2021.

On 31 March 2011, MIB issued RM1.0 billion nominal value Tier 2 Capital Islamic Subordinated Sukuk under the Shariah principle of Musyarakah. The Sukuk are under a 10 non-callable 5 basis feature, payable semi-annually in arrears in September and March each year, and are due in March 2021. Under the 10 non-callable 5 basis feature, MIB has the option to redeem the Subordinated Sukuk on the 5th anniversary.

- ii. SGD1.0 billion Subordinated Notes issued by Maybank due in 2021.

On 28 April 2011, Maybank issued SGD1.0 billion nominal value Tier 2 Subordinated Notes under the USD2 billion Multicurrency Medium Term Notes Programme. The Subordinated Notes are under a 10 non-callable 5 basis feature, payable semi-annually in arrears in April and October each year, and are due in April 2021. Under the 10 non-callable 5 basis feature, Maybank has the option to redeem the subordinated notes on the 5th anniversary or any semi-annual interest payment date thereafter.

- iii. IDR1.5 trillion Subordinated Debt issued by PT Bank Internasional Indonesia Tbk (BII) due in 2018.

On 19 May 2011, BII issued IDR1.5 trillion nominal value Subordinated Debt. The Subordinated Debt is for a tenure of 7 years, payable quarterly, and will mature on 19 May 2018.

### Dividend payout

The Bank had on 25 March 2010 announced a recurrent and optional DRP that allows shareholders of the Bank to reinvest their dividends into new ordinary shares of RM1.00 each in the Bank. The DRP is part of Group's strategy to preserve equity capital ahead of the regulations under Basel III as well as to grow its business whilst providing healthy dividend income to its shareholders.

DRP for the final dividend in respect of financial year ended 30 June 2010 was a success with 89% reinvestment rate.

For the current financial year, the Bank paid an interim cash dividend of 28 sen per share less 25% taxation on 12 May 2011, amounting to net dividend paid of RM1,537,670,482. The DRP applies to this interim cash dividend in which the electable portion of 24 sen (18 sen net) per ordinary share amounting to RM1,318,003,270 can be elected to be reinvested into new Maybank shares and the remaining portion of 4 sen (3 sen net) per ordinary share amounting to RM219,667,212 will be paid in cash. The reinvestment rate achieved on the electable portion was 91.13%.

The Board has proposed the payment of final dividend in respect of the financial year ended 30 June 2011 of 32 sen per share less 25% tax, out of which 4 sen (3 sen net) per ordinary share will be paid in cash while the balance 28 sen (21 sen net) per ordinary share will be the portion which can be elected to be reinvested in new Maybank shares in accordance with the DRP, subject to the relevant regulatory approvals, as well as, shareholders' approval at the forthcoming Annual General Meeting.

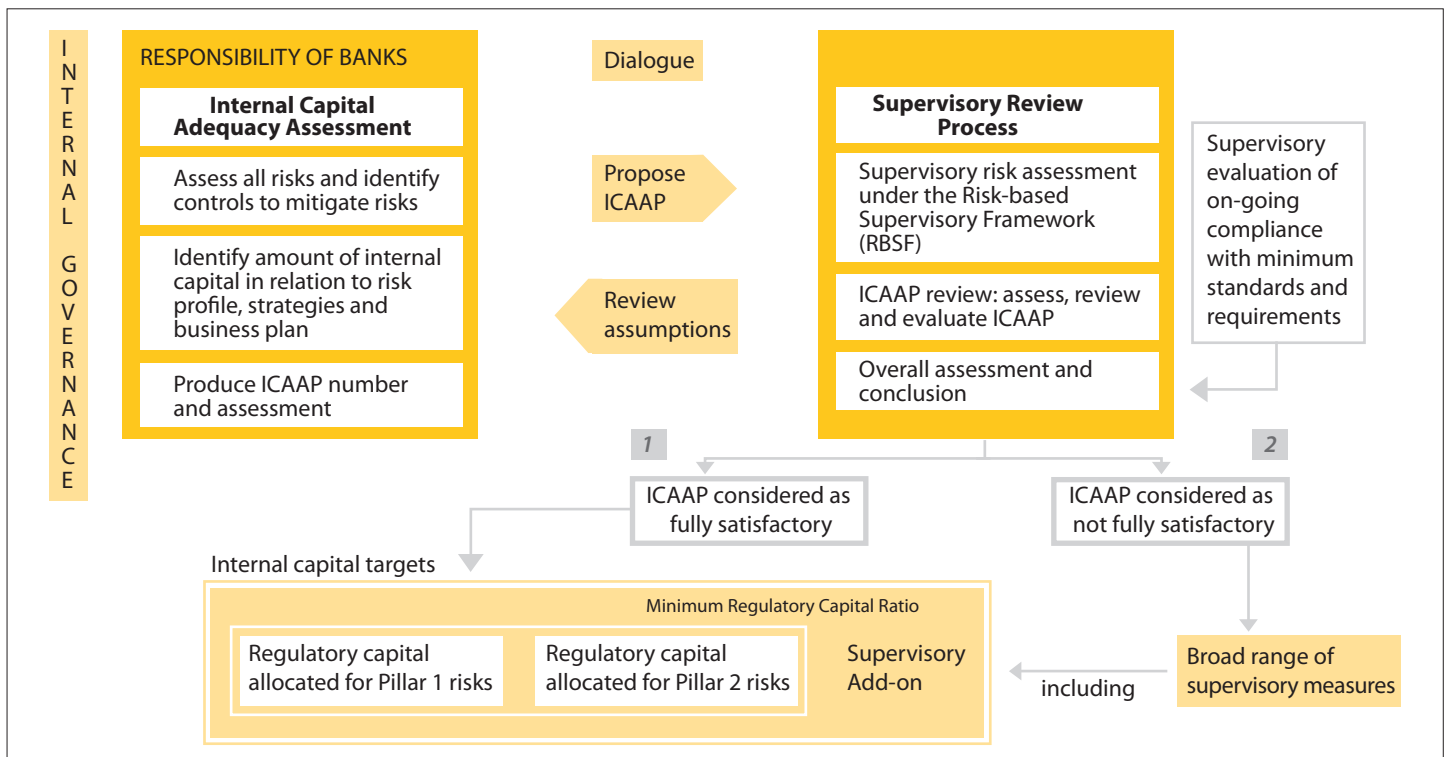
Capital requirements are expected to increase moving forward under Basel III, the rules of which were published in December 2010 by the Basel Committee on Banking Supervision (BCBS). The Basel III reforms increases the minimum quantity and quality of capital that the Group is obliged to maintain and expects systemically important banks to have higher loss absorbing capacity beyond the minimum standards. These 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 BNM's response to the minimum capital standards set by the BCBS.

### Internal Capital Adequacy Assessment Process (ICAAP)

At the Group, the overall capital adequacy in relation to its risk profile is assessed through a process articulated in the ICAAP. The ICAAP Framework has been formalised and approved by the Board in April 2008, and has been implemented within the organisation to ensure all material risks are identified, measured and reported, and adequate capital levels consistent with the risk profiles are held.

In line with BNM's Guideline on ICAAP issued in December 2010, the Group's ICAAP closely integrates the risk and capital assessment processes. The ICAAP framework is designed to ensure that adequate levels, including capital buffers, are held to support the Group's current and projected demand for capital under existing and stressed conditions. Regular ICAAP reports are submitted on half yearly basis to the Executive Risk Committee (ERC), the Board Risk Management Committee (RMC) and the Board for comprehensive review of all material risks faced by the Group and assessment of the adequacy of capital to support them.

### ICAAP framework



Supplementing the ICAAP reports is the Group Capital Plan, which is updated on annual basis where the internal capital targets are set and reviewed, among others as part of sound capital.

## Capital Management

### Comprehensive Risk Assessment under ICAAP Framework

Under the Group's ICAAP methodology, the following risk types are identified and measured:

- Risks captured under Pillar 1 (credit risk, market risk and operational risk);
- Risks not fully captured under Pillar 1 (e.g. model risk);
- Risks not taken into account by Pillar 1 (e.g. interest rate risk in banking book, liquidity risk, business/strategic risk, reputational risk and credit concentration risk); and
- External factors, including changes in economic environment, regulations, and accounting rules.

A key process emplaced within the Group sets to identify material risks that may arise through introduction of new products and services. Material risks are defined as "risks which would materially impact the financial performance of the bank should the risk occur". In the Group's ICAAP Framework, the Material Risk Assessment Process (MRAP) is designed to create an ability to estimate the impact of risk drivers on earnings and capital. New material risks, if any, are reviewed on a quarterly basis and incorporated in the regular ICAAP reports tabled to the ERC and the RMC.

### Assessment of Pillar 1 and Pillar 2 Risks

In line with industry best practices, the Group quantifies its risks using methodologies that have been reasonably tested and deemed to be accepted in the industry.

Where risks may not be easily quantified due to the lack of commonly accepted risk measurement techniques, expert judgment is used to determine the size and materiality of risk. The Group's ICAAP would then focus on the qualitative controls in managing such material non-quantifiable risks. These qualitative measures include the following:

- Adequate governance process;
- Adequate systems, procedures and internal controls;
- Effective risk mitigation strategies; and
- Regular monitoring and reporting.

### Regular Stress Testing

The Group's stress testing programme is embedded in the risk and capital management process of the Group and is a key function of capital planning and business planning processes. The programme serves as a forward-looking risk and capital management tool to understand our risk profile under extreme but plausible conditions. Such conditions may arise from economic, political and environmental factors.

Under Maybank Group Stress Test Framework, which was approved by the Board in December 2006, it considers the potential unfavourable effects of stress scenarios on the Group's profitability, asset quality, risk weighted assets and capital adequacy.

Specifically, the stress test programme is designed to:

- Highlight the dynamics of stress events and their potential implications on the Group's trading and banking book exposures, liquidity positions and likely reputational impacts;
- Identify proactively key strategies to mitigate the effects of stress events; and
- Produce stress results as inputs into the Group's ICAAP in the determination of capital adequacy and capital buffers.

Stress test themes reviewed by the Stress Test Working Group in the past include a repeat of Asian Financial Crisis, US dollar depreciation, pandemic flu, asset price collapse, interest rate hikes, a global double-dip recession scenario, Japan disasters, the Eurozone and US debt crises, amongst others.

The Stress Test Working Group, which comprises of business and risk management teams, tables the stress test reports at the Senior Management and Board committees and discusses the results with regulators on a regular basis.

### Capital Adequacy Ratios

On 29 June 2010, the Bank and its subsidiary, MIB received approval from BNM to migrate to IRB Approach for credit risk under Basel II RWCAF from 1 July 2010 onwards.

With effect from 1 July 2010, the capital adequacy ratios are computed as follows:

- Group, Bank and MIB ratios are computed in accordance with BNM's Basel II RWCAF issued on 1 April 2010 as follows:
  - Credit risk under IRB Approach;
  - Market risk under Standardised Approach; and
  - Operational risk under Basic Indicator Approach.

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

- (b) Maybank Investment Bank Berhad ("Maybank IB") on a standalone basis is computed in accordance with BNM's Basel II RWCAF issued on 1 April 2010 under Standardised Approach for credit and market risks, whereas operational risk is under the Basic Indicator Approach. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratios.
- (c) BII on a standalone basis is computed in accordance with its local requirements, which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratios. However, for disclosure at the Group level, the computation was based on the capital adequacy rules of BNM, using Basel II RWCAF rules, as BII is considered a significant overseas subsidiary.

**Table 1: Capital Adequacy Ratios for Maybank Group, Maybank and Maybank Islamic Berhad as at 30th June 2011 (RM'000)**

Capital Adequacy Ratios	Group	Maybank	Maybank Islamic
Before deducting electable portion dividend to be re-invested :	11.93%	13.44%	10.31%
Core capital ratio			
Risk-weighted capital ratio	15.45%	13.44%	13.02%
<b>Expressed in RM ('000)</b>			
Capital Base	38,150,608	25,311,609	4,784,522
Credit RWA	207,764,624	160,841,302	27,119,266
Market RWA	15,991,249	9,692,832	149,810
Operational RWA	23,223,860	17,738,110	2,334,044
Additional risk-weighted assets due to capital floor	-	-	7,154,554
Total RWA	246,979,733	188,272,244	36,757,674

Note: \* RWCR is computed by dividing capital base over total RWA.

The risk-weighted capital ratio of the Group as at 30th June 2011, stood at 15.45%, which is an increase from the previous financial year's ratio of 14.67% that was computed under Basel I regime.

The Capital Structures of the Group, the Bank and MIB are shown in Tables 2 through 4 respectively. The risk-weighted capital ratio at 15.45% against the Group's total RWA is testament of the Group's resilience and strength in meeting its obligations. Similarly, at entity level, the Bank's RWCR remain strong at 13.44% and MIB registered a healthy ratio of 13.02%.

## Capital Management

**Table 2: Disclosure on Capital Structure for Maybank Group as at 30th June 2011 (RM'000)**

<b>Eligible Tier 1 Capital</b>		
Paid-up ordinary share capital/ Islamic banking fund		7,478,206
Share premium		8,583,711
Retained profit/loss brought forward from the previous financial year		6,767,469
Statutory reserve fund		6,409,922
Capital redemption reserve		–
Total non-innovative Tier 1 (non-IT1) and innovative Tier 1 (IT1) capital		6,065,486
Non-innovative Tier 1 capital	3,497,945	
Total innovative Tier 1 capital	2,567,541	
RM innovative Tier 1 capital	1,099,171	
RM Approved innovative debt capital instruments issued	1,099,171	
FX Approved innovative debt capital instruments issued	1,468,370	
Minority interest in shares of non-wholly owned subsidiaries		2,19,077
<b>Total Tier 1 capital</b>		<b>35,523,871</b>
<b>Less:</b>		
Goodwill	(6,049,900)	
<b>ELIGIBLE TIER 1 CAPITAL</b>		<b>29,473,971</b>
<b>Eligible Tier 2 Capital</b>		
Maximum allowable subordinated debt capital		10,732,475
RM subordinated debt capital	7,373,495	
FX subordinated debt capital	3,358,980	
Collective Allowance for SA approach		9,95,632
<b>Total Tier 2 capital</b>		<b>11,728,107</b>
<b>Total Tier 2 capital (subject to limits)</b>		<b>11,728,107</b>
<b>Less:</b>		
Investment in subsidiaries companies	2,924,965	
Securitisation exposures subject to deductions	16,796	
Securitisation exposures held in the banking book	16,796	
Excess of total EL over total EP under the IRB approach	108,217	
Liquidity reserve	1,492	
Total deductions	3,051,470	
<b>Total deductions from Tier 2 Capital</b>		<b>3,051,470</b>
<b>ELIGIBLE TIER 2 CAPITAL</b>		<b>8,676,637</b>
<b>CAPITAL BASE</b>		<b>38,150,608</b>

**Table 3: Disclosure on Capital Structure for Maybank as at 30th June 2011 (RM'000)**

<b>Eligible Tier 1 Capital</b>		
Paid-up ordinary share capital/Islamic banking fund		7,478,206
Share premium		8,583,711
Retained profit/loss brought forward from the previous financial year		4,656,768
Statutory reserve fund		6,212,460
Total non-innovative Tier 1 (non-IT1) and innovative Tier 1 (IT1) capital		6,065,486
Non-innovative Tier 1 capital	3,497,945	
Total innovative Tier 1 capital	2,567,541	
RM innovative Tier 1 capital	1,099,171	
RM Approved innovative debt capital instruments issued	1,099,171	
FX Approved innovative debt capital instruments issued	1,468,370	
<b>Total Tier 1 capital</b>		<b>32,996,631</b>
<b>Less:</b>		
Goodwill	81,015	
Deductions in excess of Tier 2 capital	7,604,007	
<b>ELIGIBLE TIER 1 CAPITAL</b>		<b>25,311,609</b>
<b>Eligible Tier 2 Capital</b>		
Maximum allowable subordinated debt capital		9,458,980
RM subordinated debt capital	6,100,000	
FX subordinated debt capital	3,358,980	
Collective Allowance for SA Approach		449,884
<b>Total Tier 2 capital</b>		<b>9,908,864</b>
<b>Total Tier 2 capital (subject to limits)</b>		<b>9,908,864</b>
<b>Less:</b>		
Investment in subsidiaries companies	17,457,434	
Securitisation exposures subject to deductions	16,796	
Securitisation exposures held in the banking book	16,796	
Excess of total EL over total EP under the IRB approach	37,149	
Liquidity reserve	1,492	
Total deductions	17,512,871	
<b>Total deductions from Tier 2 Capital</b>		<b>9,908,864</b>
<b>ELIGIBLE TIER 2 CAPITAL</b>		<b>-</b>
<b>CAPITAL BASE</b>		<b>25,311,609</b>

## Capital Management

**Table 4: Disclosure on Capital Structure for Maybank Islamic as at 30th June 2011 (RM'000)**

<b>Eligible Tier 1 Capital</b>		
Paid-up ordinary share capital/ Islamic banking fund		110,600
Share premium		2,488,400
Retained profit/loss brought forward from the previous financial year		1,041,814
Statutory reserve fund		1 47,338
General reserve fund		1,696
<b>Total Tier 1 capital</b>		<b>3,789,848</b>
<b>Less:</b>		
Goodwill	-	
Deductions in excess of Tier 2 capital	-	
<b>ELIGIBLE TIER 1 CAPITAL</b>		<b>3,789,848</b>
<b>Eligible Tier 2 Capital</b>		
Maximum allowable subordinated debt capital		1,096,557
RM subordinated debt capital	1,000,000	
Collective Allowance for SA Approach	96,557	
<b>Total Tier 2 capital</b>		<b>1,096,557</b>
<b>Total Tier 2 capital (subject to limits)</b>		<b>1,096,557</b>
<b>Less:</b>		
Excess of total EL over total EP under the IRB approach	101,883	
Total deductions	101,883	
<b>Total deductions from Tier 2 Capital</b>		<b>101,883</b>
<b>ELIGIBLE TIER 2 CAPITAL</b>		<b>994,674</b>
<b>CAPITAL BASE</b>		<b>4,784,522</b>

# Risk Management

## Introduction

The management of risk lies at the heart of the Group's business. All of the Group's activities involve, to varying degrees, the measurement, evaluation, acceptance and management of risks or combination of risk types. The Group takes proactive measures to manage the various risks posed by the rapidly changing business environment in which it operates. These risks, which include credit risk, market risk, liquidity risk and operational risk, are comprehensively dealt with and systematically managed within established limits and controls.

The risk environment in which the Group operates in, changes continuously, caused by a range of factors, from the transactional level to macro geopolitical events. The risk environment requires continuous monitoring and assessment in an integrated manner in order to understand and manage the complex risk interactions across the Group. Initiatives under the Group's Basel II programme have also 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 the Group's operations. The risk management framework that the Group has put in place is designed to meet these challenges. Various aspects are described below.

## Risk Governance Structure

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

### Board Of Directors

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

### Board Level Committee

#### Risk Management Committee (RMC)

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

#### Credit Review Committee (CRC)

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

### Management Level Committee

#### Executive Risk Committee (ERC)

#### Asset & Liability Mgt. Committee (ALCO)

#### Group Mgt. Credit Committee (GMCC)

The ERC, ALCO, GMCC are Management Level committees responsible for the management of all material risks within The Bank. The scope of the ERC encompasses all risk types except market and liquidity risks, which are within the purview of the ALCO. GMCC is empowered as the centralised loans approval committee for the Group.

The Risk function is independent of the origination and sales functions to ensure that the necessary balance in risk/return decisions is not in any way compromised by business pressures to generate revenues. This clear delineation of the second-line of defense is crucial to the way the Group governs itself and is particularly crucial given that revenues are recognised immediately while losses arising from risk positions only manifest themselves over time.

The Risk function is also responsible for implementing and maintaining the Group's Risk Management Framework, ensuring that it remains relevant and appropriate to the Group's activities. Other functions include administering risk-related governance and reporting processes.

## Risk Management

### Risk Strategy

The Group's risk management strategy is targeted at ensuring:

#### a) Pre-emptive Risk Planning

##### *Economic and Industry Research*

Close monitoring of major and relevant economies including Malaysia through selective economic indicators are used as early warning signals to manage the Group's exposures. These indicators are also taken into account to develop the Group's long term lending strategy and asset growth planning. At the tactical level, medium term industry trend information is used by the relationship managers to develop appropriate actions in making risk informed business decisions.

##### *New Supervisory Requirements*

The Group also assesses the impact of various regulatory changes in Malaysia and markets which the Group has presence. The thematic assessments deliberated include the impact of new liquidity requirements issued by the BCBS and Financial Services Authority, United Kingdom to strengthen liquidity management as well as the impact on capital requirements based on Basel III.

#### b) Risk Discovery and Preventive Measures

The Group continues to drive a robust enhancement of control measures to manage people, products and processes through granular risk discovery and root cause analysis. This enables the Group to tailor a differentiated risk policy as well as business action plan that is relevant and competitive. Enhancements to preventive and deterrence measures and controls on fraud are amongst the thematic initiatives undertaken for this financial year.

#### c) Capital Management

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

### Holistic Enterprise Risk Management Approach

In light of the Group's operating structure and geographic expansion, the Group continuously enhances its integrated risk management approach towards the effective management of enterprise-wide risks in the Group. Key components of the Enterprise Risk Management (ERM) framework include:

- Structured risk governance model incorporating Board and Senior Management oversight across the Group;
- Sound capital management processes of all operating entities;
- Comprehensive assessment of material risks;
- Rigorous and regular controls, reviews, monitoring and reporting; and
- Independent reviews by internal auditors, external auditors and the relevant supervisory authorities.

The Group views the ERM process as a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risks in line with enhancing shareholder value.

In line with the ERM, the Group has adopted and consistently practised the Seven Broad Principles of Risk Management to ensure integration in purpose, policy, methodology and risk culture.

**The Group’s Seven Broad Principles of Risk Management**

The *Seven Broad Principles* define the key principles on accountability, independence, structure and scope.

No	Principles
1	The risk management approach is premised on three lines of defence – risk taking units, risk control units and internal audit.
2	The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risk. Complementing this is internal audit which provides independent assurance of the effectiveness of the risk management approach.
3	Risk management provides risk oversight for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks.
4	Risk management ensures that the core risk policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.
5	Risk management is functionally and organisationally independent of the business sectors and other risk taking units within the Maybank Group.
6	The Maybank Board, through the Board Risk Management Committee, maintains overall responsibility for risk oversight within the Group.
7	Risk management is responsible for the execution of various risk policies and related business decisions empowered by the Board.

**The Group Risk Governance Structure**

For effective risk governance, the Group adopts a three-line of defence concept.

**Three Lines of Defence Concept in Managing Risks across the Group Entities**

Approach to Managing Risk	Organisational Units
1 <sup>st</sup> Line of Defence	Business and Support Units
2 <sup>nd</sup> Line of Defence	Risk Management and Compliance
3 <sup>rd</sup> Line of Defence	Internal Audit

- The 1st Line of Defence is primarily responsible for managing specific risks assumed by them in their day-to-day activities;
- The 2nd Line of Defence provides the specialised resources for developing risk frameworks, policies, methodologies and tools for the management of material risks taken by the Group as a whole; and
- The 3rd Line of Defence involves internal audit, whose task would be to independently review on the adequacy and effectiveness of the risk management process.
- To strengthen the risk culture within the Group, the Group has established the following:

**i. Embedded Risk Management Units**

The RMC had approved the establishment of embedded risk management units (ERU) within the selected key business sectors. The approved terms of reference of the ERU include assessment and review of material risks faced by the business sector as guided by the overall risk management approach of the Bank.

In line with deepening risk ownership and visibility, the ERU plays a pivotal role towards effective risk management within the Business Sector by strengthening the first line of defense.

The ERU have an indirect reporting line to the Group Chief Risk Officer and collaborates with independent risk management function to review the impact of risk on capital adequacy, profitability, asset quality and other risk indicators, including stress testing exercises on a periodic basis.

**ii. Specialist Islamic Finance Risk Management**

To enhance the management of Islamic finance risk, the Group established a Risk Management department within MIB since financial year 2008/09. MIB adopts the same principles and standards as the Group in setting its risk management framework while ensuring the framework is consistent with Shariah requirements set out by the Islamic Financial Services Board (IFSB) and BNM.

## Risk Management

---

### iii. Risk Appetite

The formulation of risk appetite takes into consideration the Group's risk taking-capacity, its financial position, the strength of its core earnings and the resilience of its reputation and brand. The risk appetite is cascaded down further to the key risks of the Group.

#### • **Credit Risk Management**

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

These are used as a basis for establishing the risk parameters within which businesses must operate, including policies, concentration limits and business mix. Credit concentration risk of the Group is managed within the concentration limits set by counterparties, industry sector and country segments. Additional monitoring of concentration by credit rating, credit exposures and external trends are also conducted regularly for proactive management of our credit portfolio.

#### • **Market Risk Management**

The Group's willingness to accept risk is influenced by various factors including market volatility, business direction, macro-economic and subjective factors. The Group adopts both quantitative and qualitative models to measure the risk and potential losses over a given period. This is managed and contained through relevant market risk limits and policies governed under the approved risk management framework and regulatory compliance.

#### • **Operational Risk Management**

The Group's operational risk appetite is defined and expressed through the following measures and limits:

- a) Impact and Materiality Table in terms of limits;
- b) Tolerance and thresholds that reflects Maybank Group's risk appetite/tolerance; and
- c) Profile for the purpose of identifying material operational risks and losses.

To support the Group's risk tolerance, each business / support sector is required to set their respective risk appetite within the limits and loss tolerances established by the Group, and facilitated by the operational risk management tools.

# Credit Risk

## Credit Risk Definition

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

## Regulatory Capital Requirements

Of the various types of risks which the Group engage in, credit risk generates the largest regulatory capital requirement.

Tables 5 through 7 present the minimum regulatory capital requirement for credit risk under the IRB approach for the Group, the Bank and MIB, respectively. These tables tabulate the total RWA under the various exposure classes under the IRB approach and apply the minimum capital requirement at 8% as set by BNM to ascertain the minimum capital required for each of the portfolios assessed.

## Credit Risk

**Table 5: Disclosure on Capital Adequacy under IRB Approach for Maybank Group as at 30th June 2011 (RM'000)**

Item	Exposure Class	Gross Exposures / EAD before CRM	Net Exposures / EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
1.0	<b>Credit Risk</b>						
1.1	<b>Exempted Exposures (Standardised Approach)</b>						
	<u>On-Balance-Sheet Exposures</u>						
	Sovereigns/Central Banks	54,705,562	54,705,562	5,127,947	-	5,127,947	410,236
	Public Sector Entities	1,151,834	1,145,602	1,020,937	-	1,020,937	81,675
	Banks, Development Financial Institutions & MDBs	4,488,478	4,270,772	2,094,216	-	2,094,216	167,537
	Insurance cos, Securities Firms & Fund Managers	824,292	823,651	808,454	-	808,454	64,676
	Corporates	40,029,502	29,525,046	26,563,283	-	26,563,283	2,125,063
	Regulatory Retail	23,403,352	20,473,769	15,342,043	-	15,342,043	1,227,363
	Residential Mortgage	4,484,692	4,402,458	2,036,140	-	2,036,140	162,891
	Higher Risk Assets	668,565	668,565	1,002,848	-	1,002,848	80,228
	Other Assets	21,407,711	21,407,711	2,781,176	-	2,781,176	222,494
	Specialised Financing/Investment	-	-	-	-	-	-
	Securitisation Exposures	608,477	608,477	446,441	-	446,441	35,715
	Equity Exposure	118,047	118,046	147,889	-	147,889	11,831
	Defaulted Exposures	419,670	413,021	523,349	-	523,349	41,868
	<b>Total On-Balance Sheet Exposures</b>	<b>152,310,181</b>	<b>138,562,680</b>	<b>57,894,724</b>	<b>-</b>	<b>57,894,724</b>	<b>4,631,578</b>
	<u>Off-Balance-Sheet Exposures</u>						
	<b>OTC Derivatives</b>	276,090	276,090	115,932	-	115,932	9,275
	<b>Credit Derivatives</b>	-	-	-	-	-	-
	<b>Off balance sheet exposures other than OTC derivatives or credit derivatives</b>	3,458,709	3,210,262	2,225,751	-	2,225,751	178,060
	<b>Defaulted Exposures</b>	112	112	144	-	144	11
	<b>Total Off-Balance Sheet Exposures</b>	<b>3,734,911</b>	<b>3,486,464</b>	<b>2,341,826</b>	<b>-</b>	<b>2,341,826</b>	<b>187,346</b>
	<b>Total On and Off-Balance Sheet Exposures</b>	<b>156,045,093</b>	<b>142,049,144</b>	<b>60,236,549</b>	<b>-</b>	<b>60,236,549</b>	<b>4,818,924</b>
1.2	<b>Exposures under the IRB Approach</b>						
	<u>On-Balance-Sheet Exposures</u>						
	<b>Sovereigns/Central Banks</b>	-	-	-	-	-	-
	<b>Public Sector Entities</b>	-	-	-	-	-	-
	<b>Banks, Development Financial Institutions &amp; MDBs</b>	39,066,005	39,066,005	12,226,840	-	12,226,840	978,147
	<b>Insurance cos, Securities Firms &amp; Fund Managers</b>	-	-	-	-	-	-
	<b>Corporate Exposures</b>	110,094,051	110,094,051	77,807,688	-	77,807,688	6,224,615
	a) Corporates (excluding Specialised Lending and firm-size adjustments)	61,517,760	61,517,760	43,828,077	-	43,828,077	3,506,246
	b) Corporates (with firm-size adjustment)	47,851,331	47,851,330	33,452,822	-	33,452,822	2,676,226
	c) Qualifying Purchased Corporate Receivables	-	-	-	-	-	-
	d) Specialised Lending (Own PD Approach)	-	-	-	-	-	-
	i) Project Finance	-	-	-	-	-	-
	ii) Object Finance	-	-	-	-	-	-
	iii) Commodity Finance	-	-	-	-	-	-
	iv) Income Producing Real Estate	-	-	-	-	-	-
	v) High Volatility Commercial Real Estate	-	-	-	-	-	-

Table 5: Disclosure on Capital Adequacy under IRB Approach for Maybank Group as at 30th June 2011 (RM'000) (cont'd.)

Item	Exposure Class	Gross Exposures / EAD before CRM	Net Exposures / EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	<b>Corporate Exposures (cont'd.)</b>						
	<b>e) Specialised Lending (Slotting Approach)</b>	724,961	724,961	526,788	-	526,788	42,143
	i) Project Finance	724,961	724,961	526,788	-	526,788	42,143
	ii) Object Finance	-	-	-	-	-	-
	iii) Commodity Finance	-	-	-	-	-	-
	iv) Income Producing Real Estate	-	-	-	-	-	-
	v) High Volatility Commercial Real Estate	-	-	-	-	-	-
	<b>Retail Exposures</b>	90,908,875	90,908,875	34,370,929	-	34,370,929	2,749,674
	a) Residential Mortgages	32,090,708	32,090,708	14,510,668	-	14,510,668	1,160,853
	b) Qualifying Revolving Retail Exposures	4,233,154	4,233,154	2,428,234	-	2,428,234	194,259
	c) Qualifying Purchased Retail Receivables	-	-	-	-	-	-
	d) Hire Purchase Exposures	30,356,492	30,356,492	11,497,228	-	11,497,228	919,778
	e) Other Retail Exposures	24,228,521	24,228,521	5,934,799	-	5,934,799	474,784
	<b>Securitisation Exposures</b>	-	-	-	-	-	-
	<b>Equity Exposure</b>	-	-	-	-	-	-
	<b>Defaulted Exposures</b>	4,080,641	4,080,641	942,682	-	942,682	75,415
	<b>Total On-Balance Sheet Exposures</b>	244,149,572	244,149,572	125,348,140	-	125,348,140	10,027,851
	<u>Off-Balance-Sheet Exposures</u>						
	<b>OTC Derivatives</b>	5,163,650	5,163,650	2,541,719	-	2,541,719	203,338
	<b>Credit Derivatives</b>	-	-	-	-	-	-
	<b>Off balance sheet exposures other than OTC derivatives or credit derivatives</b>	19,067,868	19,067,868	11,287,492	-	11,287,492	902,999
	<b>Defaulted Exposures</b>	94,911	94,911	79	-	79	6
	<b>Total Off-Balance Sheet Exposures</b>	24,326,429	24,326,429	13,829,290	-	13,829,290	1,106,343
	<b>Total On and Off-Balance Sheet Exposures</b>	268,476,001	268,476,001	139,177,430	-	139,177,430	11,134,194
	<b>Total IRB Approach after Scaling Factor of 1.06</b>			147,528,075		147,528,075	11,802,246
	<b>Total (Exposures under Standardised Approach &amp; IRB Approach)</b>	424,521,094	410,525,145	207,764,624	-	207,764,624	16,621,170
2.0	<b>Large Exposures Risk Requirement</b>						
3.0	<b>Market Risk</b>						
	<b>Interest Rate Risk</b>			6,738,977	-	6,738,977	539,118
	<b>Foreign Currency Risk</b>			9,094,481	-	9,094,481	727,558
	<b>Equity Risk</b>			9,964	-	9,964	797
	<b>Commodity Risk</b>			52,163	-	52,163	4,173
	<b>Option Risk</b>			95,664	-	95,664	7,653
	<b>Inventory Risk</b>			-	-	-	-
4.0	<b>Operational Risk</b>			23,223,860		23,223,860	1,857,909
5.0	<b>Total RWA and Capital Requirements</b>			246,979,733	-	246,979,733	19,758,379

## Credit Risk

**Table 6: Disclosure on Capital Adequacy under IRB Approach for Maybank as at 30th June 2011 (RM'000)**

item	Exposure Class	Gross Exposures / EAD before CRM	Net Exposures / EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
1.0	<b>Credit Risk</b>						
1.1	<b>Exempted Exposures (Standardised Approach)</b>						
	<u>On-Balance-Sheet Exposures</u>						
	Sovereigns/Central Banks	34,024,308	34,024,308	595,281	-	595,281	47,622
	Public Sector Entities	1,021,772	1,019,474	907,635	-	907,635	72,611
	Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-
	Insurance cos, Securities Firms & Fund Managers	64,000	63,359	48,163	-	48,163	3,853
	Corporates	13,699,173	13,349,450	12,586,774	-	12,586,774	1,006,942
	Regulatory Retail	9,317,368	8,925,846	6,691,423	-	6,691,423	535,314
	Residential Mortgage	2,118,081	2,117,874	1,179,060	-	1,179,060	94,325
	Higher Risk Assets	481,634	481,634	722,451	-	722,451	57,796
	Other Assets	23,114,178	23,114,178	5,762,690	-	5,762,690	461,015
	Specialised Financing/Investment	-	-	-	-	-	-
	Securitisation Exposures	608,477	608,477	446,441	-	446,441	35,715
	Equity Exposure	60,071	60,071	60,071	-	60,071	4,806
	Defaulted Exposures	225,090	219,887	251,096	-	251,096	20,088
	<b>Total On-Balance Sheet Exposures</b>	<b>84,734,152</b>	<b>83,984,559</b>	<b>29,251,086</b>	<b>-</b>	<b>29,251,086</b>	<b>2,340,087</b>
	<u>Off-Balance-Sheet Exposures</u>						
	<b>OTC Derivatives</b>	276,090	276,090	115,925	-	115,925	9,274
	<b>Credit Derivatives</b>	-	-	-	-	-	-
	<b>Off balance sheet exposures other than OTC derivatives or credit derivatives</b>	2,629,745	2,438,450	2,092,512	-	2,092,512	167,401
	<b>Defaulted Exposures</b>	112	112	144	-	144	11
	<b>Total Off-Balance Sheet Exposures</b>	<b>2,905,947</b>	<b>2,714,653</b>	<b>2,208,580</b>	<b>-</b>	<b>2,208,580</b>	<b>176,686</b>
	<b>Total On and Off-Balance Sheet Exposures</b>	<b>87,640,099</b>	<b>86,699,211</b>	<b>31,459,666</b>	<b>-</b>	<b>31,459,666</b>	<b>2,516,773</b>
1.2	<b>Exposures under the IRB Approach</b>						
	<u>On-Balance-Sheet Exposures</u>						
	<b>Sovereigns/Central Banks</b>	-	-	-	-	-	-
	<b>Public Sector Entities</b>	-	-	-	-	-	-
	<b>Banks, Development Financial Institutions &amp; MDBs</b>	42,667,209	42,667,209	15,609,873	-	15,609,873	1,248,790
	<b>Insurance cos, Securities Firms &amp; Fund Managers</b>	-	-	-	-	-	-
	<b>Corporate Exposures</b>	96,600,425	96,600,425	68,153,331	-	68,153,331	5,452,266
	<b>a) Corporates (excluding Specialised Lending and firm-size adjustments)</b>	54,262,574	54,262,574	38,860,907	-	38,860,907	3,108,873
	<b>b) Corporates (with firm-size adjustment)</b>	41,631,135	41,631,135	28,778,407	-	28,778,407	2,302,273
	<b>c) Qualifying Purchased Corporate Receivables</b>	-	-	-	-	-	-
	<b>d) Specialised Lending (Own PD Approach)</b>	-	-	-	-	-	-
	i) Project Finance	-	-	-	-	-	-
	ii) Object Finance	-	-	-	-	-	-
	iii) Commodity Finance	-	-	-	-	-	-
	iv) Income Producing Real Estate	-	-	-	-	-	-
	v) High Volatility Commercial Real Estate	-	-	-	-	-	-

Table 6: Disclosure on Capital Adequacy under IRB Approach for Maybank as at 30th June 2011 (RM'000) (cont'd.)

Item	Exposure Class	Gross Exposures / EAD before CRM	Net Exposures / EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	<b>Corporate Exposures (cont'd.)</b>						
	<b>e) Specialised Lending (Slotting Approach)</b>	706,716	706,716	514,017	-	514,017	41,121
	i) Project Finance	706,716	706,716	514,017	-	514,017	41,121
	ii) Object Finance	-	-	-	-	-	-
	iii) Commodity Finance	-	-	-	-	-	-
	iv) Income Producing Real Estate	-	-	-	-	-	-
	v) High Volatility Commercial Real Estate	-	-	-	-	-	-
	<b>Retail Exposures</b>	62,465,358	62,465,358	24,805,445	-	24,805,445	1,984,436
	a) Residential Mortgages	27,597,061	27,597,061	11,940,513	-	11,940,513	955,241
	b) Qualifying Revolving Retail Exposures	3,944,010	3,944,010	2,253,379	-	2,253,379	180,270
	c) Qualifying Purchased Retail Receivables	-	-	-	-	-	-
	d) Hire Purchase Exposures	16,099,325	16,099,325	6,696,465	-	6,696,465	535,717
	e) Other Retail Exposures	14,824,961	14,824,961	3,915,087	-	3,915,087	313,207
	<b>Securitisation Exposures</b>	-	-	-	-	-	-
	<b>Equity Exposure</b>	-	-	-	-	-	-
	<b>Defaulted Exposures</b>	3,456,143	3,456,143	749,438	-	749,438	59,955
	<b>Total On-Balance Sheet Exposures</b>	205,189,136	205,189,135	109,318,087	-	109,318,087	8,745,447
	<u>Off-Balance-Sheet Exposures</u>						
	<b>OTC Derivatives</b>	5,094,597	5,094,597	2,508,837	-	2,508,837	200,707
	<b>Credit Derivatives</b>	-	-	-	-	-	-
	<b>Off balance sheet exposures other than OTC derivatives or credit derivatives</b>	17,326,367	17,326,367	10,231,145	-	10,231,145	818,492
	<b>Defaulted Exposures</b>	94,911	94,911	79	-	79	6
	<b>Total Off-Balance Sheet Exposures</b>	22,515,875	22,515,875	12,740,061	-	12,740,061	1,019,205
	<b>Total On and Off-Balance Sheet Exposures</b>	227,705,011	227,705,010	122,058,147	-	122,058,147	9,764,652
	<b>Total IRB Approach after Scaling Factor of 1.06</b>			129,381,636		129,381,636	10,350,531
	<b>Total (Exposures under Standardised Approach &amp; IRB Approach)</b>	315,345,110	314,404,222	160,841,302	-	160,841,302	12,867,304
2.0	<b>Large Exposures Risk Requirement</b>	-	-	-			-
3.0	<b>Market Risk</b>						
	Interest Rate Risk			6,296,375	-	6,296,375	503,710
	Foreign Currency Risk			3,325,150	-	3,325,150	266,012
	Equity Risk			9,963	-	9,963	797
	Commodity Risk			52,163	-	52,163	4,173
	Option Risk			9,182	-	9,182	735
	Inventory Risk			-	-	-	-
4.0	<b>Operational Risk</b>			17,738,110		17,738,110	1,419,049
5.0	<b>Total RWA and Capital Requirements</b>			188,272,244	-	188,272,244	15,061,779

## Credit Risk

**Table 7: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic as at 30th June 2011 (RM'000)**

item	Exposure Class	Gross Exposures / EAD before CRM	Net Exposures / EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
1.0	<b>Credit Risk</b>						
1.1	<b>Exempted Exposures (Standardised Approach)</b>						
	<u>On-Balance-Sheet Exposures</u>						
	Sovereigns/Central Banks	14,148,422	14,148,422	12,092	-	12,092	967
	Public Sector Entities	92,791	88,857	76,031	-	76,031	6,082
	Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-
	Insurance cos, Securities Firms & Fund Managers	377	377	377	-	377	30
	Corporates	1,847,808	1,843,838	1,966,718	-	1,966,718	157,337
	Regulatory Retail	1,266,916	1,252,018	939,013	-	939,013	75,121
	Residential Mortgage	193,166	193,166	113,807	-	113,807	9,105
	Higher Risk Assets	22,781	22,781	34,171	-	34,171	2,734
	Other Assets	1,631,593	1,631,593	569,738	-	569,738	45,579
	Specialised Financing/Investment	-	-	-	-	-	-
	Securitisation Exposures	-	-	-	-	-	-
	Equity Exposure	-	-	-	-	-	-
	Defaulted Exposures	10,949	9,905	10,911	-	10,911	873
	<b>Total On-Balance Sheet Exposures</b>	<b>19,214,803</b>	<b>19,190,956</b>	<b>3,722,857</b>	<b>-</b>	<b>3,722,857</b>	<b>297,829</b>
	<u>Off-Balance-Sheet Exposures</u>						
	<b>OTC Derivatives</b>	-	-	-	-	-	-
	<b>Credit Derivatives</b>	-	-	-	-	-	-
	<b>Off balance sheet exposures other than OTC derivatives or credit derivatives</b>	<b>155,588</b>	<b>1 53,945</b>	<b>31,065</b>	<b>-</b>	<b>31,065</b>	<b>2,485</b>
	<b>Defaulted Exposures</b>	-	-	-	-	-	-
	<b>Total Off-Balance Sheet Exposures</b>	<b>155,588</b>	<b>153,945</b>	<b>31,065</b>	<b>-</b>	<b>31,065</b>	<b>2,485</b>
	<b>Total On and Off-Balance Sheet Exposures</b>	<b>19,370,391</b>	<b>19,344,901</b>	<b>3,753,922</b>	<b>-</b>	<b>3,753,922</b>	<b>300,314</b>
1.2	<b>Exposures under the IRB Approach</b>						
	<u>On-Balance-Sheet Exposures</u>						
	<b>Sovereigns/Central Banks</b>	-	-	-	-	-	-
	<b>Public Sector Entities</b>	-	-	-	-	-	-
	<b>Banks, Development Financial Institutions &amp; MDBs</b>	<b>4,204,353</b>	<b>4,204,353</b>	<b>1,735,181</b>	<b>-</b>	<b>1,735,181</b>	<b>138,815</b>
	<b>Insurance cos, Securities Firms &amp; Fund Managers</b>	-	-	-	-	-	-
	<b>Corporate Exposures</b>	<b>13,442,575</b>	<b>13,442,575</b>	<b>9,654,357</b>	<b>194,718</b>	<b>9,459,639</b>	<b>756,771</b>
	<b>a) Corporates (excluding Specialised Lending and firm-size adjustments)</b>	<b>7,204,135</b>	<b>7,204,135</b>	<b>4,967,171</b>	<b>194,718</b>	<b>4,772,453</b>	<b>381,796</b>
	<b>b) Corporates (with firm-size adjustment)</b>	<b>6,220,196</b>	<b>6,220,196</b>	<b>4,674,415</b>	<b>-</b>	<b>4,674,415</b>	<b>373,953</b>
	<b>c) Qualifying Purchased Corporate Receivables</b>	-	-	-	-	-	-
	<b>d) Specialised Lending (Own PD Approach)</b>	-	-	-	-	-	-
	i) Project Finance	-	-	-	-	-	-
	ii) Object Finance	-	-	-	-	-	-
	iii) Commodity Finance	-	-	-	-	-	-
	iv) Income Producing Real Estate	-	-	-	-	-	-
	v) High Volatility Commercial Real Estate	-	-	-	-	-	-

Table 7: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic as at 30th June 2011 (RM'000) (cont'd.)

item	Exposure Class	Gross Exposures / EAD before CRM	Net Exposures / EAD after CRM	Risk Weighted Assets	Risk Weighted Assets Absorbed by PSIA	Total Risk Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
	<b>Corporate Exposures (cont'd.)</b>						
	<b>e) Specialised Lending (Slotting Approach)</b>	18,245	18,245	12,772	-	12,772	1,022
	i) Project Finance	18,245	18,245	12,772	-	12,772	1,022
	ii) Object Finance	-	-	-	-	-	-
	iii) Commodity Finance	-	-	-	-	-	-
	iv) Income Producing Real Estate	-	-	-	-	-	-
	v) High Volatility Commercial Real Estate	-	-	-	-	-	-
	<b>Retail Exposures</b>	28,443,517	28,443,517	9,565,477	-	9,565,477	765,238
	a) Residential Mortgages	4,493,647	4,493,647	2,570,155	-	2,570,155	205,612
	b) Qualifying Revolving Retail Exposures	289,144	289,144	174,855	-	174,855	13,988
	c) Qualifying Purchased Retail Receivables	-	-	-	-	-	-
	d) Hire Purchase Exposures	14,257,167	14,257,167	4,800,756	-	4,800,756	384,060
	e) Other Retail Exposures	9,403,559	9,403,559	2,019,713	-	2,019,713	161,577
	<b>Securitisation Exposures</b>	-	-	-	-	-	-
	<b>Equity Exposure</b>	-	-	-	-	-	-
	<b>Defaulted Exposures</b>	675,550	675,550	193,244	-	193,244	15,460
	<b>Total On-Balance Sheet Exposures</b>	46,765,995	46,765,995	21,148,260	194,718	20,953,542	1,676,283
	<u>Off-Balance-Sheet Exposures</u>						
	<b>OTC Derivatives</b>	69,053	69,053	32,882	-	32,882	2,631
	<b>Credit Derivatives</b>	-	-	-	-	-	-
	<b>Off balance sheet exposures other than OTC derivatives</b>	1,741,501	1,741,501	1,056,354	-	1,056,354	84,508
	<b>Defaulted Exposures</b>	-	-	-	-	-	-
	<b>Total Off-Balance Sheet Exposures</b>	1,810,554	1,810,554	1,089,236	-	1,089,236	87,139
	<b>Total On and Off-Balance Sheet Exposures</b>	48,576,548	48,576,548	22,237,497	194,718	22,042,779	1,763,422
	<b>Total IRB Approach after Scaling Factor of 1.06</b>			23,571,746	206,402	23,365,344	1,869,228
	<b>Total (Exposures under Standardised Approach &amp; IRB Approach)</b>						
2.0	<b>Large Exposures Risk Requirement</b>	67,946,939	67,921,449	27,325,669	206,402	27,119,266	2,169,541
3.0	<b>Market Risk</b>	-	-	-	-	-	-
	<b>Bench Mark Rate Risk</b>			40,325	-	40,325	3,226
	<b>Equity Risk</b>			-	-	-	-
	<b>Foreign Exchange Risk</b>			109,485	-	109,485	8,759
	<b>Option Risk</b>			-	-	-	-
	<b>Inventory Risk</b>			-	-	-	-
4.0	<b>Operational Risk</b>			2,334,044	-	2,334,044	186,724
5.0	<b>Total RWA and Capital Requirements</b>			7,154,554	-	7,154,554	572,364
6.0	<b>Total RWA and Capital Requirements</b>			36,964,076	206,402	36,757,674	2,940,614

## Credit Risk

### Management of Credit Risk

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

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

A two-pronged approach is adopted:

- Managing the Credit Risk; and
- Managing the Credit Portfolio

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

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

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

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

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

### Credit Risk Management (CRM) Framework

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

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

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

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

Tables 8 through 10 present the geographic analysis and distribution of exposures under both the SA and IRB approaches for the Group, the Bank and MIB respectively. These tables show the geographic distribution and the proportion of credit exposures assessed under the SA and IRB approaches.

Tables 11 through 13 present the disclosure on credit risk exposures by the various industries for the Group, the Bank and MIB, respectively.

In Tables 14 through 16, the credit risk exposures are presented by maturity periods of one year or less, one to five years and over five years for the Group, the Bank and MIB, respectively.

**Table 8: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank Group as at 30th June 2011 (RM'000)**

Exposure Class	Malaysia (1)	Singapore (2)	Indonesia (3)	Others i.e. Oversea Units (4)	Total (5)
<b>Exposures under Standardised Approach</b>					
Sovereigns/Central Banks	39,396,346	8,394,130	5,648,671	1,572,868	55,012,015
Public Sector Entities	826,495	292,051	–	50,475	1,169,021
Banks, Development Financial Institutions & MDBs	447,776	2,423,175	1,393,786	316,311	4,581,048
Insurance cos, Securities Firms & Fund Managers	25,235	759,915	–	236,142	1,021,292
Corporates	6,588,115	3,126,717	23,192,621	9,665,127	42,572,580
Regulatory Retail	10,026,750	3,269,086	10,141,183	698,754	24,135,773
Residential Mortgage	2,221,875	148,357	2,172,788	17,819	4,560,839
Higher Risk Assets	691,518	56,145	–	1,556	749,219
Other Assets	11,252,908	8,217,131	1,449,841	596,900	21,516,781
Specialised Financing/Investment	–	–	–	–	–
Securitisation Exposures	608,477	–	–	–	608,477
Equity Exposure	13,369	60,071	44,606	–	118,047
<b>Total Standardised Approach</b>	<b>72,098,865</b>	<b>26,746,779</b>	<b>44,043,496</b>	<b>13,155,953</b>	<b>156,045,093</b>
<b>Exposures under IRB Approach</b>					
<b>Sovereigns/Central Banks</b>	–	–	–	–	–
<b>Public Sector Entities</b>	–	–	–	–	–
<b>Banks, Development Financial Institutions &amp; MDBs</b>	20,850,630	9,292,608	–	14,775,639	44,918,878
<b>Insurance cos, Securities Firms &amp; Fund Managers</b>	–	–	–	–	–
<b>Corporate Exposures</b>	91,075,510	28,781,820	–	7,785,863	127,643,193
<b>a) Corporates (excluding Specialised Lending and firm-size adjustments)</b>	51,045,726	11,616,771	–	7,785,863	70,448,361
<b>b) Corporates (with firm-size adjustment)</b>	39,277,752	17,165,049	–	–	56,442,800
<b>c) Qualifying Purchased Corporate Receivables</b>	–	–	–	–	–
<b>d) Specialised Lending (Own PD Approach)</b>	–	–	–	–	–
i) Project Finance	–	–	–	–	–
ii) Object Finance	–	–	–	–	–
iii) Commodity Finance	–	–	–	–	–
iv) Income Producing Real Estate	–	–	–	–	–
v) High Volatility Commercial Real Estate	–	–	–	–	–

## Credit Risk

**Table 8: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank Group as at 30th June 2011 (RM'000) (cont'd.)**

Exposure Class	Malaysia	Singapore	Indonesia	Others	Total
	(1)	(2)	(3)	i.e. Oversea Units (4)	
<b>e) Specialised Lending (Slotting Approach)</b>	752,032	–	–	–	752,032
i) Project Finance	752,032	–	–	–	752,032
ii) Object Finance	–	–	–	–	–
iii) Commodity Finance	–	–	–	–	–
iv) Income Producing Real Estate	–	–	–	–	–
v) High Volatility Commercial Real Estate	–	–	–	–	–
<b>Retail Exposures</b>	73,059,644	22,854,287	–	–	95,913,931
a) Residential Mortgages	22,060,912	10,773,487	–	–	32,834,399
b) Qualifying Revolving Retail Exposures	5,173,940	2,375,977	–	–	7,549,916
c) Qualifying Purchased Retail Receivables	–	–	–	–	–
d) Hire Purchase Exposures	22,700,232	8,233,312	–	–	30,933,544
e) Other Retail Exposures	23,124,560	1,471,511	–	–	24,596,071
<b>Securitisation Exposures</b>	–	–	–	–	–
<b>Equity Exposure</b>	–	–	–	–	–
<b>Total IRB Approach</b>	184,985,784	60,928,714	–	22,561,502	268,476,001
<b>Total Standardised and IRB Approaches</b>	<b>257,084,649</b>	<b>87,675,494</b>	<b>44,043,496</b>	<b>35,717,456</b>	<b>424,521,094</b>

**Table 9: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank as at 30th June 2011 (RM'000)**

Exposure Class	Malaysia (1)	Singapore (2)	Indonesia (3)	Others i.e. Oversea Units (4)	Total (5)
<b>Exposures under Standardised Approach</b>					
Sovereigns/Central Banks	25,217,979	8,366,479	–	746,304	34,330,762
Public Sector Entities	732,764	292,051	–	–	1,024,815
Banks, Development Financial Institutions & MDBs	–	–	–	–	–
Insurance cos, Securities Firms & Fund Managers	24,282	–	–	236,142	260,424
Corporates	4,538,082	2,913,689	–	8,411,090	15,862,861
Regulatory Retail	7,763,508	1,470,174	–	292,435	9,526,117
Residential Mortgage	2,024,197	148,357	–	17,819	2,190,374
Higher Risk Assets	557,758	867	–	–	558,625
Other Assets	16,164,172	6,765,696	–	287,704	23,217,572
Specialised Financing/Investment	–	–	–	–	–
Securitisation Exposures	608,477	–	–	–	608,477
Equity Exposure	–	60,071	–	–	60,071
<b>Total Standardised Approach</b>	<b>57,631,221</b>	<b>20,017,384</b>	<b>–</b>	<b>9,991,495</b>	<b>87,640,099</b>
<b>Exposures under IRB Approach</b>					
<b>Sovereigns/Central Banks</b>	–	–	–	–	–
<b>Public Sector Entities</b>	–	–	–	–	–
<b>Banks, Development Financial Institutions &amp; MDBs</b>	24,380,782	9,292,608	–	14,775,639	48,449,029
<b>Insurance cos, Securities Firms &amp; Fund Managers</b>	–	–	–	–	–
<b>Corporate Exposures</b>	75,983,080	28,781,820	–	7,785,863	112,550,763
<b>a) Corporates (excluding Specialised Lending and firm-size adjustments)</b>	43,381,778	11,616,771	–	7,785,863	62,784,412
<b>b) Corporates (with firm-size adjustment)</b>	31,892,956	17,165,049	–	–	49,058,004
<b>c) Qualifying Purchased Corporate Receivables</b>	–	–	–	–	–
<b>d) Specialised Lending (Own PD Approach)</b>	–	–	–	–	–
i) Project Finance	–	–	–	–	–
ii) Object Finance	–	–	–	–	–
iii) Commodity Finance	–	–	–	–	–
iv) Income Producing Real Estate	–	–	–	–	–
v) High Volatility Commercial Real Estate	–	–	–	–	–

## Credit Risk

**Table 9: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank as at 30th June 2011 (RM'000) (cont'd.)**

Exposure Class	Malaysia	Singapore	Indonesia	Others	Total
	(1)	(2)	(3)	i.e. Oversea Units (4)	
<b>e) Specialised Lending (Slotting Approach)</b>	708,346	-	-	-	708,346
i) Project Finance	708,346	-	-	-	708,346
ii) Object Finance	-	-	-	-	-
iii) Commodity Finance	-	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-	-
<b>Retail Exposures</b>	43,850,932	22,854,287	-	-	66,705,219
a) Residential Mortgages	17,453,453	10,773,487	-	-	28,226,939
b) Qualifying Revolving Retail Exposures	4,818,183	2,375,977	-	-	7,194,160
c) Qualifying Purchased Retail Receivables	-	-	-	-	-
d) Hire Purchase Exposures	7,962,824	8,233,312	-	-	16,196,137
e) Other Retail Exposures	13,616,472	1,471,511	-	-	15,087,983
<b>Securitisation Exposures</b>	-	-	-	-	-
<b>Equity Exposure</b>	-	-	-	-	-
<b>Total IRB Approach</b>	144,214,794	60,928,714	-	22,561,502	227,705,011
<b>Total Standardised and IRB Approaches</b>	<b>201,846,014</b>	<b>80,946,098</b>	-	<b>32,552,997</b>	<b>315,345,110</b>

**Table 10: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank Islamic as at 30th June 2011 (RM'000)**

Exposure Class	Malaysia	Singapore	Indonesia	Others	Total
	(1)	(2)	(3)	i.e. Oversea Units (4)	(5)
<b>Exposures under Standardised Approach</b>					
Sovereigns/Central Banks	14,148,422	-	-	-	14,148,422
Public Sector Entities	93,730	-	-	-	93,730
Banks, Development Financial Institutions & MDBs	-	-	-	-	-
Insurance cos, Securities Firms & Fund Managers	953	-	-	-	953
Corporates	2,002,864	-	-	-	2,002,864
Regulatory Retail	1,269,365	-	-	-	1,269,365
Residential Mortgage	197,020	-	-	-	197,020
Higher Risk Assets	26,444	-	-	-	26,444
Other Assets	1,631,593	-	-	-	1,631,593
Specialised Financing/Investment	-	-	-	-	-
Securitisation Exposures	-	-	-	-	-
Equity Exposure	-	-	-	-	-
<b>Total Standardised Approach</b>	<b>19,370,391</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,370,391</b>
<b>Exposures under IRB Approach</b>					
<b>Sovereigns/Central Banks</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Public Sector Entities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Banks, Development Financial Institutions &amp; MDBs</b>	<b>4,275,405</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,275,405</b>
<b>Insurance cos, Securities Firms &amp; Fund Managers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Corporate Exposures</b>	<b>15,092,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,092,431</b>
a) Corporates (excluding Specialised Lending and firm-size adjustments)	7,663,949	-	-	-	7,663,949
b) Corporates (with firm-size adjustment)	7,384,796	-	-	-	7,384,796
c) Qualifying Purchased Corporate Receivables	-	-	-	-	-
d) Specialised Lending (Own PD Approach)	-	-	-	-	-
i) Project Finance	-	-	-	-	-
ii) Object Finance	-	-	-	-	-
iii) Commodity Finance	-	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-	-

## Credit Risk

**Table 10: Disclosure on Credit Risk Exposure – Geographic Analysis for Maybank Islamic as at 30th June 2011 (RM'000) (cont'd.)**

Exposure Class	Malaysia	Singapore	Indonesia	Others	Total
	(1)	(2)	(3)	i.e. Oversea Units (4)	
<b>e) Specialised Lending (Slotting Approach)</b>	43,686	-	-	-	43,686
i) Project Finance	43,686	-	-	-	43,686
ii) Object Finance	-	-	-	-	-
iii) Commodity Finance	-	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-	-
<b>Retail Exposures</b>	29,208,712	-	-	-	29,208,712
a) Residential Mortgages	4,607,460	-	-	-	4,607,460
b) Qualifying Revolving Retail Exposures	355,756	-	-	-	355,756
c) Qualifying Purchased Retail Receivables	-	-	-	-	-
d) Hire Purchase Exposures	14,737,407	-	-	-	14,737,407
e) Other Retail Exposures	9,508,088	-	-	-	9,508,088
<b>Securitisation Exposures</b>	-	-	-	-	-
<b>Equity Exposure</b>	-	-	-	-	-
<b>Total IRB Approach</b>	48,576,548	-	-	-	48,576,548
<b>Total Standardised and IRB Approaches</b>	<b>67,946,938</b>	-	-	-	<b>67,946,938</b>

Table 11: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Group as at 30th June 2011 (RM'000)

Exposure Class	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Agriculture	Mining & Quarrying	Manu- facturing	Construc- tion	Electricity, Gas & Water Supply	Wholesale, Retail trade, restaurants & hotels	Finance, Insurance, Real Estate & Business	Transport, Storage & Communi- cation	Education, health & others	Household	NEC	Total
<b>Exposures under Standardised Approach</b>												
Sovereigns/Central Banks	-	14,990	-	-	-	555	46,804,150	-	2,854,119	-	5,338,201	55,012,015
Public Sector Entities	-	-	-	616	440	-	932,844	10,474	186,875	-	37,771	1,169,021
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	4,581,048	-	-	-	-	4,581,048
Insurance Cos, Securities Firms & Fund Managers	-	2,051	14	-	-	-	236,846	22,465	-	-	759,915	1,021,292
Corporates	1,686,635	1,531,752	5,308,442	2,259,976	1,953,346	6,821,250	5,213,328	6,511,988	753,558	5,702,589	4,829,715	42,572,580
Regulatory Retail	345,485	43,913	1,142,274	434,005	8,893	2,416,164	713,113	250,940	3,779,147	14,333,242	668,597	24,135,773
Residential Mortgage	-	-	866	-	-	212	591	137	-	4,558,279	753	4,560,839
Higher Risk Assets	-	-	1,263	-	-	-	224,266	-	-	359,721	163,969	749,219
Other Assets	163,305	534,204	1,263,840	49,389	2,735	4,120,703	1,343,329	9,401	11,600	-	13,918,275	21,516,782
Specialised Financing/Investment	-	-	-	-	-	-	-	-	-	-	-	-
Securitisation Exposures	-	-	-	-	-	-	-	-	-	-	653,083	653,083
Equity Exposure	-	-	28,525	24,209	-	96	7,300	-	-	-	13,311	73,441
<b>Total Standardised Approach</b>	2,195,425	2,126,910	7,745,226	2,768,195	1,965,414	13,358,980	60,056,815	6,805,406	7,685,300	24,953,832	26,383,590	156,045,093
<b>Exposures under IRB Approach</b>												
<b>Sovereigns/Central Banks</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Public Sector Entities</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Banks, Development Financial Institutions &amp; MDBs</b>	-	-	-	-	10,949,903	-	31,810,942	-	-	-	2,158,033	44,918,878
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Corporate Exposures</b>	3,716,770	1,033,960	25,350,299	14,491,891	5,547,775	16,507,534	44,317,789	9,323,665	1,761,159	-	5,592,353	127,643,193
a) Corporates (excluding Specialised Lending and firm-size adjustments)	1,239,423	810,532	15,158,096	6,682,745	4,727,693	5,557,699	26,184,103	5,269,433	661,988	-	4,156,647	70,448,361
b) Corporates (with firm-size adjustment)	2,477,347	223,428	10,192,203	7,809,146	820,081	10,949,835	18,133,685	4,054,232	1,099,170	-	683,673	56,442,800
c) Qualifying Purchased Corporate Receivables	-	-	-	-	-	-	-	-	-	-	-	-

## Credit Risk

Table 11: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Group as at 30th June 2011 (RM'000) (cont'd.)

Exposure Class	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Agriculture	Mining & Quarrying	Manu- facturing	Construc- tion	Electricity, Gas & Water Supply	Wholesale, Retail trade, restaurants & hotels	Finance, Insurance, Real Estate & Business	Transport, Storage & Communi- cation	Education, health & others	Household	NEC	Total
<b>d) Specialised Lending (Own PD Approach)</b>	-	-	-	-	-	-	-	-	-	-	-	-
i) Project Finance	-	-	-	-	-	-	-	-	-	-	-	-
ii) Object Finance	-	-	-	-	-	-	-	-	-	-	-	-
iii) Commodity Finance	-	-	-	-	-	-	-	-	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
<b>e) Specialised Lending (Slotting Approach)</b>	-	-	-	-	-	-	-	-	-	-	752,032	752,032
i) Project Finance	-	-	-	-	-	-	-	-	-	-	752,032	752,032
ii) Object Finance	-	-	-	-	-	-	-	-	-	-	-	-
iii) Commodity Finance	-	-	-	-	-	-	-	-	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
<b>Retail Exposures</b>	-	-	-	-	-	-	-	-	-	95,913,931	-	95,913,931
a) Residential Mortgages	-	-	-	-	-	-	-	-	-	32,834,399	-	32,834,399
b) Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	7,549,916	-	7,549,916
c) Qualifying Purchased Retail Receivables	-	-	-	-	-	-	-	-	-	-	-	-
d) Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	30,933,544	-	30,933,544
e) Other Retail Exposures	-	-	-	-	-	-	-	-	-	24,596,071	-	24,596,071
<b>Securitisation Exposures</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Equity Exposure</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total IRB Approach</b>	3,716,770	1,033,960	25,350,299	14,491,891	16,497,678	16,507,534	76,128,730	9,323,665	1,761,159	95,913,931	7,750,386	268,476,001
<b>Total Standardised and IRB Approaches</b>	<b>5,912,195</b>	<b>3,160,870</b>	<b>33,095,525</b>	<b>17,260,086</b>	<b>18,463,092</b>	<b>29,866,513</b>	<b>136,185,546</b>	<b>16,129,071</b>	<b>9,446,459</b>	<b>120,867,763</b>	<b>34,133,976</b>	<b>424,521,094</b>

Table 12: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank as at 30th June 2011 (RM'000)

Exposure Class	Mining & Quarrying		Manufacturing		Construction		Electricity, Gas & Water Supply		Wholesale, Retail trade, restaurants & hotels		Finance, Insurance, Real Estate & Business		Transport, Storage & Communication		Education, health & others		Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)					
<b>Exposures under Standardised Approach</b>																	
Sovereigns/Central Banks	-	14,990	-	-	-	555	30,575,261	-	2,847,016	-	-	-	892,940	-	-	-	34,330,762
Public Sector Entities	-	-	-	-	440	-	812,391	10,474	165,494	-	-	-	36,016	-	-	-	1,024,815
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	2,051	14	-	-	-	236,846	21,513	-	-	-	-	-	-	-	-	260,424
Corporates	564,477	139,536	1,751,468	882,663	1,273,221	1,434,951	1,439,008	2,237,324	285,119	1,961,782	3,893,312	15,862,861	-	-	-	-	-
Regulatory Retail	434	-	-	462	325	2,407	150,674	370	547	9,278,672	92,224	9,526,117	-	-	-	-	-
Residential Mortgage	-	-	866	-	-	212	591	137	-	2,187,814	753	2,190,374	-	-	-	-	-
Higher Risk Assets	-	-	1,263	-	-	-	115,394	-	-	333,277	108,690	558,625	-	-	-	-	-
Other Assets	155,160	529,707	1,008,529	28,673	2,735	3,619,563	1,271,562	2,396	41,002	-	16,558,245	23,217,572	-	-	-	-	-
Specialised Financing/Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitisation Exposures	-	-	-	-	-	-	-	-	-	-	608,477	608,477	-	-	-	-	-
Equity Exposure	-	-	28,525	24,209	-	96	7,242	-	-	-	-	60,071	-	-	-	-	-
<b>Total Standardised Approach</b>	<b>720,072</b>	<b>686,285</b>	<b>2,790,665</b>	<b>936,008</b>	<b>1,276,722</b>	<b>5,057,783</b>	<b>34,608,968</b>	<b>2,272,214</b>	<b>3,339,178</b>	<b>13,761,545</b>	<b>22,190,658</b>	<b>87,640,099</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Exposures under IRB Approach</b>																	
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	-	-	-	-	10,949,902	-	35,425,721	-	-	-	2,073,405	48,449,029	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Corporate Exposures</b>	<b>3,132,965</b>	<b>1,010,609</b>	<b>21,101,580</b>	<b>12,419,678</b>	<b>5,136,501</b>	<b>14,756,133</b>	<b>40,127,668</b>	<b>8,056,571</b>	<b>1,426,881</b>	<b>-</b>	<b>5,382,176</b>	<b>112,550,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) Corporates (excluding Specialised Lending and firm-size adjustments)	832,248	809,331	12,745,346	5,393,029	4,676,377	4,815,264	23,711,523	5,055,746	658,670	-	4,086,878	62,784,412	-	-	-	-	-
b) Corporates (with firm-size adjustment)	2,300,717	201,278	8,356,234	7,026,650	460,124	9,940,869	16,416,145	3,000,825	768,210	-	586,952	49,058,004	-	-	-	-	-
c) Qualifying Purchased Corporate Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## Credit Risk

Table 12: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank as at 30th June 2011 (RM'000) (cont'd.)

Exposure Class	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Agriculture	Mining & Quarrying	Manu- facturing	Construc- tion	Electricity, Gas & Water Supply	Wholesale, Retail trade, restaurants & hotels	Finance, Insurance, Real Estate & Business	Transport, Storage & Communi- cation	Education, health & others	Household	NEC	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>d) Specialised Lending (Own PD Approach)</b>	-	-	-	-	-	-	-	-	-	-	-	-
i) Project Finance	-	-	-	-	-	-	-	-	-	-	-	-
ii) Object Finance	-	-	-	-	-	-	-	-	-	-	-	-
iii) Commodity Finance	-	-	-	-	-	-	-	-	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
<b>e) Specialised Lending (Slotting Approach)</b>	-	-	-	-	-	-	-	-	-	-	708,346	708,346
i) Project Finance	-	-	-	-	-	-	-	-	-	-	708,346	708,346
ii) Object Finance	-	-	-	-	-	-	-	-	-	-	-	-
iii) Commodity Finance	-	-	-	-	-	-	-	-	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-	-	-	-	-	-	66,705,219	-	66,705,219
<b>Retail Exposures</b>	-	-	-	-	-	-	-	-	-	28,226,939	-	28,226,939
a) Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
b) Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	7,194,160	-	7,194,160
c) Qualifying Purchased Retail Receivables	-	-	-	-	-	-	-	-	-	-	-	-
d) Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	16,196,137	-	16,196,137
e) Other Retail Exposures	-	-	-	-	-	-	-	-	-	15,087,983	-	15,087,983
<b>Securitisation Exposures</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Equity Exposure</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total IRB Approach</b>	3,132,965	1,010,609	21,101,580	12,419,678	16,086,403	14,756,133	75,553,390	8,056,571	1,426,881	66,705,219	7,455,581	227,705,011
<b>Total Standardised and IRB Approaches</b>	<b>3,853,037</b>	<b>1,696,894</b>	<b>23,892,246</b>	<b>13,355,686</b>	<b>17,363,125</b>	<b>19,813,917</b>	<b>110,162,358</b>	<b>10,328,785</b>	<b>4,766,059</b>	<b>80,466,764</b>	<b>29,646,239</b>	<b>315,345,110</b>

Table 13: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Islamic as at 30th June 2011 (RM'000)

Exposure Class	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Agriculture	Mining & Quarrying	Manufacturing	Construction	Electricity, Gas & Water Supply	Wholesale, Retail trade, restaurants & hotels	Finance, Insurance, Real Estate & Business	Transport, Storage & Communication	Education, health & others	Household	NEC	Total
<b>Exposures under Standardised Approach</b>												
Sovereigns/Central Banks	-	-	-	-	-	-	11,837,962	-	-	-	2,310,460	14,148,422
Public Sector Entities	-	-	-	616	-	-	84,753	-	6,606	-	1,754	93,730
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	953	-	-	-	953
Corporates	74,362	2,887	79,814	279,325	101,709	89,263	67,520	682,738	66,885	142,462	415,896	2,002,864
Regulatory Retail	-	-	-	-	-	-	-	-	-	1,269,365	-	1,269,365
Residential Mortgage	-	-	-	-	-	-	-	-	-	197,020	-	197,020
Higher Risk Assets	-	-	-	-	-	-	-	-	-	26,444	-	26,444
Other Assets	-	-	6,618	-	-	4,534	-	-	743	-	1,619,699	1,631,593
Specialised Financing/Investment	-	-	-	-	-	-	-	-	-	-	-	-
Securitisation Exposures	-	-	-	-	-	-	-	-	-	-	-	-
Equity Exposure	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Standardised Approach</b>	74,362	2,887	86,431	279,941	101,709	93,797	11,990,235	683,691	74,234	1,635,291	4,347,810	19,370,391
<b>Exposures under IRB Approach</b>												
<b>Sovereigns/Central Banks</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Public Sector Entities</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Banks, Development Financial Institutions &amp; MDBs</b>	-	-	-	-	-	-	4,190,777	-	-	-	84,628	4,275,405
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Corporate Exposures</b>	583,805	23,351	4,248,719	2,072,212	411,274	1,751,401	4,190,120	1,267,094	334,278	-	210,177	15,092,431
a) Corporates (excluding Specialised Lending and firm-size adjustments)	407,176	1,201	2,412,750	1,289,716	51,316	742,434	2,472,580	213,687	3,318	-	69,770	7,663,949
b) Corporates (with firm-size adjustment)	176,629	22,151	1,835,968	782,496	359,958	1,008,966	1,717,540	1,053,406	330,960	-	96,721	7,384,796
c) Qualifying Purchased Corporate Receivables	-	-	-	-	-	-	-	-	-	-	-	-

## Credit Risk

Table 13: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Islamic as at 30th June 2011 (RM'000) (cont'd.)

Exposure Class	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Agriculture	Mining & Quarrying	Manu- facturing	Construc- tion	Electricity, Gas & Water Supply	Wholesale, Retail trade, restaurants & hotels	Finance, Insurance, Real Estate & Business	Transport, Storage & Communi- cation	Education, health & others	Household	NEC	Total
<b>d) Specialised Lending (Own PD Approach)</b>	-	-	-	-	-	-	-	-	-	-	-	-
i) Project Finance	-	-	-	-	-	-	-	-	-	-	-	-
ii) Object Finance	-	-	-	-	-	-	-	-	-	-	-	-
iii) Commodity Finance	-	-	-	-	-	-	-	-	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
e) Specialised Lending (Slotting Approach)	-	-	-	-	-	-	-	-	-	-	43,686	43,686
i) Project Finance	-	-	-	-	-	-	-	-	-	-	43,686	43,686
ii) Object Finance	-	-	-	-	-	-	-	-	-	-	-	-
iii) Commodity Finance	-	-	-	-	-	-	-	-	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
<b>Retail Exposures</b>	-	-	-	-	-	-	-	-	-	29,208,712	-	29,208,712
a) Residential Mortgages	-	-	-	-	-	-	-	-	-	4,607,460	-	4,607,460
b) Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	355,756	-	355,756
c) Qualifying Purchased Retail Receivables	-	-	-	-	-	-	-	-	-	-	-	-
d) Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	14,737,407	-	14,737,407
e) Other Retail Exposures	-	-	-	-	-	-	-	-	-	9,508,088	-	9,508,088
<b>Securitisation Exposures</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Equity Exposure</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total IRB Approach</b>	583,805	23,351	4,248,719	2,072,212	411,274	1,751,401	8,380,898	1,267,094	334,278	29,208,712	294,805	48,576,548
<b>Total Standardised and IRB Approaches</b>	<b>658,167</b>	<b>26,238</b>	<b>4,335,150</b>	<b>2,352,154</b>	<b>512,984</b>	<b>1,845,198</b>	<b>20,371,133</b>	<b>1,950,785</b>	<b>408,512</b>	<b>30,844,002</b>	<b>4,642,615</b>	<b>67,946,938</b>

**Table 14: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank Group as at 30th June 2011 (RM'000)**

Exposure Class	One year or less (1)	One to five years (2)	Over five years (3)	Total (4)
<b>Standardised Approach</b>				
Sovereigns/Central Banks	5,300,553	13,126,394	36,585,068	55,012,015
Public Sector Entities	142,020	810,108	216,893	1,169,021
Banks, Development Financial Institutions & MDBs	2,208,392	2,372,656	-	4,581,048
Insurance Cos, Securities Firms & Fund Managers	15,013	1,004,516	1,763	1,021,292
Corporates	13,264,737	24,728,588	4,579,255	42,572,581
Regulatory Retail	9,763,533	6,895,038	7,477,201	24,135,773
Residential Mortgage	576,652	790,123	3,194,065	4,560,839
Higher Risk Assets	130,761	405,916	212,542	749,219
Other Assets	13,345,422	7,971,849	199,510	21,516,781
Specialised Financing/Investment	-	-	-	-
Securitisation Exposures	-	-	608,477	608,477
Equity Exposure	-	118,047	-	118,047
<b>Total Standardised Approach</b>	<b>44,747,082</b>	<b>58,223,236</b>	<b>53,074,774</b>	<b>156,045,093</b>
<b>IRB Approach</b>				
<b>Sovereigns/Central Banks</b>	-	-	-	-
<b>Public Sector Entities</b>	-	-	-	-
<b>Banks, Development Financial Institutions &amp; MDBs</b>	21,310,171	19,348,685	4,260,022	44,918,878
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>	-	-	-	-
<b>Corporate Exposures</b>	57,172,974	40,121,859	30,348,360	127,643,193
a) Corporates (excluding Specialised Lending and firm-size adjustments)	31,141,383	24,452,754	14,854,224	70,448,361
b) Corporates (with firm-size adjustment)	26,004,520	15,669,105	14,769,175	56,442,800
c) Qualifying Purchased Corporate Receivables	-	-	-	-
d) Specialised Lending (Own PD Approach)	-	-	-	-
i) Project Finance	-	-	-	-
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
e) Specialised Lending (Slotting Approach)	27,071	-	724,961	752,032
i) Project Finance	27,071	-	724,961	752,032
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
<b>Retail Exposures</b>	1,065,564	18,770,104	76,078,263	95,913,931
a) Residential Mortgages	29,944	1,267,761	31,536,694	32,834,399
b) Qualifying Revolving Retail Exposures	559,253	6,117,896	872,768	7,549,916
c) Qualifying Purchased Retail Receivables	-	-	-	-
d) Hire Purchase Exposures	307,170	9,813,681	20,812,693	30,933,544
e) Other Retail Exposures	169,197	1,570,765	22,856,109	24,596,071
<b>Securitisation Exposures</b>	-	-	-	-
<b>Equity Exposure</b>	-	-	-	-
<b>Total IRB Approach</b>	<b>79,548,709</b>	<b>78,240,648</b>	<b>110,686,645</b>	<b>268,476,001</b>
<b>Total Standardised and IRB Approaches</b>	<b>124,295,792</b>	<b>136,463,884</b>	<b>163,761,419</b>	<b>424,521,094</b>

## Credit Risk

**Table 15: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank as at 30th June 2011 (RM'000)**

Exposure Class	One year or less (1)	One to five years (2)	Over five years (3)	Total (4)
<b>Standardised Approach</b>				
Sovereigns/Central Banks	1,489,000	8,039,577	24,802,184	34,330,762
Public Sector Entities	68,710	757,267	198,838	1,024,815
Banks, Development Financial Institutions & MDBs	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	15,003	243,658	1,763	260,424
Corporates	3,923,763	10,105,082	1,834,017	15,862,861
Regulatory Retail	2,039,379	1,530,596	5,956,142	9,526,117
Residential Mortgage	506,948	159,787	1,523,639	2,190,374
Higher Risk Assets	123,824	240,381	194,420	558,625
Other Assets	22,252,685	792,208	172,679	23,217,572
Specialised Financing/Investment	-	-	-	-
Securitisation Exposures	-	-	608,477	608,477
Equity Exposure	-	60,071	-	60,071
<b>Total Standardised Approach</b>	<b>30,419,313</b>	<b>21,928,627</b>	<b>35,292,160</b>	<b>87,640,099</b>
<b>IRB Approach</b>				
<b>Sovereigns/Central Banks</b>	-	-	-	-
<b>Public Sector Entities</b>	-	-	-	-
<b>Banks, Development Financial Institutions &amp; MDBs</b>	24,990,513	19,203,506	4,255,011	48,449,030
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>	-	-	-	-
<b>Corporate Exposures</b>	49,571,728	37,446,222	25,532,813	112,550,763
a) Corporates (excluding Specialised Lending and firm-size adjustments)	26,591,872	23,216,891	12,975,649	62,784,412
b) Corporates (with firm-size adjustment)	22,978,226	14,229,331	11,850,448	49,058,004
c) Qualifying Purchased Corporate Receivables	-	-	-	-
d) Specialised Lending (Own PD Approach)	-	-	-	-
i) Project Finance	-	-	-	-
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
e) Specialised Lending (Slotting Approach)	1,630	-	706,716	708,346
i) Project Finance	1,630	-	706,716	708,346
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
<b>Retail Exposures</b>	979,372	14,398,945	51,326,902	66,705,219
a) Residential Mortgages	25,319	1,051,912	27,149,709	28,226,939
b) Qualifying Revolving Retail Exposures	555,807	5,769,200	869,153	7,194,160
c) Qualifying Purchased Retail Receivables	-	-	-	-
d) Hire Purchase Exposures	234,575	6,419,229	9,542,333	16,196,137
e) Other Retail Exposures	163,671	1,158,604	13,765,708	15,087,983
<b>Securitisation Exposures</b>	-	-	-	-
<b>Equity Exposure</b>	-	-	-	-
<b>Total IRB Approach</b>	<b>75,541,613</b>	<b>71,048,672</b>	<b>81,114,726</b>	<b>227,705,011</b>
<b>Total Standardised and IRB Approaches</b>	<b>105,960,925</b>	<b>92,977,299</b>	<b>116,406,886</b>	<b>315,345,110</b>

**Table 16: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank Islamic as at 30th June 2011 (RM'000)**

Exposure Class	One year or less (1)	One to five years (2)	Over five years (3)	Total (4)
<b>Standardised Approach</b>				
Sovereigns/Central Banks	368,999	3,735,753	10,043,669	14,148,422
Public Sector Entities	73,310	2,366	18,055	93,730
Banks, Development Financial Institutions & MDBs	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	9	944	-	953
Corporates	525,685	771,733	705,446	2,002,864
Regulatory Retail	79,364	90,674	1,099,327	1,269,365
Residential Mortgage	4,977	11,604	180,438	197,020
Higher Risk Assets	6,937	1,384	18,122	26,444
Other Assets	1,631,593	-	-	1,631,593
Specialised Financing/Investment	-	-	-	-
Securitisation Exposures	-	-	-	-
Equity Exposure	-	-	-	-
<b>Total Standardised Approach</b>	<b>2,690,875</b>	<b>4,614,458</b>	<b>12,065,057</b>	<b>19,370,391</b>
<b>IRB Approach</b>				
<b>Sovereigns/Central Banks</b>	-	-	-	-
<b>Public Sector Entities</b>	-	-	-	-
<b>Banks, Development Financial Institutions &amp; MDBs</b>	4,125,215	145,179	5,011	4,275,405
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>	-	-	-	-
<b>Corporate Exposures</b>	7,601,246	2,675,637	4,815,547	15,092,431
a) Corporates (excluding Specialised Lending and firm-size adjustments)	4,549,511	1,235,863	1,878,575	7,663,949
b) Corporates (with firm-size adjustment)	3,026,295	1,439,774	2,918,727	7,384,796
c) Qualifying Purchased Corporate Receivables	-	-	-	-
d) Specialised Lending (Own PD Approach)	-	-	-	-
i) Project Finance	-	-	-	-
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
e) Specialised Lending (Slotting Approach)	25,441	-	18,245	43,686
i) Project Finance	25,441	-	18,245	43,686
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
<b>Retail Exposures</b>	86,192	4,371,159	24,751,360	29,208,712
a) Residential Mortgages	4,625	215,850	4,386,984	4,607,460
b) Qualifying Revolving Retail Exposures	3,446	348,696	3,615	355,756
c) Qualifying Purchased Retail Receivables	-	-	-	-
d) Hire Purchase Exposures	72,595	3,394,453	11,270,360	14,737,407
e) Other Retail Exposures	5,526	412,162	9,090,401	9,508,088
<b>Securitisation Exposures</b>	-	-	-	-
<b>Equity Exposure</b>	-	-	-	-
<b>Total IRB Approach</b>	<b>11,812,654</b>	<b>7,191,976</b>	<b>29,571,918</b>	<b>48,576,548</b>
<b>Total Standardised and IRB Approaches</b>	<b>14,503,529</b>	<b>11,806,434</b>	<b>41,636,975</b>	<b>67,946,938</b>

## Credit Risk

### Credit Impairment Policy Classification and Impairment Provisions for Loans/Financing

BNM has issued its new guidelines – Classification and Impairment Provisions for Loans/Financing (hereafter referred to as “Impairment Guidelines”).

The Impairment Guidelines set out the minimum requirement on the classification of impaired loans/financing and provision for loan/financing impairment with the adoption of the FRS 139-Financial Instruments: Recognition and Measurement issued by Malaysian Accounting Standards Board, which requires the new impairment provision reporting to take effect on 1 July, 2010.

The Impairment Guidelines supersede the BNM GP3 on classification of non-performing loans and provisions for substandard, doubtful and bad debts and is to take effect from the financial years beginning on and after 1 January 2010 (Note: The Bank’s Impairment Guidelines is to take effect for the financial year beginning on 1 July, 2010).

The Group has implemented a Credit Impairment Policy consistent with these guidelines.

Methods of assessment under FRS 139 comprising Individual Assessment (IA) and Collective Assessment (CA)

#### a) Individual Assessment (IA)

Individual assessment is more accurate and commonly used for significant loans like Corporate Loans. For individually significant borrowers/loans that meet the threshold limit of above RM5.0 million, each loan is subject to the impairment process on quarterly basis. The need for impairment is triggered by certain/pre-determined events (Triggering Events).

#### b) Collective Assessment (CA)

Due to the nature and size of the consumer loan portfolio, it is considered appropriate and practical to assess them collectively. The impairment loss process shall be on a portfolio basis whereby the loans

are grouped among loans that share similar credit risk characteristics.

This impairment model shall also apply to:

- Non-significant loans that do not meet the threshold limit of above RM5.0 million; and
- Individually significant loan with no objective evidence of impairment.

For this assessment, the loans shall be grouped (segmentation) and impaired collectively using statistical techniques. Each segment will be assigned with one PD and loss rate.

### Trigger Events under the Two Assessments

Under FRS 139, a loan can be impaired only if it has objective evidence for impairment. The Group has to assess at balance sheet date whether a loan or group of loans has any of the objective evidence. For both assessments, early detection of impairment is based on objective evidences known as “trigger events”:

- i. For IA – A comprehensive list of trigger events have been developed by the Focus Group of the Group as warning signals and for early impairment detection.
- ii. For CA – portfolio trigger needs to be linked to a certain delinquency bucket as well as to clearly defined, non-judgmental impairment assessment.

The criterion of 3 months in arrears is mandatory event for non-consumer and consumer loans where the loans need to be impaired. The trigger events will be reviewed by the Group as and when required to ensure the listing of events for impairment remain appropriate to the Group’s business environment.

Tables 17 through 18(b) below show the impaired loans, advances and financing by economic purpose for Group, the Bank, and MIB, respectively.

**Table 17: Impaired loans, advances and financing by industry for Maybank Group as at 30th June 2011 (RM’000)**

	Impaired loans, advances and financing Past	Past Due Loans	Individual Allowance	Collective Impairment	Charges /Write Back	Write-Offs	Total
Agriculture	154,061		56,304		4,754	2,627	210,365
Mining & quarrying	210,375		45,267		36,061	1,372	255,642
Manufacturing	2,526,157		923,647		208,008	578,362	3,449,804
Construction	852,027		275,659		1,689	124,996	1,127,686
Electricity, gas & water supply	434,290		291,849		18,412	118,334	726,139
Wholesale, retail trade, restaurants & hotels	877,377		290,717		36,945	245,040	1,168,094
Finance, insurance, real estate & business	501,392		720,222		49,262	65,039	1,221,614
Transport, storage & communication	904,040		200,752		54,331	30,421	1,104,792
Education, health & others	124,549		40,934		38,888	35	165,483
Household	1,303,994		33,092		152	6,405	1,337,086
Others	868,600		53,686		21,102	13,273	922,286
<b>Total</b>	<b>8,756,862</b>	<b>29,405,553</b>	<b>2,932,129</b>	<b>4,271,208</b>	<b>360,658</b>	<b>1,185,904</b>	<b>11,688,991</b>

**Table 18(a): Impaired loans, advances and financing by industry for Maybank as at 30th June 2011 (RM'000)**

	Impaired loans, advances and financing		Individual Allowance	Collective Impairment	Charges/Write Back	Write-Offs	Total
	Past	Past Due Loans					
Agriculture	140,765		39,164		13,513	451	179,929
Mining & quarrying	5,940		-		-	-	5,940
Manufacturing	1,971,066		623,805		157,477	468,575	2,594,871
Construction	720,305		199,543		5,036	77,173	919,848
Electricity, gas & water supply	411,533		282,560		18,483	118,334	694,093
Wholesale, retail trade, restaurants & hotels	693,278		257,041		29,697	209,953	950,319
Finance, insurance, real estate & business	315,683		571,721		31,041	43,919	887,404
Transport, storage & communication	578,221		88,559		22,460	-	666,780
Education, health & others	41,237		5,040		2,994	35	46,277
Household	1,266,969		202		114	4,955	1,267,171
Others	232,499		48,262		20,997	13,070	280,761
<b>Total</b>	<b>6,377,496</b>	<b>20,371,793</b>	<b>2,115,897</b>	<b>3,179,773</b>	<b>264,618</b>	<b>936,465</b>	<b>8,493,393</b>

**Table 18(b): Impaired loans, advances and financing by industry for Maybank Islamic as at 30th June 2011 (RM'000)**

	Impaired loans, advances and financing		Individual Allowance	Collective Impairment	Charges/Write Back	Write-Offs	Total
	Past	Past Due Loans					
Agriculture	10,040		16,930		8,750	-	26,970
Mining & quarrying	-		-		-	-	-
Manufacturing	80,949		105,477		4,716	72,421	186,426
Construction	69,819		55,556		9,395	47,823	125,375
Electricity, gas & water supply	1,310		-		-	-	1,310
Wholesale, retail trade, restaurants & hotels	55,976		3,315		3,159	22,987	59,291
Finance, insurance, real estate & business	62,922		111,4		668,811	-	174,388
Transport, storage & communication	126,828		26,049		9,160	22,419	152,877
Education, health & others	80,590		35,894		35,894	-	116,484
Household	798		-		-	-	798
Others	439,317		-		-	-	439,317
<b>Total</b>	<b>928,549</b>	<b>2,638,136</b>	<b>354,687</b>	<b>575,895</b>	<b>52,953</b>	<b>165,650</b>	<b>1,283,236</b>

## Credit Risk

Table 19 below presents the reconciliation of changes to loan impairment provisions for the Group, the Bank and Maybank Islamic.

**Table 19: Reconciliation of changes to loan impairment provisions as at 30th June 2011 (RM'000)**

	Group	Maybank	Maybank Islamic
<b>Individual Allowance</b>			
At 1 July			
- as previously stated	-	-	-
- effect of adopting FRS 139	3,981,073	2,909,013	473,823
At 1 July, as restated	3,981,073	2,909,013	473,823
Allowance made during the year	651,725	471,883	94,775
Amount written back	(291,066)	(207,265)	(41,822)
Amount written off	(1,185,904)	(936,464)	(165,650)
Transferred to impairment losses in securities	(51,475)	(51,475)	-
Transferred to collective allowance	(173,038)	(57,227)	(6,438)
Acquisition of subsidiaries	50,315	-	-
Exchange differences	(49,501)	(12,568)	-
Balance at end of year	2,932,129	2,115,897	354,688
<b>Collective Allowance</b>			
At 1 July			
- as previously stated	-	-	-
- effect of adopting FRS 139	4,741,229	3,665,506	713,938
At 1 July, as restated	4,741,229	3,665,506	713,938
Allowance made during the year	774,955	117,091	16,749
Amount written back	(42)	-	-
Amount written off	(1,424,744)	(687,814)	(161,230)
Transferred from impairment losses in securities	13,612	13,612	-
Transferred from individual allowance	173,038	57,227	6,438
Exchange differences	(6,840)	14,151	-
Balance at end of year	4,271,208	3,179,773	575,895

## Non-Retail Portfolios

The Group has obtained BNM's approval to use internal credit models for evaluating the majority of its credit risk exposures. For Corporate and Bank portfolios, the Group has adopted the FIRB Approach, which allows the Group to use its internal PD estimates to determine an asset risk weighting.

In line with Basel II requirements for capital adequacy purposes, the parameters are calibrated to a full economic cycle experience to reflect long-run, cycle-neutral estimations:

### i. Probability of Default (PD)

PD represents the probability of a borrower defaulting within the next 12 months time horizon. The first level estimation is based on portfolio's Observed Default Rate of the more recent years' data. The average long run default experience covering crisis periods including the major Asian crisis in 1997 is reflected through Central Tendency calibration for the Basel estimated PD.

### ii. Loss Given Default (LGD)

LGD measures the economic loss the bank would incur in the event of borrower defaulting. Among others, it takes into account post default pathways, cure probability, direct and indirect costs associated with the workout and recoveries from borrower and collateral liquidation.

For Basel II purposes, LGD is calibrated to loss experiences during period of economic crisis whereby for most portfolios, the estimated loss during crisis years is expected to be higher than that during normal economy period. The crisis period LGD, known as Downturn LGD, is used as input for RWA calculations.

### iii. Exposure at Default (EAD)

EAD is linked to facility risk; namely the expected gross exposure of a facility should a borrower default. The "race-to-default" is captured by Credit Conversion Factor (CCF), which should reflect the expected increase in exposure amount due to additional drawdown by borrower facing financial difficulties leading to default.

Internal experience during crisis period is being taken into consideration for EAD estimations and where there is a material difference in EAD during downturn period as compared to normal period, Downturn EAD would be used in RWA computation.

Corporate exposures comprised corporate, commercial, small business, Real Estate, Non-Bank Financial Institutions (NBFIs) and Specialised Lending portfolios, while, for bank exposures, they include other commercial banks and Development Financial Institutions (DFIs) portfolios.

The Group employs a variety of techniques in developing its PD models. In each case, the appropriate approach is dictated by the availability and appropriateness of the Group's internal data.

The general approach adopted by the Group can be categorised into the following three categories:

- **Default History Based ("Good-Bad" analysis)** – This approach is adopted when the Group has sufficient default data. Under this approach, statistical method is employed to determine the likelihood of default on existing exposures. The Group's Credit Risk Rating System (CRRS) models were developed using this approach;
- **Shadow Rating Approach** – This approach is usually applied when there are few or no defaults data available or also known as "low default portfolio" category. The objective of this methodology is to replicate the risk ranking applied by external rating agency. The Group's Bank Risk Rating Scorecards (BRRS) were developed using this approach; and
- **Experts Judgment Approach** – The default experience for some exposures, for example Holding Companies and Specialised Lending is insufficient for the Group to perform the required analyses to develop a robust statistical model. Another approach known as experts' judgment approach is therefore opted to develop the scorecard. Under this approach, the qualitative, quantitative and factor weights were determined by the Group's credit experts.

## Credit Risk Models and Tools

### Credit Risk Rating System (CRRS)

The development of CRRS for the Bank (including Singapore Operations) and Maybank IB allows the Group to identify, assess and measure corporate, commercial and small business borrowers' credit risk.

CRRS is a statistical default prediction model. The models were developed and recalibrated to suit the Group's banking environment using internal data. The model development process was conducted and documented in line with specific criteria for model development in accordance to Basel II. The EL framework employed in the Group enables the calculation of expected loss using PD estimate facilitated by the CRRS, LGD and EAD.

To account for differences in risk due to industry and size, CRRS is designed to rate all corporate and commercial borrowers by their respective industry segments (i.e. manufacturing, services, trading, contractors, property developers (single project) and property investors (single property)).

The CRRS comprises two components, namely, the Borrower Risk Rating (BRR) and Facility Risk Rating (FRR). The BRR is a borrower-specific rating component that provides an estimate on the likelihood of the borrower going into default over the next twelve months. The BRR estimates the borrower risk and is independent of the type/nature of facilities and collaterals offered.

The BRR is generated from a structured rating process which consists of quantitative and qualitative factors. From raw rating, the rating is then capped at policy rating if any. Then the group support matrix is used to objectively measure the impact of the group relationship on the raw rating of a borrower (where relevant). In view that the risk rating is based on historical financial data, judgmental override is allowed on the BRR by the relevant parties. Rating judgmental override is permissible but subject to maximum 3 notches upgrade to be decided by rating approval party and unlimited downgrade (subject to the worst performing grade of grade 21) that can be performed by the business units.

## Credit Risk

In line with the Group's application for FIRB Approach under Basel II, the existing CRRS Scorecard was enhanced and recalibrated in June 2009. The BRR in the New Corporate Rating Masterscale now comprises of 21 performing grades compared to 10 performing grades in the previous masterscale.

For reference, each grade can be mapped to external agency ratings, like Standard & Poor's (S&P), as per Table A below:

**Table A**

Risk Category	Non Retail CRRS Grade	S & P Equivalent
Very Low	1	AA TO AAA
	2	AA-
	3	A+
	4	A
	5	A-
Low	6	BBB+ TO A-
	7	BBB TO BBB+
	8	BBB
	9	BBB- TO BBB
	10	BB+ TO BBB-
Moderate	11	BB+
	12	BB
	13	BB- TO BB
	14	BB-
	15	B+ TO BB-
High	16	B TO B+
	17	B
	18	B- TO B
	19	B-
	20	CCC TO B-
	21	CCC

### Rating Coverage for Corporate Exposures

The CRRS has been implemented by the Group since 2005. Subsequently, more scorecards were developed to rate corporate exposures. With the implementation of these scorecards, the Group was able to rate about 95% of its corporate exposures at Maybank Malaysia, 93% at Maybank Singapore and 87% at MIB, respectively as at 30 June 2011.

#### Bank Risk Rating Scorecard (BRRS)

In addition to quantifying the risk of corporate borrowers, the Group has developed BRRS to risk grade the Group's counterparties and banks as borrowers based on the FIRB Approach. The BRRS is able to rate commercial banks, investment, savings and cooperative banks except central banks.

As the Group's portfolio falls under low default portfolio category, normal statistical modelling such as good-bad analysis could not be applied. Instead, a shadow-bond rating technique was used in developing the scorecards.

Generally, the objective of such methodology is to replicate the risk ranking implied by external rating agency. In this technique, a set of input/independent variables are regressed against an output/dependent variable to produce estimates to predict the output variable. The input variables are the financial ratios and qualitative factors while the output variable is the external rating.

A different masterscale known as Global Masterscale is used to map the PD generated from BRRS to the scale. There are altogether 17 performing grades in the BRRS masterscale with Grade 1 being the best performing grade and Grade 17 being the worst performing grade. For defaulted borrowers, the applicable grade is Grade 18. The BRRS Global Masterscale and its mapping to S&P's and RAM rating is shown in Table B below.

Table B

BRRS GRADE	S&P Equivalent	RAM Equivalent
1,2,3	AA TO AAA	
4	AA-	AAA
5	A+	AAA
6	A	AAA
7	A-	AA TO AAA
8	BBB+	AA
8	BBB+	AA
9	BBB	AA
10	BBB-	A TO AA
10	BBB-	A
11	BB+	A
12	BB	BBB TO A
12	BB	BBB
13	BB-	BBB
14	B+	BB TO BBB
15	B	BB
15	B	BB
15	B	BB
16	B-	BB TO B
16	B-	B
17	CCC	C TO B

Similar to CRRS, business users are allowed to perform judgmental override in BRRS.

There are two separate scorecards available in BRRS namely Developed Countries Model and Emerging Countries Model, which distinguishes the model to be applied for banks in developed countries and that of banks in emerging countries.

#### *Project Finance Scorecard (Specialised Lending)*

Project Finance is one of the five sub-classes (other sub-classes are object finance, commodities finance, income-producing real estate and high volatility commercial real estate) of Specialised Lending and forms part of the corporate asset class under the IRB Approach. The Group has developed Project Finance scorecard to enable it to rate its borrowers. The scorecard was developed based on the supervisory slotting criteria approach. The scorecard has been designed to output eight internal grades which will then be mapped to the four BNM slotting grades to derive the respective risk weights for RWA computation.

Project Finance, as defined by Basel II and BNM, is a method of funding in which:

- The banking institution looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. In contrast, if repayment of the exposure depends primarily on a well established, diversified, credit-worthy, contractually obligated end user for repayment, it is considered a collateralised claim on the corporate;
- Is usually for large, complex and expensive installations that might include, for example, power plants, chemical processing plants, mines, transportation infrastructure, environment, telecommunications infrastructure (mainly immovable assets);
- May also take the form of financing of the construction of a new capital installation, or refinancing of an existing installation, with or without improvements; and
- The lender is usually paid solely or almost exclusively from the proceeds generated by the project being financed.

## Credit Risk

---

The objectives of developing this scorecard are:

- To develop and implement a Project Finance rating template based on and mapped to Basel II/BNM Supervisory Slotting Approach to achieve an IRB compliance;
- To enhance credit risk management processes to achieve:
  - i. Consistency in credit risk assessment and business management for project finance portfolios; and
  - ii. Improvement in turnaround time; and
- To facilitate better pricing of borrowers based on risk class.

The rating tool for Project Finance lending is applicable at both Maybank IB and the Bank's Project Finance Portfolios (bonds and loans).

### Application of internal ratings (use test)

Since the development and implementation of the Group's internal rating models, the Group has been using internal ratings in the following essential areas:

- **Credit approval** – the determination on the level of approval for a loan application is determined based on the internal rating of the borrower;
- **Policy** – Policy has been formulated to allow low risk borrowers rated grade 1 to grade 9 in the Corporate Masterscale be put under the fast track process flow for loan application;
- **Reporting** – regular reporting on the risk rating portfolio distribution and sectoral outlook vs borrower risk profile within sector are being produced and monitored by the Group;
- **Capital Management** – the Group has put in place risk-based capital management ICAAP programme. The use of RWA and regulatory capital charge for decision making and capital charge information for budget process are currently being practised by the Group;
- **Risk Governance** – Internal ratings are also being used for various risk governance activities such as the setting of group exposure under the Maybank Group Exposure Limit (MGEL), threshold limit for CRC review, sectoral limit framework, sampling methodology for credit review and policy breach framework; and
- **Pricing Decision** – authority is given for credit approver to vary pricing based on the riskiness of the borrower as reflected by the borrowers' ratings.

Tables 20 through 22 show the exposures by PD bands for Non-Retail Portfolios of the Group, the Bank and MIB, respectively as at 30th June 2011. A summary of the PD distribution of these exposures are also provided.

Table 20: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank Group as at 30th June 2011 (RM'000)

PD Range (%)	EAD Post CRM	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments	RWA
<b>Non-Retail Exposures</b>					
<b>Bank</b>					
0.0000 - 0.0715	12,542,464	45.32	20.59	12	2,582,372
0.0715 - 0.3335	26,946,971	45.07	31.22	5,634	8,413,508
0.3335 - 4.8305	5,173,465	45.31	71.46	3,781	3,696,875
4.8305 - 24.0203	67,592	49.12	251.27	-	169,839
100	188,385	37.50	-	-	-
<b>Total for Bank Exposures</b>	<b>44,918,877</b>			<b>9,427</b>	<b>14,862,594</b>
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>					
0.0000 - 0.1200	-	-	-	-	-
0.1200 - 0.6440	-	-	-	-	-
0.6440 - 2.4750	-	-	-	-	-
2.4750 - 100	-	-	-	-	-
100	-	-	-	-	-
<b>Total for Insurance Cos, Securities Firms &amp; Fund Managers Exposures</b>	<b>-</b>			<b>-</b>	<b>-</b>
<b>Corporate (excluding Specialised Lending and firm-size adjustments)</b>					
0.0000 - 0.1200	18,428,983	45.00	26.24	776,972	4,834,888
0.1200 - 0.6440	20,070,889	44.75	52.83	672,217	10,604,444
0.6440 - 2.4750	21,377,969	45.14	96.14	425,841	20,552,848
2.4750 - 100	8,117,376	49.34	159.22	92,177	12,924,834
100	2,453,143	36.62	0.13	9,996	3,104
<b>Total for Corporate (excluding Specialised Lending and firm-size adjustments)</b>	<b>70,448,361</b>			<b>1,977,204</b>	<b>48,920,118</b>
<b>Corporate (with firm-size adjustment)</b>					
0.0000 - 0.1200	3,010,216	44.43	20.50	423,058	617,058
0.1200 - 0.6440	18,218,133	41.31	43.83	939,857	7,985,117
0.6440 - 2.4750	22,070,414	42.93	75.57	704,909	16,678,494
2.4750 - 100	10,942,001	42.42	118.13	166,326	12,925,324
100	2,202,037	42.60	-	9,577	-
<b>Total for Corporate (with firm-size adjustment)</b>	<b>56,442,800</b>			<b>2,243,726</b>	<b>38,205,993</b>
<b>Total Non-Retail Exposures</b>	<b>171,810,038</b>			<b>4,230,357</b>	<b>101,988,705</b>

## Credit Risk

**Table 21: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank as at 30th June 2011 (RM'000)**

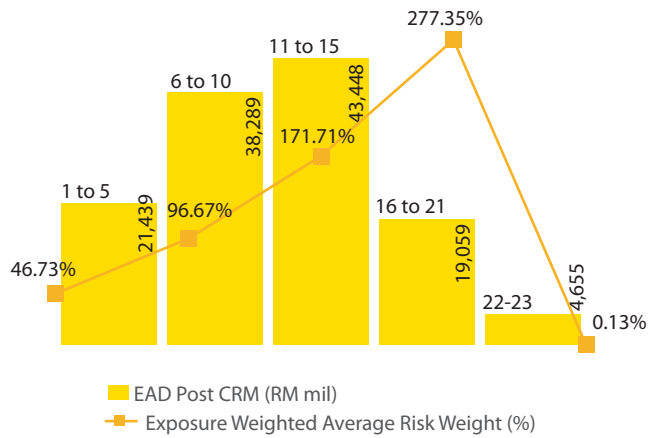
PD Range (%)	EAD Post CRM	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments	RWA
<b>Non-Retail Exposures</b>					
<b>Bank</b>					
0.0000 - 0.0715	11,125,669	45.63	20.55	12	2,286,506
0.0715 - 0.3335	30,603,386	45.14	34.10	5,634	10,437,229
0.3335 - 4.8305	6,443,325	45.61	81.78	2,500	5,269,137
4.8305 - 24.0203	88,264	53.24	247.27	-	218,247
100	188,385	30.00	-	-	-
<b>Total for Bank Exposures</b>	<b>48,449,029</b>			<b>8,146</b>	<b>18,211,119</b>
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>					
0.0000 - 0.1200	-	-	-	-	-
0.1200 - 0.6440	-	-	-	-	-
0.6440 - 2.4750	-	-	-	-	-
2.4750 - 100	-	-	-	-	-
100	-	-	-	-	-
<b>Total for Insurance Cos, Securities Firms &amp; Fund Managers</b>	<b>-</b>			<b>-</b>	<b>-</b>
<b>Exposures</b>					
<b>Corporate (excluding Specialised Lending and firm-size adjustments)</b>					
0.0000 - 0.1200	15,990,254	45.00	26.02	645,871	4,160,873
0.1200 - 0.6440	18,135,057	44.41	52.76	603,402	9,567,411
0.6440 - 2.4750	19,241,884	44.90	96.73	337,312	18,613,170
2.4750 - 100	7,115,872	53.83	159.61	89,081	11,357,331
100	2,301,345	29.30	0.13	9,996	2,974
<b>Total for Corporate (excluding Specialised Lending and firm-size adjustments)</b>	<b>62,784,412</b>			<b>1,685,662</b>	<b>43,701,759</b>
<b>Corporate (with firm-size adjustment)</b>					
0.0000 - 0.1200	2,570,553	44.00	20.62	396,356	530,066
0.1200 - 0.6440	15,372,746	42.27	44.43	870,343	6,829,603
0.6440 - 2.4750	19,799,374	42.08	74.91	653,123	14,832,079
2.4750 - 100	9,476,973	41.36	113.98	156,720	10,801,547
100	1,838,358	41.69	-	9,203	-
<b>Total for Corporate (with firm-size adjustment)</b>	<b>49,058,004</b>			<b>2,085,746</b>	<b>32,993,296</b>
<b>Total Non-Retail Exposures</b>	<b>160,291,445</b>			<b>3,779,553</b>	<b>94,906,174</b>

Table 22: Disclosure on Exposures by PD Band (IRB Approach) for Non-Retail for Maybank Islamic as at 30th June 2011 (RM'000)

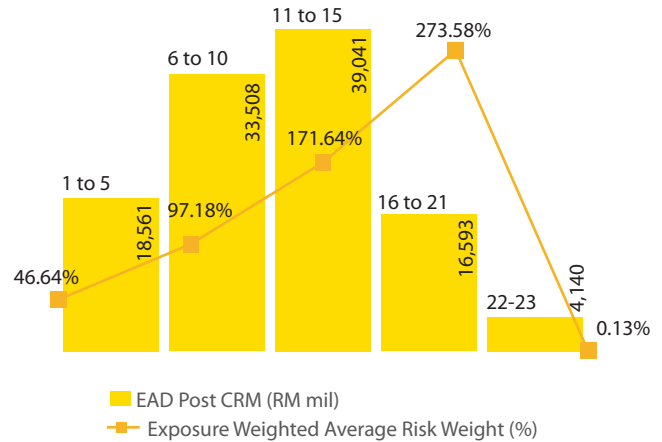
PD Range (%)	EAD Post CRM	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments	RWA
<b>Non-Retail Exposures</b>					
<b>Bank</b>					
0.0000 - 0.0715	1,416,795	45.00	20.88	-	295,866
0.0715 - 0.3335	1,836,785	45.00	36.30	-	666,675
0.3335 - 4.8305	1,020,698	45.00	78.87	1,281	805,003
4.8305 - 24.0203	1,127	45.00	190.40	-	2,146
100	-	45.00	-	-	-
<b>Total for Bank Exposures</b>	<b>4,275,405</b>			<b>1,281</b>	<b>1,769,690</b>
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>					
0.0000 - 0.1200	-	-	-	-	-
0.1200 - 0.6440	-	-	-	-	-
0.6440 - 2.4750	-	-	-	-	-
2.4750 - 100	-	-	-	-	-
100	-	-	-	-	-
<b>Total for Insurance Cos, Securities Firms &amp; Fund Managers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Exposures</b>					
<b>Corporate (excluding Specialised Lending and firm-size adjustments)</b>					
0.0000 - 0.1200	2,438,729	45.00	27.64	131,102	674,015
0.1200 - 0.6440	1,935,832	45.09	53.57	68,816	1,037,033
0.6440 - 2.4750	2,136,086	45.38	90.81	88,529	1,939,677
2.4750 - 100	1,001,504	44.85	156.51	3,096	1,567,503
100	151,798	43.94	0.09	-	130
<b>Total for Corporate (excluding Specialised Lending and firm-size adjustments)</b>	<b>7,663,949</b>			<b>291,543</b>	<b>5,218,359</b>
<b>Corporate (with firm-size adjustment)</b>					
0.0000 - 0.1200	439,663	44.85	19.79	26,702	86,992
0.1200 - 0.6440	2,845,387	40.35	40.61	69,514	1,155,514
0.6440 - 2.4750	2,271,039	43.77	81.30	51,785	1,846,415
2.4750 - 100	1,465,027	43.49	144.97	9,605	2,123,777
100	363,679	43.50	-	374	-
<b>Total for Corporate (with firm-size adjustment)</b>	<b>7,384,796</b>			<b>157,981</b>	<b>5,212,698</b>
<b>Total Non-Retail Exposures</b>	<b>19,324,150</b>			<b>450,804</b>	<b>12,200,746</b>

## Credit Risk

### Corporate Exposures by PD Bands for Maybank Group



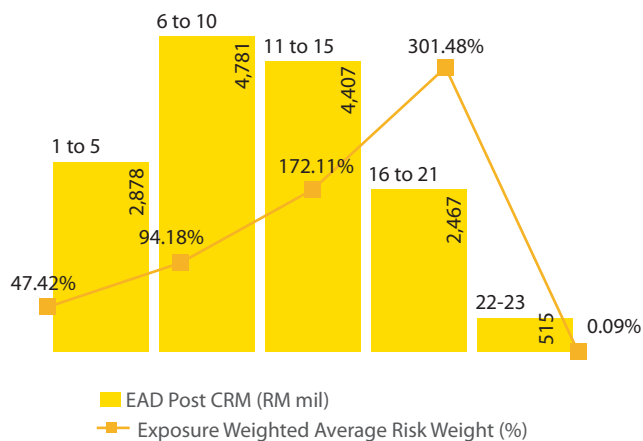
### Corporate Exposures by PD Bands for Maybank



Most of the Group's corporate exposures, amounting to 47.07% are concentrated on the better PD ranges of 0.00% to 0.64%, and another 47.79% of the exposures are from PD ranges of >0.64% to 18.64%, whilst a mere 1.43% are in the worst performing grade of 21. Grades 22 and 23 are bad grades.

Similarly at Bank level, about 46.55% of the corporate exposures are concentrated on the better PD ranges of 0.00% to 0.64%, and another 48.53% of the exposures are from PD ranges of >0.64% to 18.64%, whilst a mere 1.16% are in the worst performing grade of 21.

### Corporate Exposures by PD Bands for Maybank Islamic



For MIB, about 50.90% of the corporate exposures are concentrated on the better PD ranges of 0.00% to 0.64%, and another 42.28% of the exposures are from PD ranges of >0.64% to 18.64%, whilst 3.40% are in the worst performing grade of 21.

## Retail Portfolios

The Group's Retail portfolios are under Basel II AIRB Approach. This approach calls for more extensive reliance on the Bank's own internal experience whereby estimations for all the three components of RWA calculation namely PD, EAD and LGD are based on its own historical data.

Separate PD, EAD and LGD statistical models were developed at portfolio level; each model covering borrowers with fundamentally similar risk profiles in a portfolio. The estimations derived from the models are used as input for RWA calculations.

### AIRB coverage for Retail portfolios

Currently the following material retail portfolios are under Retail IRB:

Basel II Retail sub-portfolio category	Maybank Retail Portfolios
Residential Mortgage	• Housing Loan (Malaysia & Singapore)
Qualifying Revolving Retail Exposure (QRRE)	• Credit Card (Malaysia & Singapore)
Other Retail	• Auto Loan (Malaysia & Singapore) • Unit Trust Loan (Malaysia)

The above portfolios represent about 85% of total Bank's retail exposures. Whilst currently the rest of Group's retail portfolios are under Standardised Approach (SA), efforts are under way to bring the other material retail portfolios under the AIRB Approach.

### Retail Masterscale

A retail masterscale with mapping to PD and external ratings like S&P's and Rating Agency Malaysia (RAM) is used to promote a common risk language across the Group's retail portfolios as per Table C below:

Table C

Risk Category	PD Grade	Rating Definition	Likely S&P rating Equivalent	Likely RAM rating Equivalent
Very Low	R1	Excellent	BBB to AAA	A to AAA
	R2	Very Strong	BBB-	A
	R3	Strong	BB+	
Low	R4	Very Strong	BB- to BB	
	R5	Good	BB-	BBB
	R6	Moderate	B to B+	
Moderate	R7	Satisfactory	B- to B	BB
	R8	Weak	CCC to B-	B
	R9	Risky	CCC	C to B
High	R10	Very Risky		
	R11	Extremely Risky	C	D

## Other Risk Measurement for Retail Portfolios

Besides having the Basel II Retail IRB models, application and behaviour scorecards are widely used for business management purposes. Scorecards assess the probability that the customer will fail to make full and timely repayment of credit obligations. Business decisions and strategies are then built around the scores.

Where relevant, both application and behavioural scorecards are used as input into Retail IRB PD models.

### Application Scorecard

With application scorecards, at the point of time when an applicant applies for the credit facility, each applicant is assigned a score that corresponds to the odds of future repayment. Scores are designed to rank-order the riskiness of the applicants, whereby higher score represents lower risk.

With proper utilisation, the application scorecards benefit both risk management and business acquisition process through:

- Consistency in credit risk assessment
- Improved turnaround time
- Better management control of the portfolios; and
- Improved revenue and profit through the identification and acceptance of additional business

Currently, application scorecards are deployed for all the major retail portfolios in Malaysia and Singapore.

### Behavioral Scorecard

The product nature of credit card is subject to variable utilisation and payment pattern. A customer is able to utilise any portion of the granted limit and pay any amount of the outstanding balance. Due to the volatile nature of the product, a more robust risk measurement tool is required to manage the portfolio.

Behavioural Scorecards were therefore developed for Credit Card portfolios both in Malaysia and Singapore. Behaviour score measures the borrower riskiness based on transaction information and behavioural pattern of customer's utilisation and payment of the credit card. The scores are generated on monthly basis and among others, are being used for the following purposes:

- Collection Strategies
- Limit Management
- Transaction Authorisation

With the use of Behaviour score, credit card portfolio is able to closely manage the accounts to reduce defaulters, increase collection and ultimately increase the profitability.

Tables 23 through 25 show the exposures by PD bands for Retail Portfolios of the Group, the Bank and MIB, respectively as at 30th June 2011. A summary of the PD distribution of these exposures are also provided.

## Credit Risk

**Table 23: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank Group as at 30th June 2011 (RM'000)**

PD Range (%)	EAD Post CRM	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments	RWA
<b>Retail Exposures</b>					
<b>Residential Mortgages</b>					
0.0000 - 0.5900	7,497,184	21.93	15.85	-	1,188,356
0.5900 - 3.3330	20,014,843	27.70	43.42	-	8,689,470
3.3330 - 18.750	3,631,548	27.02	96.82	-	3,516,184
18.750 - 100	947,134	21.39	117.90	-	1,116,659
100	743,691	74.34	68.16	-	506,910
<b>Total for Residential Mortgages Exposures</b>	<b>32,834,399</b>			<b>-</b>	<b>15,017,578</b>
<b>Qualifying Revolving Retail Exposure</b>					
0.0000 - 0.5900	2,983,507	77.73	13.03	1,766,357	388,846
0.5900 - 3.3330	3,239,662	77.14	40.05	1,261,666	1,297,442
3.3330 - 18.750	1,010,330	75.79	114.24	158,679	1,154,202
18.750 - 100	311,262	76.46	226.06	62,332	703,647
100	5,155	74.74	48.89	63	2,520
<b>Total for Qualifying Revolving Retail Exposures</b>	<b>7,549,916</b>			<b>3,249,097</b>	<b>3,546,658</b>
<b>Hire Purchase Exposure</b>					
0.0000 - 0.5900	17,910,058	50.78	21.94	-	3,929,234
0.5900 - 3.3330	9,534,102	52.52	54.04	-	5,152,356
3.3330 - 18.750	2,961,143	47.34	74.05	-	2,192,795
18.750 - 100	384,943	47.84	116.63	-	448,940
100	143,298	95.86	60.23	-	86,307
<b>Total Hire Purchase Exposures</b>	<b>30,933,544</b>			<b>-</b>	<b>11,809,632</b>
<b>Other Retail Exposure</b>					
0.0000 - 0.5900	896,370	28.48	19.63	3,917	175,949
0.5900 - 3.3330	8,945,042	22.29	28.32	2,683	2,532,876
3.3330 - 18.750	12,124,957	12.20	20.36	744	2,468,225
18.750 - 100	2,268,597	15.73	33.76	1,620	765,974
100	361,104	71.67	90.30	-	326,091
<b>Total Other Retail Exposures</b>	<b>24,596,071</b>			<b>8,964</b>	<b>6,269,116</b>
<b>Total Retail Exposures</b>	<b>95,913,931</b>			<b>3,258,061</b>	<b>36,642,984</b>

Table 24: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank as at 30th June 2011 (RM'000)

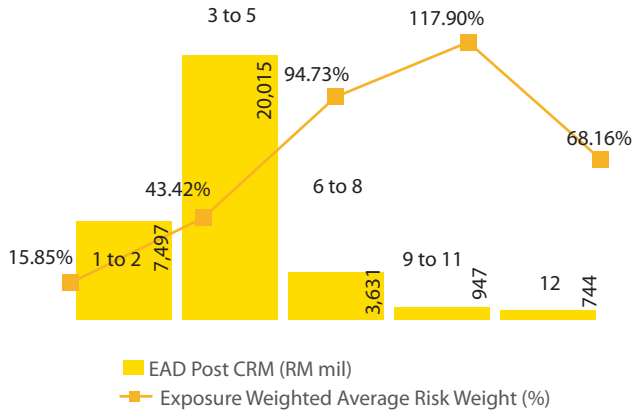
PD Range (%)	EAD Post CRM	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments	RWA
<b>Retail Exposures</b>					
<b>Residential Mortgages</b>					
0.0000 - 0.5900	7,185,217	22.70	15.82	-	1,136,477
0.5900 - 3.3330	16,783,188	27.78	42.71	-	7,168,595
3.3330 - 18.750	2,879,773	26.60	95.94	-	2,762,839
18.750 - 100	748,884	20.82	116.52	-	872,603
100	629,878	75.09	68.14	-	429,220
<b>Total for Residential Mortgages Exposures</b>	<b>28,226,939</b>			<b>-</b>	<b>12,369,734</b>
<b>Qualifying Revolving Retail Exposure</b>					
0.0000 - 0.5900	2,889,165	80.82	13.08	1,766,357	378,001
0.5900 - 3.3330	3,067,332	79.66	40.09	1,261,666	1,229,679
3.3330 - 18.750	940,210	76.95	114.38	158,679	1,075,410
18.750 - 100	292,923	78.28	226.65	62,332	663,915
100	4,530	74.85	45.34	63	2,054
<b>Total for Qualifying Revolving Retail Exposures</b>	<b>7,194,160</b>			<b>3,249,097</b>	<b>3,349,059</b>
<b>Hire Purchase Exposure</b>					
0.0000 - 0.5900	7,396,531	49.01	22.29	-	1,648,797
0.5900 - 3.3330	6,529,513	49.18	52.19	-	3,407,801
3.3330 - 18.750	1,961,856	45.20	71.61	-	1,404,868
18.750 - 100	211,426	44.81	111.15	-	234,999
100	96,811	95.25	59.32	-	57,429
<b>Total Hire Purchase Exposures</b>	<b>16,196,137</b>			<b>-</b>	<b>6,753,894</b>
<b>Other Retail Exposure</b>					
0.0000 - 0.5900	831,636	29.74	19.73	3,917	164,062
0.5900 - 3.3330	7,020,807	23.23	28.91	2,683	2,029,931
3.3330 - 18.750	6,149,544	13.31	21.60	744	1,328,338
18.750 - 100	829,333	20.57	48.32	1,620	400,754
100	256,663	73.94	93.91	-	241,044
<b>Total Other Retail Exposures</b>	<b>15,087,983</b>			<b>8,964</b>	<b>4,164,129</b>
<b>Total Retail Exposures</b>	<b>66,705,219</b>			<b>3,258,061</b>	<b>26,636,815</b>

## Credit Risk

**Table 25: Disclosure on Exposures by PD Band (IRB Approach) for Retail for Maybank Islamic as at 30th June 2011 (RM'000)**

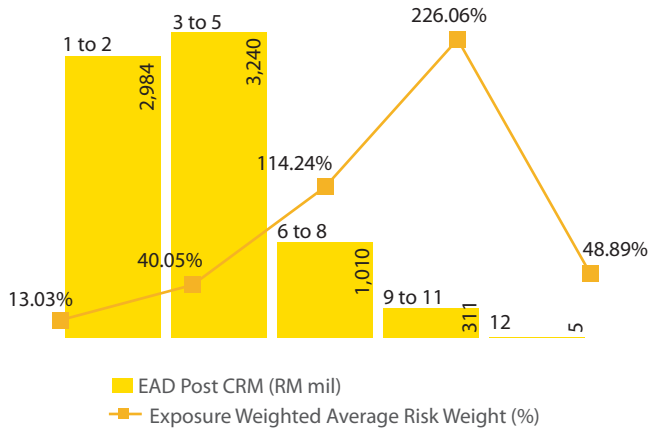
PD Range (%)	EAD Post CRM	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn commitments	RWA
<b>Retail Exposures</b>					
<b>Residential Mortgages</b>					
0.0000 - 0.5900	311,967	21.16	16.63	-	51,879
0.5900 - 3.3330	3,231,654	27.62	47.06	-	1,520,875
3.3330 - 18.750	751,775	27.44	100.21	-	753,345
18.750 - 100	198,250	21.96	123.10	-	244,055
100	113,813	73.60	68.26	-	77,690
<b>Total for Residential Mortgages Exposures</b>	<b>4,607,460</b>			<b>-</b>	<b>2,647,844</b>
<b>Qualifying Revolving Retail Exposure</b>					
0.0000 - 0.5900	94,343	74.63	11.50	-	10,845
0.5900 - 3.3330	172,330	74.63	39.32	-	67,764
3.3330 - 18.750	70,120	74.63	112.37	-	78,792
18.750 - 100	18,339	74.63	216.65	-	39,732
100	625	74.63	74.64	-	467
<b>Total for Qualifying Revolving Retail Exposures</b>	<b>355,756</b>			<b>-</b>	<b>197,600</b>
<b>Hire Purchase Exposure</b>					
0.0000 - 0.5900	10,513,527	52.55	21.69	-	2,280,437
0.5900 - 3.3330	3,004,589	55.87	58.06	-	1,744,555
3.3330 - 18.750	999,287	49.49	78.85	-	787,926
18.750 - 100	173,518	50.88	123.30	-	213,941
100	46,487	96.46	62.12	-	28,878
<b>Total Hire Purchase Exposures</b>	<b>14,737,407</b>			<b>-</b>	<b>5,055,738</b>
<b>Other Retail Exposure</b>					
0.0000 - 0.5900	64,734	27.22	18.36	-	11,888
0.5900 - 3.3330	1,924,236	21.35	26.14	-	502,946
3.3330 - 18.750w	5,975,414	11.09	19.08	-	1,139,887
18.750 - 100	1,439,264	10.89	25.38	-	365,220
100	104,441	69.40	81.43	-	85,047
<b>Total Other Retail Exposures</b>	<b>9,508,088</b>			<b>-</b>	<b>2,104,987</b>
<b>Total Retail Exposures</b>	<b>29,208,712</b>			<b>-</b>	<b>10,006,169</b>

**Residential Mortgages by PD Bands for Maybank Group**



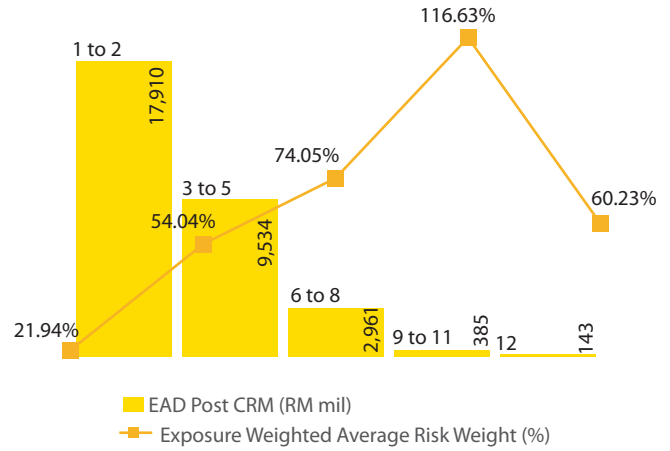
Maybank Group's residential mortgages profile are concentrated in the better grades of 1 to 5, with PD ranges of 0.00 – 3.33%.

**Qualifying Revolving Retail Exposures (Credit Cards) by PD Bands for Maybank Group**



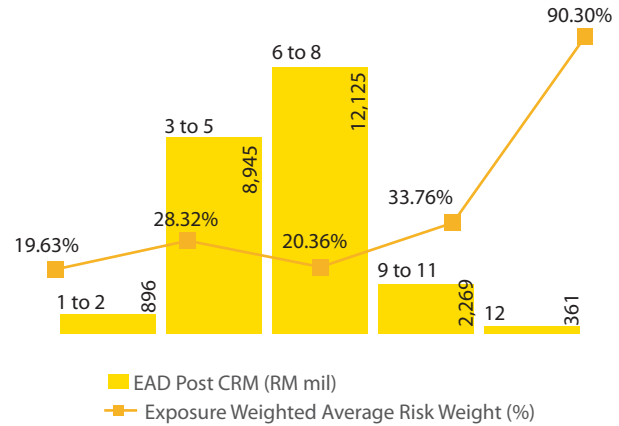
For Qualifying Revolving Retail Exposures (Credit Cards), again the Group's profile are concentrated in the better grades of 1 to 5, with PD ranges of 0.00 – 3.33%.

**Hire Purchase Exposures by PD Bands for Maybank Group**



For Hire Purchase portfolio, the majority of the exposure are concentrated in the better grades of 1 to 2, with PD range of 0.00 – 0.59%.

**Other Retail Exposures by PD Bands for Maybank Group**



## Credit Risk

### Independent Model Validation

At the Group, credit IRB models are validated at the initial development, and at least annually thereafter, by an independent validation team which is separate from the model development teams.

Model validation findings are presented to the Model Validation and Acceptance Committee (MVAC) for deliberation and subsequently to the ERC for endorsement and RMC for approval.

Validation techniques include both quantitative and qualitative analyses to test the appropriateness and effectiveness of the IRB models used.

### Scope and Frequency of Model Validation

Validation of credit risk models refers to a range of processes and activities that evaluates and examines the rating system and the estimation process and methods for deriving the risk components, namely PD, LGD and EAD. This involves validating that the risk models are capable of discriminating ('discriminatory or rank ordering power') and deriving consistent and predictive estimates ('calibration') of the relevant risk parameters.

The validation of models would be conducted at two stages. Pre-implementation model validation is to be conducted prior to launch of the model. Post-implementation validation must be done at least annually from the model implementation date or from the previous validation date. However, more frequent validation may be done, where required.

The validation processes are also subject to an independent review by the Internal Auditors, which is performed on a regular basis.

### Credit Risk Mitigation

The Group takes a holistic approach when granting credit facilities and do so very much based on the repayment capacity of the borrower, rather than place primary dependency on credit risk mitigation. As a fundamental credit principle, the Group generally does not grant facilities solely on the basis of collateral provided. Credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Depending on a customer's standing and the type of product, facilities may be provided unsecured. Nevertheless, collateral is taken whenever possible to mitigate the credit risk assumed. The Group's general policy is to promote the use of credit risk mitigation, justified by commercial prudence and good practice as well as capital efficiency. The value of collateral taken is also monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group include cash, marketable securities, real estate, equipment, inventory and receivables. For IRB purposes, personal guarantees are not recognised as an eligible credit risk protection.

Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to accommodate an extension of credit. To recognise the effects of guarantees under the FIRB Approach, the Group adopts the PD substitution approach whereby an exposure guaranteed by an eligible guarantor will utilise the PD of the guarantor in the computation of its capital requirement.

As a general rule-of-thumb, the following eligibility criteria must be met before collateral can be accepted for IRB purposes:

- Legal certainty - The documentation must be legally binding and enforceable in all relevant jurisdictions;
- Material positive correlation - The value of the collateral must not be significantly affected by the deterioration of the borrower's credit worthiness; and
- Third-party custodian - The collateral that is held by a third-party custodian must be segregated from the custodian's own assets.

Tables 26 through 28 show the credit risk mitigation analysis under SA approach for the Group, the Bank and MIB, respectively, whilst Tables 29 through 31 show the credit risk mitigation analysis under the IRB approach.

Table 26: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank Group as at 30th June 2011 (RM'000)

Exposure Class	Exposures before	Exposures Covered by	Exposures Covered	Exposures Covered by
	CRM	Guarantees/Credit Derivatives	by Eligible Financial Collateral	Other Eligible Collateral
	(1)	(2)	(3)	(4)
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	54,705,562	-	-	5,407,598
Public Sector Entities	1,151,834	-	6,233	-
Banks, Development Financial Institutions & MDBs	4,488,478	-	4,622	1,020,903
Insurance Cos, Securities Firms & Fund Managers	824,292	-	641	-
Corporates	40,029,502	1,907,750	3,539,262	-
Regulatory Retail	23,403,352	-	1,845,737	8,623,194
Residential Mortgage	4,484,692	-	909	2,172,086
Higher Risk Assets	668,565	-	-	-
Other Assets	21,407,711	-	387,043	420,454
Specialised Financing/Investment	-	-	-	-
Securitisation Exposures	608,477	-	-	-
Equity Exposure	118,047	-	-	-
Defaulted Exposures	419,670	60,232	6,650	-
<b>Total On-Balance Sheet Exposures</b>	<b>152,310,182</b>	<b>1,967,982</b>	<b>5,791,095</b>	<b>17,644,234</b>
<i>Off-Balance-Sheet Exposures</i>				
OTC Derivatives	276,090	-	-	-
Credit Derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,458,709	69	166,899	114,421
Defaulted Exposures	112	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>3,734,911</b>	<b>69</b>	<b>166,899</b>	<b>114,421</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>156,045,093</b>	<b>1,968,052</b>	<b>5,957,995</b>	<b>17,758,655</b>

## Credit Risk

Table 27: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank as at 30th June 2011 (RM'000)

Exposure Class	Exposures before CRM (1)	Exposures Covered by Guarantees/Credit Derivatives (2)	Exposures Covered by Eligible Financial Collateral (3)	Exposures Covered by Other Eligible Collateral (4)
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	34,024,308	-	-	-
Public Sector Entities	1,021,772	-	2,298	-
Banks, Development Financial Institutions & MDBs	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	64,000	-	641	-
Corporates	13,699,173	215,594	370,705	-
Regulatory Retail	9,317,368	-	396,578	-
Residential Mortgage	2,118,081	-	207	-
Higher Risk Assets	481,634	-	-	-
Other Assets	23,114,178	-	-	-
Specialised Financing/Investment	-	-	-	-
Securitisation Exposures	608,477	-	-	-
Equity Exposure	60,071	-	-	-
Defaulted Exposures	225,090	56,887	5,203	-
<b>Total On-Balance Sheet Exposures</b>	<b>84,734,152</b>	<b>272,481</b>	<b>775,631</b>	<b>-</b>
<i>Off-Balance-Sheet Exposures</i>				
OTC Derivatives	276,090	-	-	-
Credit Derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,629,745	69	165,256	-
Defaulted Exposures	112	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>2,905,947</b>	<b>69</b>	<b>165,256</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>87,640,099</b>	<b>272,550</b>	<b>940,888</b>	<b>-</b>

Table 28: Disclosure on Credit Risk Mitigation Analysis (SA Approach) for Maybank Islamic as at 30th June 2011 (RM'000)

Exposure Class	Exposures before CRM (1)	Exposures Covered by Guarantees/Credit Derivatives (2)	Exposures Covered by Eligible Financial Collateral (3)	Exposures Covered by Other Eligible Collateral (4)
<b>Credit Risk</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	14,148,422	-	-	-
Public Sector Entities	92,791	-	3,935	-
Banks, Development Financial Institutions & MDBs	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	377	-	-	-
Corporates	1,847,808	2,865	3,970	-
Regulatory Retail	1,266,916	-	14,898	-
Residential Mortgage	193,166	-	-	-
Higher Risk Assets	22,781	-	-	-
Other Assets	1,631,593	-	-	-
Specialised Financing/Investment	-	-	-	-
Securitisation Exposures	-	-	-	-
Equity Exposure	-	-	-	-
Defaulted Exposures	10,949	3,345	1,044	-
<b>Total On-Balance Sheet Exposures</b>	<b>19,214,803</b>	<b>6,210</b>	<b>23,847</b>	<b>-</b>
<i>Off-Balance-Sheet Exposures</i>				
OTC Derivatives	-	-	-	-
Credit Derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	155,588	-	1,643	-
Defaulted Exposures	-	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>155,588</b>	<b>-</b>	<b>1,643</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>19,370,391</b>	<b>6,210</b>	<b>25,490</b>	<b>-</b>

## Credit Risk

**Table 29: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Group as at 30th June 2011 (RM'000)**

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	(1)	(2)	(3)	(4)
<b>Credit Risk</b>				
<u>On-Balance Sheet Exposures</u>				
<b>Sovereigns/Central Banks</b>	-	-	-	-
<b>Public Sector Entities</b>	-	-	-	-
<b>Banks, Development Financial Institutions &amp; MDBs</b>	39,066,005	-	-	-
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>	-	-	-	-
<b>Corporate Exposures</b>	110,094,051	641,778	1,987,753	12,387,953
<b>a) Corporates (excluding Specialised Lending and firm-size adjustments)</b>	61,517,760	626,613	190,552	4,716,568
<b>b) Corporates (with firm-size adjustment)</b>	47,851,331	15,166	1,797,201	7,671,385
<b>c) Qualifying Purchased Corporate Receivables</b>	-	-	-	-
<b>d) Specialised Lending (Own PD Approach)</b>	-	-	-	-
i) Project Finance	-	-	-	-
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
<b>e) Specialised Lending (Slotting Approach)</b>	724,961	-	-	-
i) Project Finance	724,961	-	-	-
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
<b>Retail Exposures</b>	90,908,875	-	-	-
a) Residential Mortgages	32,090,708	-	-	-
b) Qualifying Revolving Retail Exposures	4,233,154	-	-	-
c) Qualifying Purchased Retail Receivables	-	-	-	-
d) Hire Purchase Exposures	30,356,492	-	-	-
e) Other Retail Exposures	24,228,521	-	-	-
<b>Securitisation Exposures</b>	-	-	-	-
<b>Equity Exposure</b>	-	-	-	-
<b>Defaulted Exposures</b>	4,080,641	4,715	3,756	31,542
<b>Total On-Balance Sheet Exposures</b>	<b>244,149,572</b>	<b>646,494</b>	<b>1,991,509</b>	<b>12,419,495</b>
<u>Off-Balance-Sheet Exposures</u>				
<b>OTC Derivatives</b>	5,163,650	-	-	-
<b>Credit Derivatives</b>	-	-	-	-
<b>Off balance sheet exposures other than OTC derivatives or credit derivatives</b>	19,067,868	13,027	275,058	289,893
<b>Defaulted Exposures</b>	94,911	-	-	583
<b>Total for Off-Balance Sheet Exposures</b>	<b>24,326,429</b>	<b>13,027</b>	<b>275,058</b>	<b>290,475</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>268,476,001</b>	<b>659,520</b>	<b>2,266,568</b>	<b>12,709,970</b>

Table 30: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank as at 30th June 2011 (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	(1)	(2)	(3)	(4)
<b>Credit Risk</b>				
<u>On-Balance Sheet Exposures</u>				
<b>Sovereigns/Central Banks</b>	-	-	-	-
<b>Public Sector Entities</b>	-	-	-	-
<b>Banks, Development Financial Institutions &amp; MDBs</b>	42,715,334	-	-	-
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>	-	-	-	-
<b>Corporate Exposures</b>	97,912,704	610,155	1,649,393	11,716,186
<b>a) Corporates (excluding Specialised Lending and firm-size adjustments)</b>	55,574,853	594,990	177,324	4,687,875
<b>b) Corporates (with firm-size adjustment)</b>	41,631,135	15,166	1,472,069	7,028,310
<b>c) Qualifying Purchased Corporate Receivables</b>	-	-	-	-
<b>d) Specialised Lending (Own PD Approach)</b>	-	-	-	-
i) Project Finance	-	-	-	-
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
<b>e) Specialised Lending (Slotting Approach)</b>	706,716	-	-	-
i) Project Finance	706,716	-	-	-
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
<b>Retail Exposures</b>	62,465,358	-	-	-
a) Residential Mortgages	27,597,061	-	-	-
b) Qualifying Revolving Retail Exposures	3,944,010	-	-	-
c) Qualifying Purchased Retail Receivables	-	-	-	-
d) Hire Purchase Exposures	16,099,325	-	-	-
e) Other Retail Exposures	14,824,961	-	-	-
<b>Securitisation Exposures</b>	-	-	-	-
<b>Equity Exposure</b>	-	-	-	-
<b>Defaulted Exposures</b>	3,408,119	-	-	-
<b>Total On-Balance Sheet Exposures</b>	206,501,515	610,155	1,649,393	11,716,186
<u>Off-Balance-Sheet Exposures</u>				
<b>OTC Derivatives</b>	5,013,674	-	-	-
<b>Credit Derivatives</b>	-	-	-	-
<b>Off balance sheet exposures other than OTC derivatives or credit derivatives</b>	16,094,912	11,142	261,645	284,611
<b>Defaulted Exposures</b>	94,911	-	-	583
<b>Total for Off-Balance Sheet Exposures</b>	21,203,496	11,142	261,645	285,194
<b>Total On and Off-Balance Sheet Exposures</b>	227,705,011	621,297	1,911,038	12,001,379

## Credit Risk

**Table 31: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Islamic as at 30th June 2011 (RM'000)**

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	(1)	(2)	(3)	(4)
<b>Credit Risk</b>				
<u>On-Balance Sheet Exposures</u>				
<b>Sovereigns/Central Banks</b>	-	-	-	-
<b>Public Sector Entities</b>	-	-	-	-
<b>Banks, Development Financial Institutions &amp; MDBs</b>	4,204,353	-	-	-
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>	-	-	-	-
<b>Corporate Exposures</b>	13,489,062	31,623	338,360	671,767
<b>a) Corporates (excluding Specialised Lending and firm-size adjustments)</b>	7,036,720	31,623	13,228	28,692
<b>b) Corporates (with firm-size adjustment)</b>	6,434,097	-	325,132	643,075
<b>c) Qualifying Purchased Corporate Receivables</b>	-	-	-	-
<b>d) Specialised Lending (Own PD Approach)</b>	-	-	-	-
i) Project Finance	-	-	-	-
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
<b>e) Specialised Lending (Slotting Approach)</b>	18,245	-	-	-
i) Project Finance	18,245	-	-	-
ii) Object Finance	-	-	-	-
iii) Commodity Finance	-	-	-	-
iv) Income Producing Real Estate	-	-	-	-
v) High Volatility Commercial Real Estate	-	-	-	-
<b>Retail Exposures</b>	28,877,270	-	-	-
a) Residential Mortgages	4,493,647	-	-	-
b) Qualifying Revolving Retail Exposures	289,144	-	-	-
c) Qualifying Purchased Retail Receivables	-	-	-	-
d) Hire Purchase Exposures	14,690,920	-	-	-
e) Other Retail Exposures	9,403,559	-	-	-
<b>Securitisation Exposures</b>	-	-	-	-
<b>Equity Exposure</b>	-	-	-	-
<b>Defaulted Exposures</b>	675,550	4,715	3,756	31,542
<b>Total On-Balance Sheet Exposures</b>	<b>47,246,235</b>	<b>36,338</b>	<b>342,116</b>	<b>703,309</b>
<u>Off-Balance-Sheet Exposures</u>				
<b>OTC Derivatives</b>	69,053	-	-	-
<b>Credit Derivatives</b>	-	-	-	-
<b>Off balance sheet exposures other than OTC derivatives or credit derivatives</b>	1,261,260	1,885	13,414	5,282
<b>Defaulted Exposures</b>	-	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	1,330,313	1,885	13,414	5,282
<b>Total On and Off-Balance Sheet Exposures</b>	<b>48,576,548</b>	<b>38,223</b>	<b>355,530</b>	<b>708,591</b>

### Credit Exposures Subject to Standardised Approach (SA)

The Standardised Approach (SA) is applied to portfolios that are classified as permanently exempt from the IRB approach, and those portfolios that are currently in transition to the IRB approach in accordance to the Group's Basel II Master Plan.

The SA approach to credit risk measures credit risk pursuant to fixed risk weights and is the least sophisticated of the capital calculation methodologies. The risk weights applied under SA is prescribed by BNM and is based on the asset class to which the exposure is assigned. For exposures subject to SA, approved External Credit Assessment Agencies (ECAI) ratings and the prescribed risk weights based on asset classes are used in the computation of regulatory capital.

The ECAI used by the Group include Fitch Ratings, Moody's Investor Services, S&P, RAM and Malaysia Rating Corporation (MARC). Assessments provided by approved ECAIs are mapped to credit quality grades prescribed by the regulator.

Tables 32 through 34 show the disclosure on risk weights under SA for the Group, the Bank and MIB, respectively as at 30th June 2011.

Tables 35 through 37 further show the rated exposures by ECAIs for the Group, the Bank and MIB, respectively as at 30th June 2011.



Table 33: Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach for Maybank as at 30th June 2011 (RM'000)

Risk Weight	Exposures after Netting and Credit Risk Mitigation													
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Sovereigns & Central Banks	PSEs	Banks, MDBs & FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securiti- sation	Equity	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	33,530,102	-	-	-	33,380	-	-	-	15,810,736	-	-	-	49,374,218	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	256,724	140,708	-	-	223,956	-	-	-	2,063,843	-	-	-	2,685,231	537,046
35%	-	-	-	-	-	-	953,952	-	-	-	-	-	953,952	333,883
50%	-	-	-	30,393	1,254,755	21,890	123,474	-	-	-	-	-	1,430,513	715,256
75%	-	-	-	-	-	9,085,760	1,052,864	-	-	-	-	-	10,138,624	7,603,968
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	543,936	881,654	-	229,376	13,774,396	-	59,877	-	5,329,136	-	-	60,071	20,878,448	20,878,448
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	56,471	796	-	558,625	13,857	-	-	-	629,749	944,623
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>34,330,762</b>	<b>1,022,362</b>	<b>-</b>	<b>259,770</b>	<b>15,342,959</b>	<b>9,108,446</b>	<b>2,190,167</b>	<b>558,625</b>	<b>23,217,572</b>	<b>-</b>	<b>608,477</b>	<b>60,071</b>	<b>86,699,212</b>	<b>31,459,666</b>
<b>Deduction from Capital Base</b>											<b>16,797</b>			



**Table 35: Disclosures on Rated Exposures according to Ratings by ECAs for Maybank Group as at 30th June 2011 (RM'000)**

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moody's S&P Fitch RAM MARC Rating & Investment Inc (1)	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- AAA to AA- (2)	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- A+ to A- (3)	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- BBB+ to BB- (4)	B1 to C B+ to D B+ to D B to D B+ to D B+ to D (5)	Unrated Unrated Unrated Unrated Unrated Unrated (6)
<b>On and Off Balance-Sheet Exposures</b>						
<b>Credit Exposures (using Corporate Risk Weights)</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		156,740	-	-	-	1,005,892
Insurance Cos, Securities Firms & Fund Managers		-	30,393	-	-	990,244
Corporates		356,417	1,320,412	94,755	204,319	27,530,528
<b>Total Exposures</b>		513,158	1,350,805	94,755	204,319	29,526,665
<b>Short term Ratings of Banking Institutions and Corporate by Approved ECAs</b>						
Exposure Class	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rating & Investment Inc	a-1+,a-1	a-2	a-3	b,c	Unrated
	(1)	(2)	(3)	(4)	(5)	(6)
<b>On and Off Balance-Sheet Exposures</b>						
Banks, MDBs and FDIs		411,685	1,677	30,414	-	-
<b>Rated Credit Exposures (using Corporate Risk Weights)</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		-	-	-	-	-
<b>Total Exposures</b>		411,685	1,677	30,414	-	-

## Credit Risk

Table 35: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank Group as at 30th June 2011 (RM'000) (cont'd.)

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>On and Off Balance-Sheet Exposures</b>							
Sovereigns and Central Banks		47,618,064	317,185	27,651	3,154,768	-	3,894,348
<b>Total Exposures</b>		47,618,064	317,185	27,651	3,154,768	-	3,894,348
Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated	
Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>On and Off Balance-Sheet Exposures</b>							
Banks, MDBs and FDIs		1,246,530	211,026	21,743	785,563	-	1,653,281
<b>Total Exposures</b>		1,246,530	211,026	21,743	785,563	-	1,653,281

**Table 36: Disclosures on Rated Exposures according to Ratings by ECAs for Maybank as at 30th June 2011 (RM'000)**

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	(1)	(2)	(3)	(4)	(5)	(6)
<b>On and Off Balance-Sheet Exposures</b>						
<b>Credit Exposures (using Corporate Risk Weights)</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		140,708	-	-	-	881,654
Insurance Cos, Securities Firms & Fund Managers		-	30,393	-	-	229,376
Corporates		223,956	1,254,755	-	56,471	13,774,396
<b>Total Exposures</b>		<b>364,664</b>	<b>1,285,149</b>	<b>-</b>	<b>56,471</b>	<b>14,885,427</b>
Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moodys	P-1	P-2	P-3	Others	
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rating & Investment Inc	a-1+,a-1	a-2	a-3	b,c	Unrated
	(1)	(2)	(3)	(4)	(5)	(6)
<b>On and Off Balance-Sheet Exposures</b>						
Banks, MDBs and FDIs		-	-	-	-	-
<b>Rated Credit Exposures (using Corporate Risk Weights)</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		-	-	-	-	-
<b>Total Exposures</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Credit Risk

Table 36: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank as at 30th June 2011 (RM'000) (cont'd.)

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>On and Off Balance-Sheet Exposures</b>							
Sovereigns and Central Banks		33,530,102	256,725	-	-	-	543,936
<b>Total Exposures</b>		33,530,102	256,725	-	-	-	543,936
Exposure Class	Ratings of Banking Institutions by Approval ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated	
Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>On and Off Balance-Sheet Exposures</b>							
Banks, MDBs and FDIs		-	-	-	-	-	-
<b>Total Exposures</b>		-	-	-	-	-	-

**Table 37: Disclosures on Rated Exposures according to Ratings by ECAs for Maybank Islamic as at 30th June 2011 (RM'000)**

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	(1)	(2)	(3)	(4)	(5)	(6)
<b>On and Off Balance-Sheet Exposures</b>						
<b>Credit Exposures (using Corporate Risk Weights)</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		16,033	-	-	-	73,763
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	953
Corporates		-	-	-	-	1,997,258
<b>Total Exposures</b>		16,033	-	-	-	2,071,974
Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rating & Investment Inc	a-1+,a-1	a-2	a-3	b,c	Unrated
	(1)	(2)	(3)	(4)	(5)	(6)
<b>On and Off Balance-Sheet Exposures</b>						
Banks, MDBs and FDIs		-	-	-	-	-
<b>Rated Credit Exposures (using Corporate Risk Weights)</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		-	-	-	-	-
<b>Total Exposures</b>		-	-	-	-	-

## Credit Risk

Table 37: Disclosures on Rated Exposures according to Ratings by ECAIs for Maybank Islamic as at 30th June 2011 (RM'000) (cont'd.)

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's S&P Fitch Rating & Investment Inc (1)	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA- (2)	A1 to A3 A+ to A- A+ to A- A+ to A- (3)	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB+ to BBB- (4)	Ba1 to B3 BB+ to B- BB+ to B- BB+ to B- (5)	Caa1 to C CCC+ to D CCC+ to D CCC+ to D (6)	Unrated Unrated Unrated Unrated (7)
<b>On and Off Balance-Sheet Exposures</b>							
Sovereigns and Central Banks		14,087,962	60,460	-	-	-	-
<b>Total Exposures</b>		14,087,962	60,460	-	-	-	-
Exposure Class	Ratings of Banking Institutions by Approval ECAIs						
	Moody's S&P Fitch RAM MARC Rating & Investment Inc (1)	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- AAA to AA- (2)	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A- A+ to A- (3)	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB- BBB+ to BBB- (4)	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B- BB+ to B- (5)	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D CCC+ to C (6)	Unrated Unrated Unrated Unrated Unrated Unrated (7)
<b>On and Off Balance-Sheet Exposures</b>							
Banks, MDBs and FDIs		-	-	-	-	-	-
<b>Total Exposures</b>		-	-	-	-	-	-

## Counterparty Risk Management

Counterparty credit risk is the risk of the Group's counterparty defaulting in transactions involving financial instruments transactions such as foreign exchange, interest rate, commodity, equity and derivatives prior to the successful completion of the said transaction. Counterparty credit risk occurs both in the trading and banking books and arises for Over-the-Counter (OTC) derivatives.

### Limits

Counterparty credit risk exposures are managed via limits that are set up as counterparty limits on a counterparty group basis in line with BNM's guidelines. These exposures are actively monitored to protect the Bank's balance sheet in the event of counterparty default. The Group monitors and manages its exposures to counterparties in OTC derivatives on a day-to-day basis.

### Exposure Calculation Method

The current exposure method is used to calculate the Group's exposure applying the mark-to-market exposures with the appropriate add-on factor for potential future exposures. The add-on factors are as prescribed by BNM in line with Basel II requirements.

### Risk Mitigation

Counterparty credit risk exposures are further mitigated via master netting arrangements, for example, ISDA Master Agreement with counterparties where appropriate. In the event of a default, all amounts with the counterparty (derivative assets and liabilities) are settled on a net basis or offset. The ISDA Master Agreement is used for documenting OTC derivatives. It provides the contractual framework within which trade activities across a full range of OTC products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

Credit Support Annexes (CSA) which are the collateral documents, are negotiated with counterparties on a case to case basis to provide flexibility to meet the parties' requirements. The terms are vetted, reviewed and negotiated and where applicable, feedback from units in charge of credit policy, operational, market and legal risk are sought. The collateral held by the Bank is mainly in cash or government securities.

Tables 38 through 40 show the off-balance sheet and counter-party credit risk exposures for the Group, the Bank and MIB, respectively as at 30th June 2011.

## Credit Risk

**Table 38: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank Group as at 30th June 2011 (RM'000)**

Nature of Item	Principal/ Notional Amount (1)	Credit Equivalent Amount (2)	RWA (3)
<b>Direct credit substitutes</b>	6,228,691	6,227,511	4,099,984
<b>Transaction related contingent items</b>	10,865,076	5,432,538	4,249,138
<b>Short term self liquidating trade related contingencies</b>	4,132,780	823,220	466,841
<b>Assets sold with recourse</b>	623,085	623,085	226,105
<b>Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns</b>	-	-	-
<b>NIFs and obligations under an ongoing underwriting agreement</b>	-	-	-
<b>Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back</b>	-	-	-
<b>Foreign exchange related contracts</b>	86,594,085	1,152,267	459,821
One year or less	73,596,336	999,219	341,316
Over one year to five years	12,391,864	98,952	65,569
Over five years	605,885	54,096	52,937
<b>Interest/profit rate related contracts</b>	65,140,980	4,302,465	2,201,983
One year or less	42,098,665	625,318	389,499
Over one year to five years	17,922,122	2,944,133	1,495,547
Over five years	5,120,193	733,014	316,936
<b>Equity related contracts</b>	964,258	-	-
One year or less	808,651	-	-
Over one year to five years	155,607	-	-
Over five years	-	-	-
<b>Precious metal contracts</b>	-	-	-
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
<b>Commodity contracts</b>	-	-	-
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
<b>Credit derivative contracts</b>	-	-	-
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-

Table 38: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank Group as at 30th June 2011 (RM'000) (cont'd.)

Nature of Item	Principal/ Notional Amount (1)	Credit Equivalent Amount (2)	RWA (3)
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	30,229,097	6,027,366	2,818,245
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	16,888,745	3,377,523	1,577,558
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	9,679,934	-	-
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	476,824	95,365	71,442
Off-balance sheet securitisation exposures (adjusted for maximum capital requirement due to early amortisation provision)	-	-	-
<b>Total</b>	<b>231,823,555</b>	<b>28,061,340</b>	<b>16,171,116</b>

## Credit Risk

**Table 39: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank as at 30th June 2011 (RM'000)**

Nature of Item	Principal/ Notional Amount (1)	Credit Equivalent Amount (2)	RWA (3)
<b>Direct credit substitutes</b>	5,900,949	5,899,769	3,915,147
<b>Transaction related contingent items</b>	9,871,258	4,935,629	3,801,327
<b>Short term self liquidating trade related contingencies</b>	3,880,483	772,760	443,172
<b>Assets sold with recourse</b>	-	-	-
<b>Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns</b>	-	-	-
<b>NIFs and obligations under an ongoing underwriting agreement</b>	-	-	-
<b>Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back</b>	-	-	-
<b>Foreign exchange related contracts</b>	81,551,568	1,127,556	449,353
One year or less	69,241,688	974,508	330,847
Over one year to five years	11,703,995	98,952	65,569
Over five years	605,885	54,096	52,937
<b>Interest/profit rate related contracts</b>	62,464,765	4,251,097	2,176,864
One year or less	39,794,395	618,202	386,088
Over one year to five years	17,674,164	2,899,881	1,473,840
Over five years	4,996,206	733,014	316,936
<b>Equity related contracts</b>	964,258	-	-
One year or less	808,651	-	-
Over one year to five years	155,607	-	-
Over five years	-	-	-
<b>Precious metal contracts</b>	-	-	-
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
<b>Commodity contracts</b>	-	-	-
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
<b>Credit derivative contracts</b>	-	-	-
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-

Table 39: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank as at 30th June 2011 (RM'000) (cont'd.)

Nature of Item	Principal/ Notional Amount (1)	Credit Equivalent Amount (2)	RWA (3)
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	28,619,320	5,723,864	2,722,111
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,078,910	2,615,782	1,369,225
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	8,033,577	-	-
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	476,824	95,365	71,442
Off-balance sheet securitisation exposures (adjusted for maximum capital requirement due to early amortisation provision)	-	-	-
<b>Total</b>	<b>214,841,912</b>	<b>25,421,822</b>	<b>14,948,641</b>

## Credit Risk

**Table 40: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank Islamic as at 30th June 2011 (RM'000)**

Nature of Item	Principal/ Notional Amount (1)	Credit Equivalent Amount (2)	RWA (3)
<b>Direct credit substitutes</b>	258,825	258,825	153,932
<b>Transaction related contingent items</b>	949,627	474,813	425,774
<b>Short term self liquidating trade related contingencies</b>	103,480	20,696	14,814
<b>Assets sold with recourse</b>	623,084	623,085	226,105
<b>Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns</b>	-	-	-
<b>NIFs and obligations under an ongoing underwriting agreement</b>	-	-	-
<b>Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back</b>	-	-	-
<b>Foreign exchange related contracts</b>	1,009,539	17,994	7,837
One year or less	1,009,539	17,994	7,837
Over one year to five years	-	-	-
Over five years	-	-	-
<b>Interest/profit rate related contracts</b>	2,173,300	51,059	25,046
One year or less	323,300	6,806	3,339
Over one year to five years	1,850,000	44,252	21,707
Over five years	-	-	-
<b>Equity related contracts</b>	-	-	-
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
<b>Precious metal contracts</b>	-	-	-
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
<b>Commodity contracts</b>	-	-	-
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-
<b>Credit derivative contracts</b>	-	-	-
One year or less	-	-	-
Over one year to five years	-	-	-
Over five years	-	-	-

Table 40: Disclosure on Off Balance Sheet and Counterparty Credit Risk Exposure for Maybank Islamic as at 30th June 2011 (RM'000) (cont'd.)

Nature of Item	Principal/ Notional Amount (1)	Credit Equivalent Amount (2)	RWA (3)
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	961,089	173,764	58,462
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,730,655	345,905	208,332
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,646,357	-	-
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	-	-	-
Off-balance sheet securitisation exposures (adjusted for maximum capital requirement due to early amortisation provision)	-	-	-
<b>Total</b>	<b>9,455,956</b>	<b>1,966,142</b>	<b>1,120,301</b>

# Market Risk

## Introduction

The Group recognises market risk as the risk of losses in earnings and capital resulting from changes in market prices and interest rates. The Group's market risk exposures are primarily from the proprietary trading and customer driven activities. The primary categories of market risk for the Group are:

- Interest rate risk - arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
- Foreign exchange rate risk - arising from changes in exchange rates and implied volatilities on foreign exchange options;
- Commodity price risk - arising from changes in commodity prices and commodity option implied volatilities; and
- Equity price risk - arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

## Management of Market Risk

The RMC approves the Group's market risk management framework and market risk appetite taking into account of business volumes, targeted returns, market volatility and range of products and services.

The ALCO is responsible, under the authority delegated by the RMC, for setting market risk limits by entity, business level, geographical location and portfolio level. ALCO is also responsible for policies, limits and control standards for managing market risk and overseeing their effective implementation. The Group has an approved Trading Book Policy Statement that clearly defines policies and procedures to determine exposures arising from trading and non-trading activities.

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

## Market Risk Management Framework

The MRM Framework serves as the base for overall and consistent management of market risk. The Market Risk Management Framework covers key risk management activities such as identification, measurement, monitoring, control and reporting of the market risk exposures, which are benchmarked against industry leading practices and regulatory requirements. This framework facilitates the Group to manage its market risk exposures in a systematic and consistent manner. The principles mentioned under the framework are intended for trading and non-trading activities. Major market risk classes are Price Risk (Traded), Interest Rate Risk/ Rate of Return in the Banking Book and Liquidity Risk.

## Measurement and Monitoring

The risk measurement techniques employed by the Group comprise of both quantitative and qualitative measures.

### *Value at Risk*

Value at Risk ("VaR") measures the potential loss of future value resulting from adverse movement in market factors over a specified period of time within a specified confidence level, under a normal business situation. The Group's regulatory VaR is computed based on the Historical Simulation approach on a ten-days holding period at 99% confidence for one-year observation period as per Regulatory/Basel requirement. The Group's Proprietary Trading VaR is computed daily using a one-day holding period with other parameters remain unchanged. To ensure the relevancy and accuracy of the VaR computation, VaR is back-tested on a daily basis. The VaR is also subject to periodic independent validation.

### *Risk Sensitivities*

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

### *Valuation*

All trading positions are marked to market on a consistent and daily basis using quoted prices within active markets. Where this is not possible, positions are marked to model using models, which have been independently validated. The valuations are reviewed on a regular basis and there are valuation adjustments to incorporate counterparty risk, bid/ask spreads and market liquidity, which is in line with FRS 139 standards.

### *Stress Testing*

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

## Management of Trading Activities

The Group's policies, processes and controls are designed to achieve a balance between exploiting trading opportunities and managing earnings volatility within a framework of sound and prudent practices.

The strategies to manage risk include transferring the risk to another party such as entering into a back-to-back deal with external counterparty, avoiding the risk, reducing the negative effect or probability of the risk through offsetting positions, or even accepting some or all of the consequences of a particular risk.

The Group enforces risk management controls such as stop-loss limits, VaR limits, sensitivities limits, Greek limits and FX NOP limits to cap the size of potential and actual loss arising from the trading activities.

Where the above risk management tools and controls tend to be preemptive, the Group enforces business continuity plan (BCP) to deal with the consequences of realised residual risks. BCP test that involves the full involvement from the front office, middle office and back office is conducted periodically to ensure that business continuity is sustainable.

## Management of Interest Rate / Rate of Return Risk in the Banking Book (the "IRR/RoR")

Interest rate risk ("IRR") (or rate of return risk ("RoR") in the case of MIB) in the banking book arises from the changes in market interest rates that adversely impact the Group's financial condition in terms of economic value or earnings, based on the risk profile of the balance sheet. The Group emphasizes on the importance of managing interest rate risk / rate of return risk in the banking book as most of the balance sheet items of the Group generate interest income and interest expense, which are indexed to interest rates. Volatility of earnings can pose a threat to the Group's profitability while economic value provides a more comprehensive view of the potential long term effects on the Group's overall capital adequacy.

IRR/RoR in the banking book encompasses of repricing risk, yield curve risk, basis risk arising from different interest rate benchmarks and embedded optionality. The objective of the Group's IRR/RoR in the banking book framework is to ensure that all IRR/RoR in the banking book is managed within its risk appetite. IRR/RoR in the banking book is measured and monitored proactively, using the following principal measurement techniques:

### Repricing Gap Analysis

The Group quantifies IRR/RoR in the banking book by analysing the repricing mismatch between rate sensitive assets and rate sensitive liabilities. One of the challenges in this analysis is about the quality and validity of the underlying assumptions with embedded optionality of certain products such as 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.

### Dynamic Simulation

Another critical element of the IRR/RoR in the banking book management is the monitoring of the sensitivity of projected net interest income/net fund base income under varying interest rate scenarios (including the standardised rate shock of  $\pm 200$  basis points per Basel II requirements) from the Bank's pro-forma balance sheet. The analysis incorporates business assumptions obtained from various lines of business and behavioral assumptions established based on statistical and non-statistical methods for the Bank. The impact on earnings is measured against the approved Earnings-at-Risk (EaR) limit where new business and hedging strategies are carried out to mitigate the increasing IRR/RoR.

### Economic Value at Risk

By taking a more holistic view to the potential long term effects for the Group's overall exposure, the impact on economic value is also measured under  $\pm 200$  basis points rate shock. This measurement focuses on how the economic value of assets, liabilities and off balance sheet instruments changes with movement in interest rate. It requires all futures cash flows associated with the Group's assets, liabilities and off balance sheet positions to be discounted at relevant market rates and then summed to determine an overall net present value figure for the Group. The impact on economic value for the Bank is well below the internal limit and way below the Basel's recommended 20% of total Tier 1 and Tier 2 capital.

### Stress Testing

The vulnerability under stressed market conditions like abrupt changes in the level of the term structure of interest rate is also measured by performing stress testing on the Bank's current position on a regular basis.

### Proactive IRR/RoR In The Banking Book Management

The Bank also proactively manage the IRR/RoR by applying Funds Transfer Pricing ("FTP") to transfer interest rate risk to books managed by Central Funding Unit ("CFU") with supervision of the ALCO. IRR/RoR in the banking book is proactively managed where hedging strategies and mitigating actions are regularly reviewed to achieve a balance between risks, earnings and capital against tolerance limits. Various strategies adopted include adjusting the maturity tenor or repricing tenor of assets and liabilities, re-strategising new business growth, securing long term fixed rate funding and entering into interest rate derivative contracts.

## Market Risk

Tables 41 (a) – (c) show the impact of changes in interest rate/ rate of return to net earnings and economic value for the Group, the Bank and MIB, respectively for positions as at 30th June 2011.

**Table 41 (a): Interest Rate Risk in the Banking Book for Maybank Group as at 30th June 2011 (RM'000)**

Currency	Impact on Global Position + 200 bps parallel shock	
	Potential Earning Volatility (PEV)	Impact on Economic Value (IEV)
MYR	157,132	1,798,896
USD	122,655	167,645
SGD	143,795	242,157
IDR	23,072	-7,269
Others *	-89,176	135,691
<b>Total</b>	<b>357,479</b>	<b>2,337,120</b>

**Table 41 (b): Interest Rate Risk in the Banking Book for Maybank as at 30th June 2011 (RM'000)**

Currency	Impact on Global Position + 200 bps parallel shock	
	Potential Earning Volatility (PEV)	Impact on Economic Value (IEV)
MYR	227,759	1,545,387
USD	95,061	413
SGD	143,795	242,157
Others *	-98,049	76,985
<b>Total</b>	<b>368,567</b>	<b>1,864,943</b>

**Table 41 (c): Rate of Return Risk in the Banking Book for Maybank Islamic as at 30th June 2011 (RM'000)**

Currency	Impact on Global Position + 200 bps parallel shock	
	Potential Earning Volatility (PEV)	Impact on Economic Value (IEV)
<b>Total</b>	<b>167,098</b>	<b>975,118</b>

## Equity Exposures in Banking Book

The objective of Equity Exposure is to determine the nature and extent of the Group's exposure to investment risk arising from equity positions and instruments held in its banking book.

The Group holds investments in equity securities with the purpose of gaining strategic advantage as well as capital appreciation on sale thereof.

Equity Risk is the risk of decline in the particular investments arising from unfavourable movements in the stock market dynamics or other specific factors.

- **Publicly Traded** – Holding of equity investments comprises of quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures are stated at fair value.
- **Privately Held** – Privately held equity are unquoted investments whose fair value cannot be reliably measured which are carried at cost less impairment losses, if any.

## Capital Treatment for Market Risk

At the Group and Global consolidated level, Maybank also computes the minimum capital requirements against market risk in the trading portfolio per BNM's RWCAF under Standardised Approach. This is imperative as the capital serves as a financial buffer to withstand from any adverse market risk movements. Interest rate risk, foreign currency risk and options risk are the primary risk factor experienced in the Group's trading and non-trading activities. Other risk factors such as commodity and equity are generally attributed to structured products which are on a back to back basis.

Table 42 shows the Market Risk RWA and Minimum Capital Charge for the Group, the Bank and MIB, respectively for positions as at 30th June 2011.

Market Risk Categories	Maybank Group (RM'000)		Maybank (RM'000)	
	RWA	Capital	RWA	Capital
Interest Rate Risk	6,738,977	539,118	6,296,375	503,710
Foreign Currency Risk	9,094,481	727,558	3,325,150	266,012
Equity Risk	9,964	797	9,963	797
Commodity Risk	52,163	4,173	52,163	4,173
Options Risk	95,664	7,653	9,182	735

Market Risk Categories	Maybank Islamic (RM'000)	
	RWA	Capital
Benchmark Rate Risk	40,325	3,226
Foreign Currency Risk	109,488	8,759
Equity Risk	–	–
Options Risk	–	–

## Market Risk

### Liquidity Risk Management

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

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

#### *Liquidity Risk Governance*

Liquidity policies and frameworks are reviewed annually and endorsed by ALCO and approved by RMC prior to implementation. The Group liquidity risk position is actively discussed and managed at the ALCO and RMC on a monthly basis in line with the approved guidelines and policies.

#### *Liquidity Risk Management Approach*

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

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

In terms of day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis.

Besides that, the process of managing liquidity risk also includes:

- Maintaining a sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flow;
- Managing short- and long-term cash flow via maturity mismatch report and various indicators;
- Monitoring depositor concentration at entity and Group level to avoid undue reliance on large depositors;
- Managing liquidity exposure by domestic and significant foreign currencies;
- Diversifying funding sources to ensure proper funding mix;
- Conducting liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting CFP testing to examine the effectiveness and robustness of the plans.

The recent global financial crisis has resulted in a significant change in the regulation and supervision of liquidity risk in financial institutions. Arising from the Basel III liquidity risk management requirements, two ratios have been recommended to manage liquidity risks, which are Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). These measures will be phased in from 1 January 2015 and 1 January 2018 respectively. Even though, the formal observation period commences on 1 January 2012, the preliminary ratios are already been computed and presented to the ALCO and the RMC on a monthly basis.

# Operational Risk

## Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

Risk taking units (Business/Support Sectors) constitute an integral part of the operational risk management framework and are primarily responsible for the day-to-day management of operational risk. These units are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken comply with the Group's operational risk management framework.

## Management of Operational Risk

The Operational Risk Management Unit (ORM) is responsible for the formulation and implementation of the operational risk framework within the Group, which encompasses the operational risk management strategy and governance structure. Another key function is the development and implementation of operational risk management tools and methodologies to identify, measure, monitor and control operational risks.

Risk Officers and Risk Representatives have been appointed within the various Business and Support Sectors (BSSs) of the Group and are responsible for implementing and executing the operational risk management processes and tools. They are also responsible for the investigation of operational losses, monitoring and analysis of risk trends and staff training on operational risk management practices and governance.



## Operational Risk

### Operational Risk Management Framework

The Group's Operational Risk Management Framework focuses on the five causal factors of operational risk, i.e., internal processes, people, systems, external events and legal. It provides a transparent and formalised framework aligned to business objectives within which the Board, management teams, staff and contractors can discharge their operational risk management responsibilities.

### Operational Risk Management Methodology and Tools

A variety of methodologies and tools have been implemented to effectively identify, assess, measure and report operational risk exposures on a timely basis, thereby serving as tools to facilitate decision-making and enhance the operational risk management process.

#### *Operational Risk Identification and Assessment*

- Risk identification is the recognition of operational risk scenarios that may give rise to operational losses. For example, under the Group's product approval programme, all risks inherent in new/enhanced products/services and financing packages are identified prior to the launch of the product/services and financing package, with risk mitigation measures emplaced.
- Risk-profiling and self-assessment exercises are also conducted as part of the operational risk management process.

The above exercises enable risk taking units to identify inherent operational risks specific to their environment and assist them in assessing the effectiveness of controls in place.

#### *Operational Risk Measurement and Monitoring*

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

- **Risk & Control Self Assessment (RCSA)**  
RCSA is a process of continual assessment of inherent operational risks and controls to identify control gaps and to develop action plans to close the gaps. It is a risk profiling tool which facilitates effective operational risk management for the Group.

BSSs undertake the RCSA exercise to give due focus in the review of business processes to enhance critical operations and controls, especially those assessed to be in the 'Caution' and 'Alert' categories.

The sector level risk profiling exercises are compiled to establish the Group Risk Profile on a half-yearly basis. The consolidated Risk Profile is presented to the ERC and RMC.

- **Key Risk Indicators (KRIs)**  
KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/monitoring.

BSSs monitor their risk exposures via KRIs and are required to develop specific and concrete action plans for those indicators that fall under 'Caution' and 'Alert'. ORM assists the BSSs to develop and validate the KRIs to ensure appropriate thresholds are set.

KRIs are tracked at Group, Business and Operating levels. The main sources of KRIs are from the periodic RCSA process, Incident Management & Data Collection (IMDC) database, BSS 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, ORM and BSSs are able to analyse operational incidents based on causal factors as well as Basel II loss event types and identify 'operational hotspots' for appropriate action plans to address the critical areas.

### Operational Risk Mitigation and Control

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

- Faster resumption of business in the event of a disaster / incident; and
- Decreasing the impact on the business, should it occur.

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

#### **i. Business Continuity Management (BCM)**

The Group had developed Business Continuity Management (BCM) Framework based on the BNM's BCM Guidelines and internationally best BCM practices. The BCM includes integrated processes and responsibilities which covers the following:

- Emergency Response Plan (ERP);
- Business Continuity Plan (BCP) and Pandemic Plan;
- Crisis Management; and
- Disaster Recovery Plan (DRP)

The Group BCM Programme aims in ensuring business continuity and people safety in event of disruptions and disaster. The programme covers the implementation of various BCM initiatives that have been developed in line with BNM's requirements and BCM best practices.

Under BCM implementation, Business Continuity Plans (BCPs) have been developed for all critical sectors, including subsidiaries and overseas operations. The BCP documents and exercises are reviewed on a yearly basis. The Board also provides attestation on the BCM readiness for Malaysia and Singapore operations.

To coordinate the crisis escalation procedures and recovery efforts, we have established the BCM Command Centre and Recovery Centres that are able to provide minimum service level for business units in the event of disaster or operational disruption.

Apart from regular Crisis Simulation Exercise (CSE) for each sector, there were 2 successful CSEs conducted at enterprise level in the Group since 2005, involving all critical business functions with participants close to 400 staff mobilised to various alternate sites within Klang Valley. The exercises demonstrated the readiness of people and also the workability of business processes and system infrastructure.

Apart from BCM documentation, BCM channels such as BCM Wallet Card, e-Learning and BCM articles were introduced to complement the BCM programme in the Group.

Key Benefits of the BCM Programme include:

- Ensuring continuity of critical business functions and essential services within a specified timeframe in the event of disruptions/disaster;
- Mitigating and minimising impact of the incident to the Group;
- Inculcating an effective BCM culture;
- Instilling customer confidence in the Group's processes; and
- Complying with BNM requirements.

By having a proper BCM Programme in place, we are able to respond effectively and in a structured manner in the event of disruptions/disaster, hence ensuring the Group's business continuity.

## ii. Outsourcing

Outsourcing is a technique used by the Group mainly for the purposes of reducing fixed and/or current expenditure and to concentrate on the Group's core business with a view to enhance operational efficiency.

Several key functions outsourced by the Group include IT infrastructure services, ATM cash replenishment, cash management processes as well as processing of outward clearing cheques.

For effective operational risk management, the Group's Outsourcing Policy which is designed in accordance with local regulatory requirements and international leading practices has been put in place. All new outsource services introduced is subject to rigorous risk review by the risk taking unit proposing the outsourcing service and independent risk review by ORM.

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

## iii. Anti-Fraud Management

The Group aims to ensure that the risks arising from fraud are reduced to the lowest possible level and develop effective fraud management approach to deal with fraud incidences in a decisive, timely and systematic manner.

The Group has established an Anti-Fraud Framework that provides robust and comprehensive anti-fraud programmes and controls for the Group. It serves as the broad principle, strategy and policy for the Group to adopt in relation to fraud in order to promote high standard of integrity. It also highlights the roles and responsibilities at every level for preventing and responding to fraud. Following this, several initiatives have been undertaken by the Group such as Anti-Fraud Roadshow and Awareness Programme, Introduction of Anti-Fraud Rules and enhancement of fraud management system.

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.

## Treatment for Operational Risk (OR) Capital Charge

Operational Risk capital charge is calculated using the BIA as per BNM RWCAF. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Group. The RWA amount is computed by multiplying the minimum capital required with a multiplier of 12.5 (reciprocal of 8%).

The Group is aiming to move towards The Standardised Approach (TSA) for Operational Risk Capital Charge Calculation in due course. For this purpose, the Group has mapped its business activities into the eight business lines as prescribed by Basel II and the BNM RWCAF TSA requirements.

The Group has also automated the operational risk capital charge calculation process to produce accurate and reliable Operational Risk capital charge figures across the Group under both the BIA and TSA.

# Shariah Governance

## Shariah Governance

The Shariah Compliance Framework (SCF) was formulated to enable MIB to communicate its strategies towards the effective and efficient Shariah compliance risk management throughout the organisation in line with the Shariah principles, a requirement under the Islamic Banking Act 1983, and rules and regulations of BNM and Securities Commission (SC).

SCF is the enterprise-wide Shariah Management plan consisting of Shariah Governance Structure, systems processes and control to be undertaken by relevant business entities across the group. The implementation of SCF is effected through the following functions:

- Shariah Review;
- Shariah Advisory & Research;
- Shariah Audit; and
- Shariah Secretariat.

## Shariah Committee

The operation of the Islamic Subsidiaries is governed by Section 3 subsection 5(b) of Islamic Banking Act, 1983, which stipulates that any licensed Islamic bank is required to provide for the establishment of Shariah advisory body to advise the bank on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam, and Part B of BNM Guidelines on the "Governance of Shariah Committee for the Islamic Institutions" known as BNM/GPS 1, stipulates that every Islamic Financial Institution is required to establish a Shariah Committee.

Amongst other roles of the Shariah Committee in monitoring the Group's activities include:

- To advise the Board on Shariah matters in its business operations;
- To endorse Shariah Compliance Manual and Framework;
- To endorse and validate relevant documentations;
- To advise the MIB on the computation and distribution of Zakat;
- To assist related parties on Shariah matters for advise upon request;
- To advise on the matters to be referred to the Shariah Advisory Council (SAC) of BNM; and
- To provide written Shariah opinion.

## Rectification Process of Shariah Non-Compliance Income

The control structure for handling and reporting of the Shariah non-compliance and Potential Shariah Non-compliance has already been put in place.

Key measures undertaken by the bank for managing Shariah Compliance risk include having in place the following processes:

- Awareness and Communication;
- Identification and assessment;
- Mitigation and control; and
- Monitoring and reporting.

# Forward Looking Statements

## Forward Looking Statements

This document could or may contain certain forward looking statements that are based on current expectations or beliefs, as well as assumptions or anticipation of future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expects, estimate, plan, goal, believe, will, may, would, could, potentially, intends or other words of similar expressions. Undue reliance should not be placed solely on any of such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Maybank Group's plans and objectives, to differ materially from those expressed or implied in the forward looking statements.

Forward looking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in the light of changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations and dispositions.

The Group undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.