

Program Information

Malayan Banking Berhad

PROGRAM INFORMATION

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| Type of Information: | Program Information |
| Date of Announcement: | 28 April 2016 |
| Issuer Name: | Malayan Banking Berhad |
| Name and Title of Representative: | Datuk Abdul Farid Alias Group President & Chief Executive Officer |
| Address of Head Office: | Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur, Malaysia |
| Telephone: | +603 2074 7788 |
| Contact Person: | (i) Lim Tze Jean Legal Counsel Malayan Banking Berhad Telephone: +65 68128818 (ii) Chu Siew Ching Senior Analyst, Corporate Finance, Capital Management, Group Corporate Treasury Malayan Banking Berhad Telephone: +603 2074 8276 |
| Type of Securities: | Bonds |
| Scheduled Issuance Period: | 1 May 2016 to 30 April 2017 |
| Maximum Outstanding Issuance Amount: | U.S.\$5,000,000,000 (for this program) |
| Address of Website for Announcement: | http://www.jpx.co.jp/english/equities/products/tpbm/announcement/detail/08.html |
| Name of Arranger: | Maybank Kim Eng Securities Pte. Ltd. |
| Status of Submission of Annual Securities Reports or Issuer Filing Information: | None |

Notes to Investors:

1. TOKYO PRO-BOND Market is a market for specified investors, etc. Bonds listed on the market ("Listed Bonds") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Bonds on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions after having carefully considered the contents of this Program Information.

2. Where this Program Information contains (a) any false statement on important matters, or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content, a person who, at the time of announcement of this Program Information, is an officer (meaning an officer stipulated in Article 21, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (the "Act") (meaning a director of the board (*torishimari-yaku*), accounting advisor (*kaikei-sanyo*), company auditor (*kansa-yaku*) or executive officer (*shikkou-yaku*), or a person equivalent to any of these) of the issuer that announced the Program Information shall be liable to compensate persons who acquired the securities for any damage or loss arising from the false statement or lack of information in accordance with the provisions of Article 21, Paragraph 1, Item 1 of the Act applied mutatis mutandis in Article 27-33 of the Act and Article 22 of the Act applied mutatis mutandis in Article 27-34 of the Act. However, this shall not apply to cases where the person who acquired the securities was aware of the existence of the false statement or the lack of information at the time of subscription for acquisition of the securities. Additionally, the officer shall not be required to assume the liability prescribed above, where he/she proves that he/she was not aware of, and was unable to obtain knowledge of, even with reasonable care, the existence of the false statement or the lack of information.
3. The regulatory framework for TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on the Tokyo Stock Exchange website.
4. Tokyo Stock Exchange does not express opinions or issue guarantees, etc. regarding the content of the Program Information (including but not limited to, whether the Program Information contains (a) a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content) and shall not be liable for any damage or loss.
5. Where this Program Information (excluding Program Information concerning securities enumerated in each item of Article 3 of the Act) comes to include information regarding matters listed in this Form pursuant to Rule 206, Paragraph 2 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities (hereinafter referred to as the "Special Regulations") as information prescribed in Article 2, Paragraph 1, Item 1 of the Cabinet Office Ordinance on Provision and Publication of Information on Securities, etc., the Program Information shall constitute Specified Securities Information stipulated in Article 27-31, Paragraph 1 of the Act.
6. In respect of Malayan Banking Berhad U.S.\$15,000,000,000 Multicurrency Medium Term Note Programme under which the Offering Circular is incorporated into this Program Information, the following ratings were assigned/affirmed on 15 April 2016:

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| Standard & Poor's Ratings Services: | A- (senior unsecured notes) BBB+ (existing Tier 2 notes) BBB (new Basel III-compliant Tier 2 notes) |
| Moody's Investors Service: | (P)A3 (senior unsecured) (P)Baa2 (subordinated) |
| Fitch Ratings: | A- (senior unsecured) |
7. The following documents shall be incorporated in, and to form part of, this Program Information:
 - (a) Offering Circular dated 15 April 2016 with respect to Malayan Banking Berhad U.S.\$15,000,000,000 Multicurrency Medium Term Note Programme;
 - (b) Maybank Annual Report 2015 – Corporate; and
 - (c) Maybank Annual Report 2015 – Financial Statements.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S., EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this offering circular or make an investment decision with respect to the securities, investors must not be resident in the United States (within the meaning of Regulation S under the Securities Act). This offering circular is being sent at your request and by accepting the e-mail and accessing this offering circular, you shall be deemed to have represented to us that you are not resident in the United States and to the extent that you purchase securities described in the attached offering circular, you are doing so pursuant to Regulation S under the Securities Act and that you consent to delivery of such offering circular by electronic transmission.

You are reminded that this offering circular has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this offering circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer any of and the dealers or any affiliate of any of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such dealer or such affiliate on behalf of the Malayan Banking Berhad in such jurisdiction.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Malayan Banking Berhad, Maybank Kim Eng Securities Pte. Ltd., Maybank Investment Bank Berhad or any additional arrangers or dealers appointed by Malayan Banking Berhad or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version. A hard copy version will be provided to you upon request from Malayan Banking Berhad, Maybank Kim Eng Securities Pte. Ltd., Maybank Investment Bank Berhad or any other arranger or dealer appointed by Malayan Banking Berhad.

Actions that You May Not Take. If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

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Malayan Banking Berhad

(Company No. 3813-K)

(incorporated with limited liability in Malaysia)

U.S.\$15,000,000,000

Multicurrency Medium Term Note Programme

On 14 May 2012, Malayan Banking Berhad (the "**Issuer**" or the "**Bank**") established its U.S.\$5,000,000,000 Multicurrency Medium Term Note Programme. Such Multicurrency Medium Term Note Programme is amended as at the date of this Offering Circular and this Offering Circular supersedes all previous offering circulars and any supplements thereto. Notes (as defined below) issued under the Programme (as defined below) on or after the date of this Offering Circular are issued subject to the provisions described herein. The provisions described herein do not affect any Notes issued under the Programme prior to the date of this Offering Circular.

Under this U.S.\$15,000,000,000 Multicurrency Medium Term Note Programme (the "**Programme**"), the Issuer (either directly or acting through its Hong Kong Branch or its Singapore Branch or any other branch, in each case, as may be specified in the applicable Pricing Supplement (as defined below) from time to time), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**"), which expression shall include Notes (i) issued on an unsubordinated basis as described in Condition 3.1 ("**Senior Notes**") and (ii) issued on a subordinated basis which rank on any Winding-Up Proceedings of the Bank as described in Condition 3.2 ("**Subordinated Notes**"). Notes may be issued with a maturity of one year or more, in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$15,000,000,000 (or its equivalent in other currencies calculated as described in "*General Description of the Programme*"), subject to increase as described herein.

The Notes may be issued by the Issuer on a continuing basis to one or more of the dealers under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes. With effect from the date of this Offering Circular Maybank Kim Eng Securities Pte. Ltd. and Maybank Investment Bank Berhad have each been appointed as Dealers on an ongoing basis.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Investment Considerations*".

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and for the listing of any Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and listing of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Group (as defined herein), the Programme or such Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the date of listing of the Notes of such Tranche.

Application has been made to the Labuan International Financial Exchange Inc. (the "**LFX**") for the listing of, and permission to deal in, any Notes that may be issued under the Programme but there can be no assurance that such listings will occur on or prior to the date of issue of such Notes or at all. The LFX assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Offering Circular. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, the investor should consult his or her adviser. Admission to the Official List of the LFX is not to be taken as an indication of the merits of the Issuer, the Programme or the Notes.

Application will be made by the Issuer to the Taipei Exchange ("**TPEX**") in the Republic of China ("**Taiwan**"/"**ROC**") for permission to deal in and for the listing of any Notes which are agreed at the time of issue thereof to be so listed on the TPEX. Such permission is expected to be granted and become effective from the scheduled issue date. TPEX is not responsible for the content of this document and the Offering Circular and any amendment and supplement thereto and no representation is made by TPEX to the accuracy or completeness of this document and the Offering Circular and any amendment and supplement thereto. TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this document and the Offering Circular and any amendment and supplement thereto. Admission to the listing and trading of the Notes on the TPEX shall not be taken as an indication of the merits of the Issuer or the Notes.

In addition to the above, the Programme has also been admitted for the listing of the Notes on Tokyo Stock Exchange Inc. ("**TSE**") in its capacity as the market operator of the TOKYO PRO-BOND Market in accordance with the rules and regulations of TSE.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

Each Tranche of Notes of each Series (as defined in "*Terms and Conditions of the Notes*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**Temporary Bearer Global Note**") or a permanent global note in bearer form (each a "**Permanent Bearer Global Note**"). In the case of Notes that are expressed in the applicable Pricing Supplement to be subject to the "D" Rules (as defined herein), interests in a Temporary Bearer Global Note will be exchangeable in whole or in part, for interests in a Permanent Bearer Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Notes in registered form will initially be represented by a global note in registered form (each a "**Registered Global Note**") and together with any Temporary Bearer Global Notes and Permanent Bearer Global Notes, the "**Global Notes**" and each a "**Global Note**"). Global Notes may be deposited on the issue date with a common depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**").

Global Notes may also be deposited with The Central Depository (Pte) Limited ("**CDP**") or a sub-custodian for the Hong Kong Monetary Authority (the "**HKMA**"), as operator of the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority ("**the CMU Service**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Form of the Notes*".

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES OR, IN THE CASE OF BEARER NOTES THAT ARE EXPRESSED IN THE APPLICABLE PRICING SUPPLEMENT TO BE SUBJECT TO THE D RULES (AS DEFINED HEREIN), TO OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED AND REGULATIONS THEREUNDER).

See "*Form of the Notes*" for a description of the manner in which Notes will be issued. The Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*".

The Issuer may agree with any Dealer that the Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the SGX-ST or TSE) a supplementary offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Notes issued under the Programme may be rated or unrated. Where an issue of a certain Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The lodgement with the Securities Commission Malaysia in respect of the Programme will be made by Maybank Investment Bank Berhad as the Principal Adviser under the Programme.

This Offering Circular is an advertisement and is not a prospectus for the purposes of EU Directive 2003/71/EC.

Arranger

**Maybank Kim Eng Securities
Pte. Ltd.**

Dealers

Maybank Investment Bank Berhad

Maybank Kim Eng Securities Pte. Ltd.

The date of this Offering Circular is 15 April 2016

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having made all reasonable enquiries to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances which they were made, misleading.

This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

No person is or has been authorised by the Issuer to give any information or to make any representations other than as contained in this Offering Circular in connection with the Programme or the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Arranger or the Dealers.

The Arranger and the Dealers have not separately verified the information contained in this Offering Circular. None of the Arranger nor the Dealers makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. None of the Arranger nor the Dealers accepts any responsibility for the contents of this Offering Circular. Each of the Arranger and the Dealers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any financial statements included or incorporated herein are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Offering Circular or any such financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the risks involved. The purchase of Notes by investors should be based upon their investigation as they deem necessary. None of the Arranger nor the Dealers undertakes to review the financial condition or affairs of the Issuer or, the Issuer and its subsidiaries taken as a whole (together, the "**Group**") during the life of the arrangements contemplated by this Offering Circular, nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Arranger or the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arranger or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Group during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

Notes issued under the Programme may be denominated in Renminbi. Renminbi is currently not freely convertible and conversion of Renminbi is subject to certain restrictions. Investors should be reminded of the conversion risk with Renminbi products. In addition, there is a liquidity risk associated with Renminbi products, particularly if such investments do not have an active secondary market and their prices have large bid/offer spreads. Renminbi products are denominated and settled in Renminbi deliverable in Hong Kong, which represents a market which is different from that of Renminbi deliverable in the PRC (as defined below).

From time to time, in the ordinary course of business, the Arranger, the Dealers and their affiliates have provided advisory and investment banking services, and entered into other commercial transactions with the Issuer and its affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Arranger, the Dealers and their affiliates will

continue to provide such services to, and enter into such transactions, with the Issuer and its affiliates in the future. The Arranger, the Dealers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Arranger or the Dealers represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Notes in the United States, the European Economic Area (including the United Kingdom), Singapore, Japan, Taiwan, Malaysia and Hong Kong. See "*Subscription and Sale*".

THE NOTES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON OFFERS AND SALES OF NOTES AND ON DISTRIBUTION OF THIS OFFERING CIRCULAR, SEE "*SUBSCRIPTION AND SALE*".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

In accordance with the Capital Markets and Services Act 2007 of Malaysia (the "CMSA"), a copy of this Offering Circular will be lodged with the Securities Commission Malaysia (the "SC"), which takes no responsibility for its contents. The issue, offer or invitation in relation to the Notes in this Offering Circular or otherwise are subject to the fulfilment of various conditions precedent including without limitation, the lodgment with the SC and the approval from Bank Negara Malaysia ("BNM") in respect of Subordinated Notes. The Programme will be lodged with the SC pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework revised and effective from 15 June 2015 as amended from time to time. The recipient of this Offering Circular acknowledges and agrees that the lodgment with the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Notes. The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Offering Circular.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires, references herein to "U.S. dollars" and "U.S.\$" are to the lawful currency of the United States of America, references to "RM", "Malaysian Ringgit", "Ringgit" and "sen" are to the lawful currency of Malaysia, references to "Singapore dollars" and "S\$" are to the lawful currency of Singapore, references to "CNY", "Renminbi" and "RMB" are to the lawful currency of the People's Republic of China (the "PRC"), references to "Sterling" and "£" are to the lawful currency of the United Kingdom, references to "EUR", "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended, references to "PhP" are to the lawful currency of the Republic of the Philippines and references to "IDR" are to the lawful currency of Indonesia.

For convenience only and unless otherwise noted, all translations from Malaysian Ringgit into U.S. dollars in this Offering Circular were made at the rate of RM4.2930 to U.S.\$1.00. No representation is made that the Malaysian Ringgit amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In addition, references to PRC are to the PRC and for geographical reference only (unless otherwise stated) exclude Taiwan, Hong Kong and Macau.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding

Under the rules of the SC, the following potential conflict of interest situations are to be disclosed to prospective investors.

In respect of Maybank Investment Bank Berhad's ("**Maybank IB**") appointment as the Principal Adviser and Dealer in respect of the Programme, there may be a potential conflict of interest situation as Maybank IB is a wholly-owned subsidiary of the Issuer. As such, Maybank IB and the Issuer are deemed to be related corporations under Malaysian law. Notwithstanding the aforementioned, Maybank IB, in relation to its roles as Principal Adviser and Dealer in respect of the Programme, has considered the factors involved and believes objectivity and independence in carrying out its role has been and/or will be maintained at all times for the following reasons:

- (i) the appointment of Messrs Adnan Sundra and Low as an external independent legal counsel to conduct a legal due diligence inquiry on the Issuer;
- (ii) Maybank IB is a licenced investment bank under the laws of Malaysia and its appointment as the Principal Adviser and Dealer in respect of the Programme is in the ordinary course of its business;
- (iii) the conduct of Maybank IB is regulated by the Financial Services Act 2013 of Malaysia and Maybank IB has in place its own internal controls and checks with regards to transactions involving its related corporations;
- (iv) the Notes will be issued by way of private or public placement and in each case on a syndicated or non-syndicated basis, where pricing of the Notes will be market driven; and
- (v) the Issuer and its Board of Directors (the "**Board**") have confirmed that they are aware of the above potential conflict of interest situation and that notwithstanding such potential conflict, they have agreed to proceed with the appointment of Maybank IB as the Principal Adviser and Dealer in respect of the Programme.

There may be a potential conflict of interest situation as Maybank Kim Eng Securities Pte. Ltd. ("**Maybank Kim Eng**") is wholly-owned by Maybank Kim Eng Holdings Limited which in turn is a wholly-owned subsidiary of Maybank IB Holdings Sdn Bhd. The ultimate holding company of the aforementioned entities is the Issuer. As such, Maybank Kim Eng and the Issuer are related corporations.

Notwithstanding the aforementioned, Maybank Kim Eng, in its roles as the Arranger and Dealer in respect of the Programme, has considered the factors involved and believes objectivity and

independence in carrying out its role has been and/or will be maintained at all times for the following reasons:

- (i) the appointment of Messrs Adnan Sundra & Low as an external independent legal counsel to conduct a legal due diligence inquiry on the Issuer;
- (ii) Maybank Kim Eng's appointment as the Arranger and Dealer is in the ordinary course of its business. The appointments are governed by various mandate letters, agreements and/or documents which set out the rights, duties and obligations of Maybank Kim Eng acting in such capacities;
- (iii) the conduct of Maybank Kim Eng is regulated by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289) and Financial Advisers Act (Chapter 110) and as a member of Singapore Exchange Limited ("SGX"), Maybank Kim Eng is also subject to the rules of SGX;
- (iv) Maybank Kim Eng has in place its own internal controls and checks with regards to transactions involving its related corporations;
- (v) the Notes will be issued by way of private or public placement and in each case on a syndicated or non-syndicated basis, where pricing of the Notes will be market driven; and
- (vi) the Issuer and its Board have confirmed that they are aware of the above potential conflict of interest situation and that notwithstanding such potential conflict, they have agreed to proceed with the appointment of Maybank Kim Eng as the Arranger and Dealer of the Programme.

FORWARD-LOOKING STATEMENTS

The Issuer has included statements in this Offering Circular which contain words or phrases such as will, would, aim, aimed, is likely, are likely, believe, expect, expected to, will continue, anticipated, estimate, estimating, intend, plan, seeking to, future, objective, should, can, could, may, and similar expressions or variations of such expressions, that are "forward-looking statements".

All statements regarding the Issuer's or the Group's expected financial position, business, strategies, plans, prospects and objectives are forward-looking statements. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Issuer's expectations with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate recent or future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its provision for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to pay dividends, its ability to roll over its short-term funding sources, its exposure to operational, market, credit, interest rate and currency risks and the market acceptance of and demand for internet banking services.

All forward-looking statements are made only as at the date of this Offering Circular. Given the risks and uncertainties that may cause the Issuer's or the Group's actual future results, performance or achievement to be materially different than expected, expressed or implied by the forward-looking statements in this Offering Circular, potential investors are advised not to place undue reliance on those statements. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Offering Circular to reflect any change in the Issuer's expectations with regard thereto or any change of events, conditions or circumstances on which any such statement was based.

STABILISATION

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (THE "**STABILISING MANAGER(S)**") (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE RELEVANT PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION OR OVER-ALLOTMENT MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED TIME. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents (including those published or issued from time to time after the date hereof) shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2015 (together with the Directors' reports and the Independent Auditors' reports prepared in connection therewith) which have previously been published;
- (b) the most recently published audited financial statements of the Issuer since the date of this Offering Circular;
- (c) any interim consolidated and unconsolidated financial statements of the Issuer (whether audited or unaudited) published subsequent to the most recently published audited consolidated and unconsolidated financial statements of the Issuer since the date of this Offering Circular; and
- (d) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The full version of the Issuer's interim financial statements (whether audited or unaudited) and annual reports published from time to time can be obtained from the Issuer's website at www.maybank.com and Bursa Malaysia Securities Berhad ("**Bursa Securities**") website at this link, <http://announcements.bursamalaysia.com>.

The above websites and any other websites referenced in this Offering Circular are intended as guides as to where other public information relating to the Issuer may be obtained free of charge. Information appearing on such websites does not form part of this Offering Circular or any relevant Pricing Supplement and none of the Issuer, its Directors, the Arranger or the Dealers accept any responsibility whatsoever that any information, if available, is accurate and/or up-to-date. Such information, if available, should not form the basis of any investment decision by an investor to purchase or deal in the Notes.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the office of The Hongkong and Shanghai Banking Corporation Limited (the "**Fiscal Agent**") at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong. Pricing Supplements relating to unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of Notes and its identity.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer (from time to time acting either directly or acting through its Hong Kong Branch or its Singapore Branch or such other branch as may be specified in the applicable Pricing Supplement) may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

This Offering Circular and any supplement will only be valid for Notes issued under the Programme in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.\$15,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined, at the discretion of the Issuer, either as at the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in Kuala Lumpur, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the Malaysian foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

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| Issuer: | Malayan Banking Berhad. In relation to each Tranche of Notes, the applicable Pricing Supplement will indicate whether the Issuer is acting directly or through its Hong Kong Branch or its Singapore Branch or such other branch as may be specified in the applicable Pricing Supplement, if applicable. |
| Description: | Multicurrency Medium Term Note Programme which caters for Senior and Subordinated Notes issues. |
| Arranger: | Maybank Kim Eng Securities Pte. Ltd. |
| Dealers: | Maybank Kim Eng Securities Pte. Ltd and Maybank Investment Bank Berhad have each been appointed as Dealers on an ongoing basis as at the date of this Offering Circular. Pursuant to the Programme Agreement, the Issuer may from time to time appoint further dealers either in respect of one or more Tranches or in respect of the whole Programme or terminate the appointment of any dealer under the Programme. |
| Certain Restrictions: | Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> "). |
| Fiscal Agent: | The Hongkong and Shanghai Banking Corporation Limited. |
| Registrar and Transfer Agent: | The Hongkong and Shanghai Banking Corporation Limited. |
| CMU Lodging and Paying Agent: | The Hongkong and Shanghai Banking Corporation Limited. |
| Singapore CDP Agent: | The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch. |
| Principal Adviser | For purposes of lodgement with the SC, Maybank Investment Bank Berhad. |
| Programme Size: | Up to U.S.\$15,000,000,000 (or its equivalent in other currencies calculated as described under " <i>General Description of the Programme</i> ") outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement. |
| Distribution: | Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. |

Currencies: Subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.

Maturities: Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to a minimum of one year from the date of issue and other such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Subordinated Notes that constitute Tier 2 Capital Securities (as defined in Condition 3.2) shall have such minimum maturity as required by BNM from time to time.

Issue Price: Notes may be issued on a fully-paid or (in the case of the Notes other than Subordinated Notes) a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes: The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series);
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) or on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes: Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount, or offered and sold at their nominal amount and be redeemed at a premium, and will not bear interest.

Redemption: The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or pursuant to a winding-up of the Issuer following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Subordinated Notes that constitute Tier 2 Capital Securities may only be redeemed in accordance with the requirements from time to time of BNM.

The Issuer, any of its Subsidiaries, any of its agents or any related corporation of the Issuer may at any time purchase, subject to the approval of BNM (but which approval shall not be required for a purchase made in the ordinary course of business), the Subordinated Notes prior to their stated maturity in any manner and at any price in the market or otherwise. See Condition 7.11 of the "*Terms and Conditions of the Notes*".

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| Denomination of Notes: | Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see " <i>Certain Restrictions</i> " above. |
| Taxation: | All payments of principal and interest in respect of the Notes, Receipts and Coupons will be made without deduction for or on account of withholding taxes imposed by Malaysia, subject as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted. |
| Negative Pledge: | The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4. The Subordinated Notes will not contain a negative pledge. |
| Events of Default for Senior Notes: | Events of default for Senior Notes are set out in Condition 10.1. |
| Cross-acceleration: | The terms of the Senior Notes will contain a cross-acceleration provision as further described in Condition 10.1. |
| Status of the Senior Notes: | The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge in Condition 4) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. |
| Status of the Subordinated Notes | The Subordinated Notes will constitute direct, unconditional, unsecured, and subordinated obligations of the Issuer, ranking <i>pari passu</i> without any preference among themselves. The payment obligations of the Issuer under the Subordinated Notes shall, save for such exceptions as shall be provided by applicable legislation, rank on a Winding-Up of the Issuer as provided in Condition 3.2. |
| Events of Default and other terms of Subordinated Notes: | The Events of Default for Subordinated Notes are set out in Condition 10.2. The Subordinated Notes do not have the benefit of a negative pledge or cross-acceleration provision. Prior approval from BNM is required for issuance of Subordinated Notes. |
| Variation instead of Redemption of the Subordinated Notes: | The provisions relating to Variation instead of Redemption of Subordinated Notes are set out in Condition 7.14. |
| Loss Absorption upon a Trigger Event in respect of Subordinated Notes: | Subordinated Notes shall have provisions relating to Loss Absorption upon a Trigger Event as defined in and as set out in Condition 7.16. |

Listing:

Application has been made to the SGX-ST for permission to deal in and for the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. Application has also been made to the LFX for the listing of, and permission to deal in, the Notes. In addition to the above, the Programme has also been admitted for the listing of the Notes on TSE in its capacity as the market operator of the TOKYO PRO-BOND Market in accordance with the rules and regulations of TSE. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

The Notes may be listed on the TPEX in Taiwan pursuant to the applicable rules of the TPEX with effect from the scheduled issue date.

Application will be made by the Issuer to the TPEX for the listing and trading of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the TPEX. TPEX is not responsible for the content of this document and any amendment and supplement thereto and no representation is made by TPEX to the accuracy or completeness of this document and any amendment and supplement thereto. TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this document and any amendment and supplement thereto. Admission to the listing and trading of the Notes on the TPEX shall not be taken as an indication of the merits of the Issuer or the Notes.

Unlisted Notes may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

Ratings:

Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, reduction or withdrawal at any time by the assigning rating agency.

Governing Law:

The Agency Agreement, the ECC Deed of Covenant, the Notes, the Receipts, the Coupons, the Talons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the ECC Deed of Covenant, the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3.2 and Condition 10.2 shall be governed by and construed in accordance with the laws of Malaysia.

The CDP Deed of Covenant shall be governed by and construed in accordance with Singapore law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Singapore, Japan, Malaysia, Hong Kong and Taiwan and in such other jurisdictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

United States Selling Restrictions:

Regulation S, Category 1; TEFRA C/TEFRA D/TEFRA not applicable, as specified in the applicable Pricing Supplement.

Clearing Systems:

Euroclear, Clearstream, Luxembourg, the CMU Service, CDP and/or any other clearing system as specified in the applicable Pricing Supplement, see "*Form of the Notes*".

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a Temporary Bearer Global Note or, if so specified in the applicable Pricing Supplement, a Permanent Bearer Global Note which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depository (the "**Common Depository**") for, Euroclear and Clearstream, Luxembourg, (ii) a sub-custodian for the CMU Service or (iii) CDP.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not resident in the United States or persons who have purchased for resale to any person resident in the United States, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging and Paying Agent and/or CDP and (in the case of a Temporary Bearer Global Note delivered to a Common Depository for Euroclear and Clearstream, Luxembourg or CDP) Euroclear and/or Clearstream, Luxembourg and/or CDP, as applicable, has given a like certification (based on the certifications it has received) to the Paying Agent (as defined in "*Terms and Conditions of the Notes*"). On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that the purchasers in the United States will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Global Bearer Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) have so certified. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg or CDP against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached, upon either (a) not less than 60 days' written notice (i) in the case of Notes held by a Common Depository for Euroclear and Clearstream, Luxembourg, from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Fiscal Agent as described therein or (ii) in the case of Notes held through a sub-custodian for the CMU Service, from the relevant account

holders therein to the CMU Lodging and Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have, or in the case of Notes cleared through the CMU Service, the CMU Service has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or the relevant clearing system has announced an intention permanently to cease business or has in fact done so and no successor clearing system is available, or, in the case of Notes cleared through CDP, the Issuer has been notified that CDP has closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or CDP has announced an intention to permanently cease business and no alternative clearing system is available, (iii) CDP has notified the Issuer that it is unable or unwilling to act as depository for the Notes and to continue performing its duties set out in the Master Depository Services Agreement dated on or about the date of this Offering Circular, as amended, varied or supplemented from time to time (the "**Master Depository Services Agreement**") and no alternative clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Notes represented by the Permanent Bearer Global Note. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by CDP or a Common Depository for Euroclear and Clearstream, Luxembourg, CDP or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Fiscal Agent or, as the case may be, the CMU Lodging and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent or, as the case may be, the CMU Lodging and Paying Agent.

The following legend will appear on all Permanent Bearer Global Notes and all definitive Bearer Notes issued in accordance with TEFRA D:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE UNITED STATES INTERNAL REVENUE CODE 1986 AS AMENDED AND THE REGULATIONS THEREUNDER."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, CDP or the CMU Service, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to persons outside the United States, will be represented by a global note in registered form (a "**Registered Global Note**", together with any Bearer Global Note, the "**Global Notes**"). Beneficial interests in a Registered Global Note may not be offered or sold within the United States and may not be held otherwise than through Euroclear, Clearstream, Luxembourg, CDP or the CMU Service.

Registered Global Notes will be deposited with a Common Depository for, and registered in the name of a common nominee of, Euroclear, Clearstream, Luxembourg and/or deposited with a sub-custodian for the CMU Service (if applicable) and/or CDP or its nominee, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, the Fiscal Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have or, in the case of Notes cleared through the CMU Service, the CMU Service has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available, or, in the case of Notes cleared through CDP, the Issuer has been notified that CDP has closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or CDP has announced an intention to permanently cease business and no alternative clearing system is available, (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Notes in definitive form or (iv) CDP has notified the Issuer that it is unable or unwilling to act as depository for the Notes and to continue performing its duties set out in the Master Depository Services Agreement and no alternative clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes registered in the name of CDP or a nominee for a Common Depository for Euroclear and Clearstream, Luxembourg, CDP or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) and/or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Registrar or the CMU Lodging and Paying Agent, as the case may be, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar or the CMU Lodging and Paying Agent, as the case may be.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear, Clearstream, Luxembourg, CDP and the CMU Service, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Paying Agent or, as the case may be, the CMU Lodging and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number which are different from the common code, CMU instrument number and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act), if any, applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg or the CMU Service or CDP, each person (other than Euroclear and/or Clearstream, Luxembourg or the CMU Service or CDP or its nominee) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or the CMU Service or CDP as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg or the CMU Service or CDP as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes, save in the case of manifest error) shall be treated by the Issuer, the Fiscal Agent and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purposes the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Fiscal Agent and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest error) and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or the CMU Service and/or CDP shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (Kuala Lumpur time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear, Clearstream, Luxembourg and/or the CMU Service and/or CDP, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and/or the CMU Service and/or CDP on and subject to the terms of (in the case of Notes cleared through Euroclear or Clearstream, Luxembourg or the CMU Service) a deed of covenant (the "**ECC Deed of Covenant**") dated 14 May 2012 or (in the case of Notes cleared through CDP) a CDP Deed of Covenant dated 14 May 2012 (the "**CDP Deed of Covenant**") and executed by the Issuer.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition 7.2), 11, 12, 13, 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 18, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

Malayan Banking Berhad
(Company No. 3813-K)
(incorporated with limited liability in Malaysia)
[(acting through its [Hong Kong Branch/Singapore Branch/[•] Branch])]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the U.S.\$15,000,000,000
Multicurrency Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Offering Circular dated 15 April 2016 (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

[The following language applies if a particular tranche of Notes issued by the Issuer acting through its Singapore Branch are "Qualifying Debt Securities" for the purpose of Income Tax Act, Chapter 134 of Singapore:

*Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any of the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the "**Income Tax Act**"), shall not apply if such person acquires such Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the Income Tax Act]*

1. Issuer: Malayan Banking Berhad, [acting through its [Hong Kong Branch/Singapore Branch/[•] Branch]]
2. (a) Series Number: []
- (b) Tranche Number [] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*

3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
- (a) Series:
- (b) Tranche:
5. [(a)] Issue Price: [[]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
- [(b)] Net Proceeds: [[] (*required only for listed issues*)]
6. (a) Specified Denominations: []
- If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the following:*
- "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000], No notes in definitive form will be issued with a denomination above €199,000]".*
- (b) Calculation Amount: [] (*If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: []
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8. Tenor of the Tranche or Series being issued []
9. Maturity Date: *[Fixed rate — specify date/Floating rate — Interest Payment Date falling on or about [specify month and year]] (N.B. must be at least one year from date of issue for Senior Notes and five years from the date of issue for Subordinated Notes)*
10. Interest Basis: [[]% Fixed Rate]
[[LIBOR/EURIBOR/BIBOR/SIBOR/SOR] +/- []% Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
11. Redemption/Payment Basis: [Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]

12. Change of Interest Basis or Redemption/Payment Basis: [*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
13. Put/Call Options: [Investor Put] [Issuer Call] [(further particulars specified below)]
14. (a) Status of the Notes: [Senior/Subordinated]
- (b) Date of [Board] approval for Notes obtained: [] [and [], respectively]/[None required] (*N.B. Only relevant where the Board (or similar) authorisation is required for the particular tranche of Notes*)
- (c) Date of regulatory approval for issuance of Notes obtained: []/[None required] (*N.B. Prior approval from BNM is required for each issuance of Subordinated Notes.*)
15. Listing: [SGX-ST/LFX/specify other/None]
16. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. Fixed Rate Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Rate(s) of Interest: []% per annum [payable [annually/semi annually/quarterly/other (specify)] in arrear] (If payable other than annually, consider amending Condition 5)
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other] (*N.B. This will need to be amended in the case of long or short coupons*)
- (c) Fixed Coupon Amount(s): (Applicable to Notes in definitive form) [] per Calculation Amount
- (d) Broken Amount(s): (Applicable to Notes in definitive form) [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or Actual/360 or Actual/365 (Fixed) or *specify other*]
- (f) [Determination Date(s): [] in each year (*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon N. B. This will need to be amended in the case of regular interest payment dates which are not of equal duration N.B. Only relevant where Day Count Fraction is Actual! Actual (ICMA)*)]
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]

- (h) First Margin []% per annum (*Subordinated Notes only*)
- (i) Reference Rate [] (*Subordinated Notes only*)
18. Floating Rate Note Provisions [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Interest Period(s) []
- (b) Specified Interest Payment Dates: []
- (c) First Interest Payment Date: []
- (d) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
- (e) Additional Business Centre(s): []
- (f) Manner in which the Rate of Interest and Interest Amount [Screen Rate Determination/ISDA Determination/*specify other*] is to be determined:
- (g) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Paying Agent): []
- (h) Screen Rate Determination:
- (i) Reference Rate: [] (*Either LIBOR, EURIBOR, HIBOR, SIBOR, SOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement*)
- (ii) Interest Determination Date(s): [] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar or euro LIBOR), first day of each Interest Period if Sterling LIBOR or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR or second Business Day prior to start of interest period if SIBOR/SOR*)
- (iii) Relevant Screen Page: [] (*In the case of EURIBOR, if not Reuters EURIBOROI ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)

- (i) ISDA Determination:
Floating Rate Option: []
Designated Maturity: []
Reset Date: []
- (j) Margin(s): [+/-] []% per annum
- (k) Minimum Rate of []% per annum Interest:
- (l) Maximum Rate of []% per annum Interest:
- (m) Day Count Fraction: [Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) Other] *(See Condition 5 for alternatives)*
- (n) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
19. **Zero Coupon Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: []% per annum
- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable: []
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.7(c) and 7.13 apply/specify other] *(Consider applicable day count fraction if not U.S. dollar denominated)*
20. **Index Linked Interest Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Index/Formula: [Give or annex details]
- (b) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Paying Agent): []

- (c) Provisions for determining reference to Index and/or Formula is impossible or impracticable: [Need to include a description of market disruption or Coupon where calculation by settlement disruption events and adjustment provisions]
- (d) Specified Period(s)/Specified Interest Payment Dates: []
- (e) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (f) Additional Business Centre(s): []
- (g) Minimum Rate of Interest: []% per annum
- (h) Maximum Rate of Interest: []% per annum
- (i) Day Count Fraction: []
21. Dual Currency Interest Note Provisions [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [Give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Paying Agent): []
- (c) Provisions applicable where Rate of Exchange is impossible or impracticable: [Need to include a description of market disruption or calculation by reference to settlement disruption events and adjustment provisions]
- (d) Person at whose option [] Specified Currency(ies) is/are payable:

PROVISIONS RELATING TO REDEMPTION

22. Issuer Call: [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []

- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s):] per Calculation Amount/specify other]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [] per Calculation Amount
- (ii) Maximum Redemption Amount: [] per Calculation Amount
- (d) Notice period (if other than as set out in the Conditions): [] (NB. If setting notice periods which are different to set those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent)
23. Investor Put: [Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph. Investor Put will not be applicable to Subordinated Notes)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s):] per Calculation Amount/specify other]
- (c) Notice period (if other than as set out in the Conditions): [] (NB. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent)
24. Final Redemption Amount:] per Calculation Amount/specify other/see Appendix]
25. Early Redemption Amount payable] per Calculation Amount/specify other/see Appendix] on redemption or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.7): [] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Form of Notes: [Bearer Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Bearer Notes: Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Bearer Notes: Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]
- [Registered Notes: Registered Global Note ([] nominal amount)]
- (Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options for Bearer Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[] and integral multiples of [] in excess thereof up to and including []." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*
27. Additional Financial Centre(s) or Payment Days: [Not Applicable/give details] *(Note that this paragraph other special provisions relating to the place of payment and not Interest Period end dates to which subparagraphs 16(b), 17(d) and 19(f) relate)*
28. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
29. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
30. Details relating to Instalment Notes:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]

31. Redenomination applicable: Redenomination [not] applicable (If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))

32. Other terms: [Not Applicable/*give details*]

DISTRIBUTION

33. (1) If syndicated, names of Managers: [Not Applicable/*give names*]

(a) Date of Subscription Agreement []

(b) Stabilising Manager(s) (if any): [Not Applicable/*give name*]

34. If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]

35. U.S. Selling Restrictions: Reg. S Category 1; [TEFRA D/TEFRA C/TEFRA not applicable]

36. Additional selling restrictions: [Not Applicable/*give details*]

Operational Information

37. Any clearing system(s) other than CDP, the CMU Service, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [CDP/CMU/Not Applicable/*give name(s) and number(s)*]

38. Delivery: Delivery [against/free of] payment

39. Additional Paying Agent(s) (if any): []

ISIN: []

Common Code: []

(insert here any other relevant codes such as a CMU instrument number)

40. Ratings [The Notes to be issued will not be rated/The Notes to be issued have been rated:]

[S&P: []]

[Fitch: []]

[[Other: []]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

41. Utilisation of proceeds raised from the issue

[LISTING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Notes described herein pursuant to the U.S.\$15,000,000,000 Multicurrency Medium Term Note Programme of Malayan Banking Berhad.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

[The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement. The approval in-principle from, and the admission of the Notes to the Official List of, the SGX-ST are not to be taken as indications of the merits of the Issuer, the Programme or the Notes.] *[Insert if Notes are listed on the SGX-ST]*

[The Labuan International Financial Exchange Inc. (the "**LFX**") assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Pricing Supplement, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Pricing Supplement. Investors are advised to read and understand the contents of the Offering Circular and this Pricing Supplement before investing. If in doubt, the investor should consult his or her adviser. Admission to the Official List of the LFX is not to be taken as an indication of the merits of the Issuer, the Programme or the Notes.] *[Insert if Notes are listed on the LFX]*

[The Taipei Exchange (the "**TPEX**") is not responsible for the content of this document and the Offering Circular and any amendment and supplement thereto and no representation is made by the TPEX to the accuracy or completeness of this document and the Offering Circular and any amendment and supplement thereto. TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this document and the Offering Circular and any amendment and supplement thereto. Admission to the listing and trading of the Notes on the TPEX shall not be taken as an indication of the merits of the Issuer or the Notes.] *[Insert if the Notes are listed the TPEX]*

Signed on behalf of the Issuer:

By:

Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following (other than paragraphs in italics) are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each Definitive Bearer Note (as defined below) and each Definitive Registered Note (as defined below), but in the case of Definitive Bearer Notes and Definitive Registered Notes, only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Bearer Note or Definitive Registered Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Malayan Banking Berhad (the "**Issuer**"), from time to time acting either directly or through its Hong Kong Branch or its Singapore Branch or such other branch as specified in the applicable Pricing Supplement, pursuant to the Agency Agreement (as defined below).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the currency specified herein or, if none is specified, the currency in which the Notes are denominated (the "**Specified Currency**");
- (b) any Global Note in bearer form (each a "**Bearer Global Note**");
- (c) any Global Notes in registered form (each a "**Registered Global Note**");
- (d) any definitive Notes in bearer form ("**Definitive Bearer Notes**", together with the Bearer Global Notes, the "**Bearer Notes**") issued in exchange for a Global Note in bearer form; and
- (e) any definitive Notes in registered form ("**Definitive Registered Notes**", together with the Registered Global Notes, the "**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 15 April 2016 and made between the Issuer, The Hongkong and Shanghai Banking Corporation Limited as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor fiscal agent), The Hongkong and Shanghai Banking Corporation Limited as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression shall include any successor CMU lodging and paying agent) and the other paying agents named therein (together with the Fiscal Agent and the CMU Lodging and Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**", which expression shall include any successor registrar) and as transfer agent (together with the Registrar and the other transfer agents named therein, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents) and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch as fiscal agent, registrar, paying agent and transfer agent in Singapore solely for the purposes in connection with Notes cleared or to be cleared through The Central Depository (Pte) Limited (the "**Singapore CDP Agent**", which expression shall include any successor agent in Singapore).

For the purposes of these Terms and Conditions (the "**Conditions**"), (i) all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be

construed accordingly, and (ii) all references to the Fiscal Agent, Paying Agent, Registrar and Transfer Agent shall, with respect to a Tranche of Notes to be cleared or cleared through the CDP (as defined below), be deemed to be a reference to the Singapore CDP Agent and all such references shall be construed accordingly.

Interest bearing Definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Definitive Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in the Pricing Supplement attached to or endorsed on this Note which supplements the Conditions and may specify other terms and conditions, which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Definitive Bearer Notes) the holders of the Notes and (in the case of Definitive Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, (unless this is a Zero Coupon Note) Interest Commencement Dates and/or Issue Prices.

In the case of Notes cleared through Euroclear, Clearstream, Luxembourg or the CMU Service (each as defined below), the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the "**ECC Deed of Covenant**") dated 14 May 2012 and made by the Issuer. The original of the ECC Deed of Covenant is held by the common depositary for Euroclear and Clearstream, Luxembourg.

Where the Notes are cleared through The Central Depository (Pte) Limited ("**CDP**"), the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the CDP Deed of Covenant (the "**CDP Deed of Covenant**"), together with the ECC Deed of Covenant, the "**Deeds of Covenant**", and each "**a Deed of Covenant**") dated 14 May 2012 and made by the Issuer.

Copies of the Agency Agreement and the Deeds of Covenant are available for inspection during normal business hours at the registered office for the time being of the Fiscal Agent being at Level 30, HSBC Main Building, 1 Queen's Road Central, Central, Hong Kong and at the specified office of each of the Registrar, the other Paying Agents and Transfer Agents (such Paying Agents and the Registrar being together referred to as "**Agents**"). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of the Issuer and of the Fiscal Agent save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer or the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Agency Agreement, the Deed of Covenants and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or

unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. **FORM, DENOMINATION AND TITLE**

The Notes are issued in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Notes in bearer form may not be exchanged for Notes in registered form and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note may also be a Senior Note or a Subordinated Note, as indicated in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to Definitive Bearer Notes, Receipts and Coupons will pass by delivery and title to Definitive Registered Notes will pass upon registration of transfers in the register which is kept by the Registrar in accordance with the provisions of the Agency Agreement. The Issuer and the Agents will (except as otherwise required by law) deem and treat the bearer of any Definitive Bearer Note, Receipt or Coupon and the registered holder of any Definitive Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes, but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of CDP, Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority ("**the CMU Service**"), each person (other than CDP, Euroclear or Clearstream, Luxembourg or the CMU Service) who is for the time being shown in the records of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by CDP, Euroclear or Clearstream, Luxembourg or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service as to the identity of any accountholder and the principal amount of any Note credited to its account, save in the case of manifest

error) ("**CMU Accountholders**") and such payments shall discharge the obligation of the Issuer in respect of that payment under such Note.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of CDP, Euroclear, Clearstream, Luxembourg and the CMU Service, as the case may be.

References to CDP, Euroclear, Clearstream, Luxembourg and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer and the Fiscal Agent.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by CDP, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Definitive Registered Notes or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for CDP, Euroclear, Clearstream, Luxembourg or the CMU Service shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) or to a successor if CDP, Euroclear, Clearstream, Luxembourg or the CMU Service (as the case may be) or such successor's nominee.

2.2 Transfers of Definitive Registered Notes

Subject as provided in Condition 2.5 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer:

- (i) the holder or holders must:
 - (A) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and
 - (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and
- (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within ten business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such

longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Registered Note in definitive form of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 **Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Definitive Registered Note, or part of a Definitive Registered Note, called for partial redemption.

2.4 **Costs of registration**

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 **Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered during the period of (i) 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer pursuant to Condition 7.3 and (iii) during the period of seven days ending on (and including) any Record Date.

2.6 **Exchanges and transfers of Definitive Registered Notes generally**

Holders of Definitive Registered Notes may exchange such Notes for interests in a Registered Global Note of the same type at any time.

3. **STATUS OF THE NOTES**

3.1 **Status of the Senior Notes**

This Condition 3.1 applies only to Notes specified in the applicable Pricing Supplement as being Senior Notes.

The Notes the status of which is specified in the applicable Pricing Supplement as Senior (the "**Senior Notes**") and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3.2 **Status of the Subordinated Notes**

This Condition 3.2 applies only to Notes specified in the applicable Pricing Supplement as being Subordinated Notes.

Notes the status of which is specified in the applicable Pricing Supplement as Subordinated ("**Subordinated Notes**") and any relative Receipts and Coupons constitute direct, unconditional, unsecured and, in accordance with this Condition 3.2, subordinated obligations of the Issuer, ranking *pari passu* without any preference among themselves.

In the event of a Winding-Up of the Issuer, the claims of Noteholders against the Issuer in respect of the Subordinated Notes and any relative Receipts and Coupons shall (a) be subordinated in right of payment to the claims of all Unsubordinated Creditors of the Issuer, (b) rank senior in right of payment to the rights and claims of creditors in respect of Subordinated Indebtedness and (c) rank *pari passu* in right of payment with the rights and claims of creditors in respect of Tier 2 Capital Securities.

The provisions of this Condition 3.2 apply only to claims in respect of principal and interest on the Subordinated Notes. To the fullest extent permitted by applicable law, each Noteholder irrevocably waives its rights as a creditor to the extent necessary to give effect to the subordination provision of these Conditions in relation to the Subordinated Notes.

For the purposes of these Conditions:

"BNM" means Bank Negara Malaysia or any successor thereto as the primary regulator of the Issuer;

"Tier 1 Capital Securities" means any security or similar obligation issued by the Issuer that constitutes Tier 1 Capital, Additional Tier 1 Capital, Innovative Tier 1 Capital, Non-Innovative Tier 1 Capital or any other such capital intended to constitute Tier 1 capital of the Issuer pursuant to the relevant requirements issued by BNM from time to time and currently set out in the *Capital Adequacy Framework (Capital Components)* issued by BNM on 13 October 2015;

"Tier 2 Capital Securities" means any security or similar obligation issued by the Issuer that constitutes Tier 2 Capital of the Issuer pursuant to the relevant requirements issued by BNM from time to time and currently set out in the *Capital Adequacy Framework (Capital Components)* issued by BNM on 13 October 2015;

"Subordinated Indebtedness" means all indebtedness of the Issuer that is or is expressed on a Winding-Up of the Issuer to be subordinated in right of payment to rank junior to the Subordinated Notes and shall include all classes of equity securities of the Issuer, including preference shares and any Tier 1 Capital Securities;

"Unsubordinated Creditors" means (a) all depositors of the Issuer and (b) all other creditors of the Issuer other than creditors in respect of Subordinated Indebtedness and creditors that rank or are expressed to rank *pari passu* in right of payment with the Subordinated Notes (in each case including liabilities of the offices and branches of the Issuer, wherever located); and

"Winding-Up" means, with respect to the Issuer, a final and effective order or resolution for the bankruptcy, winding-up, liquidation, receivership or similar proceeding in respect of the Issuer.

The subordination provisions set out above will be effective only upon the occurrence of any Winding-Up of the Issuer. On a Winding-Up of the Issuer, there may be no surplus assets available to meet the claims of the Noteholders, Receiptholders or Couponholders of the Subordinated Notes after the claims of the parties ranking senior to the Noteholders, Receiptholders and Couponholders of the Subordinated Notes have been satisfied.

The terms and conditions of the Subordinated Notes are subject to applicable legal and regulatory provisions governing the status of capital adequacy and subordinated securities of Malaysian banks. Accordingly, further provisions relating to the terms of any Subordinated Notes issued under this Programme (which may include any further procedures required by the Fiscal Agent, the Registrar, CDP, Euroclear, Clearstream, Luxembourg or the CMU Service) will, if applicable, be set out in the applicable Pricing Supplement.

4. **NEGATIVE PLEDGE**

This Condition 4 applies only to Notes specified in the applicable Pricing Supplement as being Senior Notes.

So long as any of the Senior Notes and the relative Receipts or Coupons remains outstanding (as defined in the Agency Agreement) the Issuer will not create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest (each a "**Security Interest**") other than a Permitted Security Interest upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Relevant Indebtedness (as defined below) unless, at the same time or prior thereto:

- (i) the Issuer's obligations under the Senior Notes are secured equally and rateably therewith; or
- (ii) such other Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders.

In this Condition 4,

"Relevant Indebtedness" means any present or future indebtedness, or any guarantee in respect of any present or future indebtedness, in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which by their terms (i) are payable in a currency other than Ringgit or are denominated in Ringgit and more than 50 per cent. of the aggregate principal amount of which is initially distributed outside Malaysia by, or with the authorisation of, the Issuer; and (ii) which are quoted, listed or ordinarily dealt in on any stock exchange or over-the-counter or other securities market outside Malaysia;

"Covered Bond Legislation" means any statute, decree, regulations or rules promulgated by any competent authority of or in Malaysia governing the issuance of covered bonds; and

"Permitted Security Interest" means any Security Interest created upon any part of the undertaking, assets or revenues, present or future of the Issuer to secure any Relevant Indebtedness in connection with and in compliance with any Covered Bond Legislation or where creditors thereof have recourse only to a defined pool of underlying assets or revenues of the Issuer intended to form any part of the assets or revenues in respect of which a priority claim in favour of covered bondholders may be given.

5. **INTEREST**

5.1 **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount (or if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions:

"Fixed Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong interbank market, and in the case of a determination of the Singapore Dollar interbank offered rate ("**SIBOR**") or the Singapore Dollar swap offer rate

("SOR"), the principal Singapore offices of each of the three major banks in the Singapore interbank market, in each case selected by the Fiscal Agent or as specified in the applicable Pricing Supplement.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (a) if "**Actual/Actual (ICMA)**" is specified in the applicable Pricing Supplement:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (c) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365.

In this Condition 5.1:

"Determination Period" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 **Reset Interest on Subordinated Notes**

This Condition 5.2 applies only to Notes specified in the applicable Pricing Supplement as being Subordinated Notes.

(a) **Rates of Interest and Interest Payment Dates**

Each Subordinated Note to which Condition 7.3 applies, shall bear interest:

- (i) from (and including) the Interest Commencement Date until (but excluding) the first Optional Redemption Date specified in Pricing Supplement at the rate(s) per annum equal to the Rate(s) of Interest;
- (ii) from (and including) the first Optional Redemption Date until (but excluding) the second Optional Redemption Date specified in the Pricing Supplement or if no such second Optional Redemption Date is so specified, until the Maturity Date at a rate per annum equal to the First Reset Rate of Interest; and
- (iii) for each subsequent period from (and including) an Optional Redemption Date, to (but excluding) the next following Optional Redemption Date (if any) at a rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in accordance with Condition 5.1. The Rate of Interest and the amount of interest (the **"Interest Amount"**) payable shall be determined by the Calculation Agent (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 5.1.

In these Terms and Conditions:

"First Margin" means the margin specified as such in the applicable Pricing Supplement;

"First Reset Period" means the period from (and including) the first Optional Redemption Date until (but excluding) the second Optional Redemption Date, or if no such second Optional Redemption Date is specified in the applicable Pricing Supplement, the Maturity Date;

"First Reset Rate of Interest" means, in respect of the First Reset Period and subject to Condition 5.2(b), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the Reference Rate and the First Margin;

"Rate(s) of Interest" has the meaning specified in the applicable Pricing Supplement;

"Reference Rate" has the meaning specified in the applicable Pricing Supplement;

"Reset Determination Date" means, in respect of the First Reset Period, the second Business Day prior to the first Optional Redemption Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the second Optional Redemption Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each Subsequent Reset Period;

"Reset Period" means the First Reset Period or any Subsequent Reset Period, as the case may be;

"Subsequent Reset Period" means the period from (and including) the second Optional Redemption Date to (but excluding) the next subsequent Optional Redemption Date and each successive period from (and including) a subsequent Optional Redemption Date to (but excluding) the next succeeding Optional Redemption Date; and

"Subsequent Reset Rate of Interest" means, in respect of any Subsequent Reset Period and subject to Condition 5.2(b), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reference Rate and First Margin.

(b) ***Fallbacks***

If on any Reset Determination Date, the Relevant Screen Page is not available or the Reference Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its quotation for such Reference Rate as at approximately 11.00 am in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with the Reference Rate quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Reference Rate quotations and the First Margin, all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Reference Rate quotation as provided in the foregoing paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Optional Redemption Date, or in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Rate of Interest specified in the applicable Pricing Supplement.

For the purposes of Condition 5.2(b) **"Reference Banks"** means the principal office in the principal financial centre of the Specified Currency of four major banks active in the market most closely connected with the Reference Rate as selected by the Calculation Agent.

(c) ***Notification of First Reset Rate of Interest, Subsequent Reset Rate of Interest and Interest Amount***

The Calculation Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the Fiscal Agent and any stock exchange or other relevant authority on which the relevant Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth Business Day thereafter.

(d) ***Certificates to the Final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5.2 shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Calculation Agent, the Fiscal Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of bad faith and wilful default) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent or the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 **Interest on Floating Rate Notes and Index Linked Interest Notes**

(a) ***Interest Payment Dates***

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

In this Condition 5.3, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.3(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is both:

- I a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, Hong Kong, Singapore and each Additional Business Centre specified in the applicable Pricing Supplement; and
- II either (i) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London, Hong Kong, Singapore and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open or (iii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) ISDA Determination for Floating Rate Notes:

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period shall be determined by the Calculation Agent at a rate equal to the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**") on the Euro-zone interbank offered rate ("**EURIBOR**") or on the Hong Kong interbank offered rate ("**HIBOR**"), the first day of that Interest Period or (b) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

- (ii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being LIBOR, EURIBOR or HIBOR:

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or any such successor or replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR, or Hong Kong time, in the case of HIBOR) (in each case, the "**Specified Time**") on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Fiscal Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of paragraph (A) above, no offered quotation appears or if, in the case of paragraph (B) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Fiscal Agent shall request each of the Reference Banks to provide the Fiscal Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR), the Euro-zone interbank market (if the Reference Rate is EURIBOR), or the Hong Kong interbank market (if the Reference Rate is HIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Fiscal Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant

Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Fiscal Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR), the Euro-zone interbank market (if the Reference Rate is EURIBOR), the Hong Kong interbank market (if the Reference Rate is HIBOR) or the Singapore interbank market (if the Reference Rate is SIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

- (iii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being the Singapore dollar interbank offer rate ("**SIBOR**") or the Singapore dollar swap offer rate ("**SOR**"):
 - (A) Each Floating Rate Note where the Reference Rate is specified as being SIBOR (in which case such Note will be a "**SIBOR Note**") or SOR (in which case such Note will be a "**Swap Rate Note**") bears interest at a floating rate determined by reference to a benchmark as specified hereon or in any case such other benchmark as specified hereon.
 - (B) The Rate of Interest payable from time to time in respect of each Floating Rate Note under this Condition 5.3(b)(iii) will be determined by the Fiscal Agent on the basis of the following provisions:
 - (I) in the case of Floating Rate Notes which are SIBOR Notes
 - (aa) the Fiscal Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSIRFIX01 page under the caption "ABS — SIBOR FIX — SIBOR AND SWAP OFFER RATES — RATES AT 11.00 HRS SINGAPORE TIME" and the column headed "SGD SIBOR" (or such other Relevant Screen Page);
 - (bb) if no such rate appears on the Reuters Screen ABSIRFIX01 page (or such other replacement page thereof or, if no rate appears, on such other Relevant Screen Page) or if Reuters Screen ABSIRFIX01 page (or such other replacement page thereof or such other Relevant Screen Page) is unavailable for any reason, the Fiscal Agent will request the principal Singapore offices of each of the Reference Banks to provide the Fiscal Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore inter-bank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate nominal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of such offered quotations, as determined by the Fiscal Agent;

- (cc) if on any Interest Determination Date two but not all the Reference Banks provide the Fiscal Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (bb) above on the basis of the quotations of those Reference Banks providing such quotations; and
 - (dd) if on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Fiscal Agent at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate nominal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate or if on such Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with such quotation, the rate per annum which the Fiscal Agent determines to be arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the relevant time on such Interest Determination Date.
- (II) in the case of Floating Rate Notes which are Swap Rate Notes
- (aa) the Fiscal Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption "SGD SOR rates as of 11:00 hrs London Time" under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period;
 - (bb) if on any Interest Determination Date no such rate is quoted on Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) or Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Fiscal Agent will determine the Rate of Interest for such Interest Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest 1/16 per cent.)) for a period equal to the duration of such Interest Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that

time), or by such other relevant authority as the Fiscal Agent may select; and

- (cc) if on any Interest Determination Date the Fiscal Agent is otherwise unable to determine the Rate of Interest under paragraphs (aa) and (bb) above, the Rate of Interest shall be determined by the Fiscal Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates quoted by the Singapore offices of the Reference Banks or those of them (being at least two in number) to the Fiscal Agent at or about 11.00 a.m. (Singapore time) on the first business day following such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate, or if on such day one only or none of the Singapore offices of the Reference Banks provides the Fiscal Agent with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore dollars quoted by the Singapore offices of the Reference Banks at or about 11.00 a.m. (Singapore time) on such Interest Determination Date.

(C) On the last day of each Interest Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.

- (iv) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR or HIBOR or SIBOR or SOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(c) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Fiscal Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Fiscal Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Fiscal Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.3:

- (i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

- (vii) if "**30E/360 (ISDA)**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

- "M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- "M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- "D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and
- "D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and
- (viii) if "**30E/360 (ISDA)**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

- "Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;
- "Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- "M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- "M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- "D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and
- "D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.
- (e) ***Notification of Rate of Interest and Interest Amounts***

The Fiscal Agent or if applicable, the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression "Business Day" means a day (other than

a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Hong Kong, Kuala Lumpur, Singapore and New York City.

(f) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.3, whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Fiscal Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.4 **Interest on Dual Currency Interest Notes**

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

5.5 **Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

5.6 **Accrual of interest**

Each interest-bearing Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. **PAYMENTS**

6.1 **Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (c) payments in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

Save as provided in Condition 8, payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer agrees to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements.

6.2 **Presentation of Definitive Bearer Notes, Receipts and Coupons**

Payments of principal in respect of Definitive Bearer Notes not held in the CMU Service will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of Definitive Bearer Notes not held in the CMU Service, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form not held in the CMU Service (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form not held in the CMU Service becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

In the case of Definitive Bearer Notes held in the CMU Service, payment will be made to the person(s) for whose account(s) interests in the relevant Definitive Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

6.3 **Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note (i) in the case of a Bearer Global Note lodged with the CMU Service, to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited as being held by the CMU Service in accordance with the CMU Rules, or (ii) in the case of a Bearer Global Note not lodged with the CMU Service, against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made (in the case of a Global Note not lodged with the CMU Service) on such Bearer Global Note by the Paying Agent to which it was presented or (in the case of a Global Note lodged with the CMU Service) on withdrawal of the Bearer Global Note by the CMU Lodging and Paying Agent, and in each such case such record shall be prima facie evidence that the payment in question has been made.

6.4 **Payments in respect of Registered Notes**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") (i) where in global form at the close of the business day (being for this purpose, in respect of Notes clearing through CDP, Euroclear and Clearstream, Luxembourg, a day on which CDP, Euroclear and Clearstream, Luxembourg are open for business and, in respect of Notes clearing through the CMU Service, a day on which the CMU Service is open for business) before the relevant due date and (ii) where in definitive form at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment (in the case of a currency other than Renminbi) will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and, in the case of a payment in Renminbi, means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro and Renminbi) a bank in the

principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro and (in the case of a payment in Renminbi) a bank in Hong Kong.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency (other than Renminbi) drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register, (i) where in global form at the close of the business day (being for this purpose, in respect of Notes clearing through CDP, Euroclear and Clearstream, Luxembourg, a day on which CDP, Euroclear and Clearstream, Luxembourg are open for business and, in respect of Notes clearing through the CMU Service, a day on which the CMU Service is open for business) before the relevant due date and (ii) where in definitive form at the close of business on the fifth day (in the case of Renminbi) and the 15th day (in the case of currency other than Renminbi, whether or not such 15th day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest or an instalment of principal (other than the final instalment) in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Note.

In the case of Definitive Registered Note or Registered Global Note held through the CMU Service, payment will be made at the direction of the registered holder to the CMU Accountholders and such payment shall discharge the obligation of the Issuer in respect of that payment.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holder by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 **General provisions applicable to payments**

The holder of a Global Note (if the Global Note is not lodged with the CMU Service) or (if the Global Note is lodged with the CMU Service) the person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU Service in accordance with the CMU Rules as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error), shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note or such person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU

Service (as the case may be) in respect of each amount so paid. Each of the persons shown in the records of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to CDP, Euroclear, Clearstream, Luxembourg or the CMU Lodging and Paying Agent, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Definitive Bearer or Bearer Global Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 **Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) the relevant place of presentation;
 - (ii) each Additional Financial Centre specified in the applicable Pricing Supplement; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open or (C) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments.

6.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.7); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 and any Arrears of Interest (if applicable).

6.8 Currency Fallback

If the Notes are denominated in Renminbi and the Renminbi is not available for delivery outside the PRC when any payment on the Notes is due as a result of circumstances beyond the control of the Issuer, the Issuer shall be entitled to satisfy the obligations in respect of such payment by making such payment in U.S. dollars on the basis of the Spot Rate on the second business day prior to such payment or, if such rate is not available on such second business day, on the basis of the rate most recently available prior to such second business day.

Any payment made under such circumstances in U.S. dollars will constitute valid payment, and will not constitute a default in respect of the Notes.

In the event of a payment pursuant to this Condition 6.8, the following modifications shall be made in respect of the Conditions:

- (a) the following language shall be included at the end of Condition 6.1 (a);
"unless Condition 6.8 applies, in which case payments will be made by credit or transfer to a U.S. dollar denominated account with a bank in New York City"; and
- (b) for the purpose of Condition 6.6(b), the Specified Currency will be deemed to be U.S. dollars;

For the purpose of this Condition 6.8:

"Spot Rate" means the spot U.S. dollar/Renminbi exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong, as determined by the Fiscal Agent at or around 11.00 a.m. (Hong Kong time) on the date of determination, on a deliverable basis by reference to Reuters Screen page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen page TRADNDF. If neither rate is available, the Fiscal Agent will determine the Spot Rate at or around 11.00 a.m. (Hong Kong time) on the date of determination as the most recently available Renminbi/U.S. dollar official fixing rate for settlement in two business days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen page CNY=SAEC. Reference to a page on the Reuters Screen means the

display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

The Fiscal Agent will not be responsible or liable to the Issuer or any holder of the Notes for any determination of any Spot Rate determined in accordance with this Condition 6.8 in the absence of its own gross negligence or wilful misconduct.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for tax reasons

Subject (in the case of Subordinated Notes) to Condition 7.15, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable) on the occurrence of a Tax Event, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent, as its agent, a certificate signed by two Directors of the Issuer (i) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem have occurred, (ii) attaching an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and (iii) in the case of Subordinated Notes, certifying that BNM or any successor thereto has consented to such redemption; and the Fiscal Agent shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders, and shall make available such certificates for inspection during normal business hours at its registered office for the time being.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

For the purposes of these Conditions "**Tax Event**" means:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes of the relevant Series; or
- (b) in the case of Subordinated Notes only, the Issuer is no longer entitled, or would not be entitled to obtain deductions for the purposes of Malaysian corporation tax in respect of

payments of interest on the Subordinated Notes, as a result of any change in, or amendment to, the laws of regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Subordinated Notes of the relevant Series; and

- (c) in either case of (a) or (b), such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

7.3 **Redemption at the option of the Issuer ("Issuer Call")**

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Fiscal Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of CDP and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU Service (as appropriate), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Calculation Amount. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

Subordinated Notes may be redeemed at the option of the Issuer on any Optional Redemption Date falling at least five years from the date of issue of the relevant tranche of such Subordinated Notes.

Any redemption of Subordinated Notes prior to their originally scheduled Maturity Date pursuant to Issuer Call, Tax Event or Regulatory Capital Event (as defined below) will be subject to the following conditions (the "**Redemption Conditions**"):

- (i) the Issuer is solvent both immediately prior to and immediately following the redemption of the Subordinated Notes;
- (ii) the Issuer has obtained the prior written approval of BNM; and

- (iii) the Issuer:
 - (a) shall, on or before the redemption of the Subordinated Notes, replace the Subordinated Notes to be redeemed with capital of the same or better quality on terms that are sustainable for the income capacity of the Issuer; or
 - (b) demonstrates that its capital position following redemption of the Subordinated Notes is well above the minimum capital requirements of the Capital Regulations.

A certificate signed by two Directors of the Issuer and delivered to the Fiscal Agent on or before the redemption certifying compliance with the Redemption Conditions shall (i) be sufficient evidence for Noteholders that the Issuer has complied with the Redemption Conditions and (ii) in the absence of manifest error, be binding on all Noteholders.

7.4 **Redemption at the option of the Noteholders**

Subordinated Notes may not be redeemed at the option of the Noteholders. If Investor Put is specified in the applicable Pricing Supplement, then, if and to the extent specified in the applicable Pricing Supplement, upon the holder of a Note, giving to the Issuer, in accordance with Condition 14, not less than 15 nor more than 30 days' notice (or such other notice period as is specified in the applicable Pricing Supplement) (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Pricing Supplement in whole (but not in part) such Note on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Pricing Supplement, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

7.5 **Put Notices**

If the Note is in definitive form, to exercise the right to require redemption of such Note, the holder thereof must deliver such Note on any Business Day (as defined in Condition 5) falling within the notice period at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), at any time during the normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by, if such Note is in definitive form, such Note or evidence satisfactory to the Paying Agent concerned that such Note will, following delivery of the Put Notice, be held to its order or under its control and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If such Note is represented by a Global Note or is in definitive form and held through CDP, Euroclear, Clearstream, Luxembourg or the CMU Service, to exercise the right to require redemption of such Note, the holder thereof must, within the notice period, give notice to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of CDP, Euroclear, Clearstream, Luxembourg and the CMU Service (which may include notice being given on his instruction by CDP, Euroclear or Clearstream, Luxembourg or the CMU Service or any common depositary, as the case may be, for them to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) by electronic means) in a form acceptable to CDP, Euroclear, Clearstream, Luxembourg and the CMU Service from time to time and, if such Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note

to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of CDP, Euroclear, Clearstream, Luxembourg or the CMU Service given by a holder of any Note pursuant to this Condition 7.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph.

7.6 **Redemption of Subordinated Notes on a Regulatory Capital Event**

Subject to the Redemption Conditions, if, as a result of a change to the Capital Requirements, in relation to:

- (a) the qualification of any Subordinated Notes as Tier 2 Capital Securities; or
- (b) the inclusion of any Subordinated Notes in the calculation of the Issuer's capital adequacy ratio,

which change or amendment:

- (i) becomes, or would become, effective on or after the date of issue of such Subordinated Notes; or
- (ii) is issued by BNM on or after the date of issue of such Subordinated Notes,

the relevant Subordinated Notes (in whole or in part) would not qualify as Tier 2 Capital Securities (excluding, for the avoidance of doubt where such Subordinated Notes cease to qualify solely by virtue of the Issuer already having, or coming to have, Tier 2 Capital Securities in issue with an aggregate principal amount equal to or in excess of the limit for Tier 2 Capital Securities permitted under the Capital Requirements in force as at the date of issue of the Subordinated Notes) (a "**Regulatory Capital Event**"), then the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as specified in the Pricing Supplement) redeem all, but not some only, of the Subordinated Notes on the date specified in such notice at their Early Redemption Amount.

For the purposes of these Conditions, "**Capital Requirements**" means the relevant capital adequacy requirements issued from time to time by BNM and currently set out in the *Capital Adequacy Framework (Capital Components)* issued by BNM on 13 October 2015.

7.7 **Early Redemption Amounts**

For the purpose of Condition 7.2 and Condition 10.1 (if this Note is a Senior Note) or Condition 10.2 (if this Note is a Subordinated Note), each Note will be redeemed at its Early Redemption Amount calculated by the Calculation Agent as follows:

- (a) in the case of a Note (other than a Zero Coupon Note, an Instalment Note and a Partly Paid Note) with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

- (c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

^y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

7.8 **Instalments**

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.7.

7.9 **Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

7.10 **Conditions for Purchases in respect of Senior Notes**

The Issuer, any of its Subsidiaries, any of its agents or any related corporation of the Issuer may at any time purchase Senior Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Senior Notes purchased by the Issuer, any of its Subsidiaries and/or any of its agents (other than those purchased in the ordinary course of business) must be surrendered to any Paying Agent and/or the Registrar for cancellation and accordingly may not be reissued or resold. Such Senior Notes purchased by any related corporation of the Issuer (other than its Subsidiaries) may be held, reissued, resold or, at the option of the Issuer or such related corporation of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

Such Senior Notes purchased (i) by the Issuer, any of its Subsidiaries or any of its agents in the ordinary course of business or (ii) by any related corporation of the Issuer (other than its Subsidiaries), and in each case not cancelled shall be deemed not to remain outstanding for the purposes of attending and/or voting at any meeting of the Noteholders of any Series of the Notes and for the purposes of determining the quorum and/or majority required for requisitioning, or voting at, any such meeting as set out in the Agency Agreement.

In these Conditions, "**related corporation**" and "**Subsidiary**" have the meaning given to them in the Malaysian Companies Act 1965.

In these conditions, the term "**ordinary course of business**" includes those activities performed by the Issuer or any of its related corporation for third parties and excludes those activities performed for the funds of the Issuer or related corporation.

7.11 Conditions for Purchase in respect of Subordinated Notes

The Issuer, any of its Subsidiaries, any of its agents or any related corporation of the Issuer may at any time purchase, subject to the prior approval of BNM (but which approval shall not be required for a purchase made in the ordinary course of business), Subordinated Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) in any manner and at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. All Subordinated Notes which are purchased by the Issuer, any of its Subsidiaries, any of its agents or any related corporation of the Issuer (other than in the ordinary course of business) must be surrendered to any Paying Agent and/or the Registrar for cancellation and accordingly may not be reissued or resold.

Such Subordinated Notes purchased in the ordinary course of business and not cancelled shall be deemed not to remain outstanding for the purposes of attending and/or voting at any meeting of the Noteholders of any Series of the Notes and for the purposes of determining the quorum and/or majority required for requisitioning, or voting at, any such meeting as set out in the Agency Agreement.

7.12 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 7.10 and 7.11 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

7.13 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.7(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Fiscal Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

7.14 Variation instead of redemption of Subordinated Notes

If at any time a Regulatory Capital Event occurs in respect of Subordinated Notes, the Issuer may, instead of giving notice to redeem under Condition 7.6 and subject to Condition 7.15, without any requirement for the consent or approval of the Noteholders or Couponholders, and having given not less than the 30 nor more than 60 days' notice to the Fiscal Agent and the Noteholders (which notice shall be irrevocable), at any time vary the terms of the Subordinated Notes solely in order that they remain or become Qualifying Securities provided that:

- (a) such variation does not itself give rise to any right of the Issuer to redeem the Subordinated Notes that is inconsistent with the redemption provisions of the Subordinated Notes prior to such variation;
- (b) neither a Tax Event nor a Regulatory Capital Event arises as a result of such variation; and

- (c) the Issuer is in compliance with the rules of any stock exchange on which the Subordinated Notes are for the time being listed or admitted to trading.

For the purposes of these Conditions, "**Qualifying Securities**" means securities, whether debt, equity, interests in limited partnerships or otherwise issued directly or indirectly by the Issuer that:

- (i)
 - (A) qualify (in whole or in part) as Tier 2 Capital Securities; or
 - (B) may be included (in whole or in part) in the calculation of the capital adequacy ratio,

in each case, of the Issuer (either on a consolidated or non-consolidated basis);

- (ii) shall:
 - (A) rank at least equally to the Subordinated Notes;
 - (B) bear interest at a rate no lower than the Subordinated Notes and have Interest Payment Dates that fall on the same dates as the Subordinated Notes;
 - (C) have the same redemption rights as the Subordinated Notes;
 - (D) preserve any existing rights under the Subordinated Notes to accrued but unpaid interest in respect of the period from (and including) the Interest Payment Date immediately preceding the date of variation; and
 - (E) if applicable, are assigned (or have affirmed) no lower credit rating by any relevant international statistical rating agency as was assigned to the Subordinated Notes immediately prior to the date of variation; and
- (iii) if applicable, are listed or admitted to trading on such stock exchange as the Subordinated Notes were so listed or admitted to trading immediately prior to the date of variation.

Any such notice shall specify the relevant details of the manner in which such variation shall take effect and where the Noteholders can obtain or inspect copies of the new terms and conditions of the Notes. Such variation will be effected without any cost or charge to the Noteholders. The Fiscal Agent shall agree to such changes to the Agency Agreement as are necessary to effect such variation provided that it shall not be required to agree to any variation that would impose more onerous obligations on it than those existing prior to such variation.

No variation pursuant to this Condition 7.14 shall constitute an Event of Default.

7.15 **Redemption or Variation of Conditions of Subordinated Notes**

Any redemption or variation of the terms of Subordinated Notes by the Issuer is subject to the Issuer obtaining the prior written approval of BNM and any other regulatory approvals that may be required, and satisfying any conditions that BNM (and/or any other regulator) may impose at the time of such approval.

7.16 **Loss Absorption upon a Trigger Event in respect of Subordinated Notes**

Following the occurrence of the earlier of the following (each a "**Trigger Event**"):

- (i) BNM, jointly with the Malaysia Deposit Insurance Corporation ("**PIDM**"), so long as the Issuer is a Member Institution (as defined in Section 2 of the Malaysia Deposit Insurance Corporation Act 2011), or BNM, if the Issuer is no longer such a Member

Institution (the "**Relevant Malaysian Authority**") has notified the Issuer in writing that the Relevant Malaysian Authority is of the opinion that a write-off of the principal and/or interest and (if applicable) any amounts owing under each Subordinated Note is necessary, without which the Issuer would cease to be viable; or

- (ii) the Relevant Malaysian Authority publicly announces that a decision has been made by BNM, PIDM or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer would cease to be viable,

the Issuer, as directed by the Relevant Malaysian Authority, shall write-off, irrevocably and without the consent of the Noteholders, in whole or in part, amounts owing under the Subordinated Notes (a "**Write-off**") and each of the Noteholders will be automatically deemed to have irrevocably waived and no longer have any rights against the Issuer with respect to (1) its right to receive payment of the principal amount of the Subordinated Notes or such portion to be written off, (2) its right to any interest on the Subordinated Notes (including any interest accrued but unpaid up to the date of the occurrence of the Trigger Event), and (3) its right to any amounts owing under each Subordinated Note.

Upon the occurrence of a Trigger Event, the Issuer shall give an irrevocable notice (a "**Trigger Event Notice**") to the Noteholders and the Fiscal Agent, which notice shall:

- (A) state that a Trigger Event has occurred and provide reasonable detail of the nature of the relevant Trigger Event;
- (B) state the relevant amount to be written off per Subordinated Note: and
- (C) be given no later than two (2) business days after the occurrence of the relevant Trigger Event.

The Trigger Event Notice (in the absence of manifest error) shall be irrevocable and binding on all parties.

By purchasing Notes, each Noteholder shall be deemed to have acknowledged that, following the occurrence of a Trigger Event, it shall not with effect from the date of the relevant Trigger Event Notice transfer or attempt to transfer its Notes until such time as any Write-off shall have been effected.

For the avoidance of doubt, such Write-off (a) shall not constitute an Event of Default; (b) shall reduce the claim of the Noteholders in respect of the relevant Subordinated Notes in a Winding-up by the amount of such Write-off and (c) shall reduce the Early Redemption Amount in respect of such Subordinated Notes by the amount of such Write-off. With respect to all Interest Payment Dates falling on or after the date of a Write-off, the amount of interest payable shall be calculated by reference to the principal amount of each Note as reduced by such Write-off.

Any reference to the principal amount in respect of Subordinated Notes shall refer to such principal amount, as reduced by any applicable Write-off(s).

Where only part of the principal, interest and (if applicable) any other amounts owing under any Tier 1 Capital Securities or Tier 2 Capital Securities is to be written-off, the Issuer shall, with the prior written approval of the Relevant Malaysian Authority, use reasonable endeavours to conduct any Write-off such that:

- (i) the holders of any Series of Subordinated Notes are treated equally and rateably; and
- (ii) the Write-off of any Subordinated Notes is conducted:
 - (a) to the extent that the relevant Trigger Event Write-off Amount exceeds the aggregate principal amount of all Tier 1 Capital Securities of the Issuer that are

capable of being converted or written-down under any applicable laws and/or their terms of issue, so as to Write-off Tier 2 Capital Securities of the Issuer (including the Subordinated Note) only in an aggregate principal amount equal to such excess; and

- (b) on a *pro rata* and proportionate basis with all other Tier 2 Capital Securities of the Issuer, to the extent that such Tier 2 Capital Securities are capable of being converted or written-down under any applicable laws and/or their terms of issue.

For the purposes of these Conditions "**Trigger Event Write-off Amount**" means the principal and/or interest of each Subordinated Note and (if applicable) any other amounts owing under each Subordinated Note as BNM shall determine to be required, or direct to be, written-off by the Issuer, without which the Issuer would cease to be viable. For the avoidance of doubt, the Write-off shall be effected in full even if the principal amount of each Subordinated Note written-off is insufficient for the Issuer to cease to be non-viable.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of a Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of the withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of such Note, Receipt or Coupon by reason of his having some connection with a Relevant Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Day (as defined in Condition 6.6).

As used herein:

- (i) "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent or the Registrar on or prior to such due date, it means the date on which, the full amount of the money having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14; and
- (ii) "**Relevant Jurisdiction**" means:
 - (A) where the Issuer is not acting through any of its branches, Malaysia or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes; or
 - (B) where the Issuer is acting through its Hong Kong Branch, Malaysia or any political subdivision or any authority thereof or therein having power to tax, Hong Kong or any political subdivision or any authority thereof or therein

- having power to tax, or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes;
or
- (C) where the Issuer is acting through its Singapore Branch, Malaysia or any political subdivision or any authority thereof or therein having power to tax, Singapore or any political subdivision or any authority thereof or therein having power to tax, or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes;
or
- (D) where the Issuer is acting through a branch located in another jurisdiction (the "**Taxing Jurisdiction**"), Malaysia or any political subdivision or any authority thereof or therein having power to tax, the Taxing Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

9. **PRESCRIPTION**

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) thereof.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. **EVENTS OF DEFAULT AND ENFORCEMENT**

10.1 **Events of Default relating to Senior Notes**

This Condition 10.1 applies only to Notes specified in the applicable Pricing Supplement as being Senior Notes.

If, in respect of any Senior Notes, any one or more of the following events (each an "**Event of Default**") shall occur and be continuing:

- (a) **Payment default:** default is made in the payment of any principal or interest due in respect of the Senior Notes and the default continues for a period of seven business days;
- (b) **Other defaults:** the Issuer fails to perform or comply with any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no such continuation or notice as hereinafter mentioned is required) the failure continues for the period of 30 days next following the service by any Noteholder on the Issuer of notice requiring the same to be remedied;
- (c) **Cross-acceleration:** (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, or, as the case may be, within any originally applicable grace period; or (iii) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due

and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iii) above, amounts to at least U.S.\$50,000,000 (or its equivalent in any other currency);

- (d) **Winding-up of the Issuer:** an order is made by any competent court or an effective resolution is passed for the winding-up or dissolution of the Issuer;
- (e) **Insolvency:** the Issuer ceases to carry on the whole or substantially the whole of its business, save for the purpose of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders, stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent;
- (f) **Security enforced:** (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the whole or any substantial part of the Issuer's undertaking or assets or, an encumbrancer takes possession of the whole or any substantial part of the Issuer's undertaking or assets or, a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any substantial part of the Issuer's undertakings or assets, (ii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company, is not discharged within 60 days and (iii) provided that where this Condition 10.1(f) relates to part only of the Issuer's assets, such parts shall amount to at least U.S.\$50,000,000 (or its equivalent in any other currency);
- (g) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Senior Notes; or
- (h) **Analogous events:** any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in paragraphs (a) to (f) above,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any Senior Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purposes of this Condition 10.1:

"Indebtedness for Borrowed Money" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money.

10.2 Events of Default relating to Subordinated Notes

This Condition 10.2 applies only to Notes specified in the applicable Pricing Supplement as being Subordinated Notes.

- (a) If default is made in the payment of any amount of principal or interest due in respect of the Subordinated Notes (each, an **"Event of Default"**) and the default continues for a period of seven business days, then in order to enforce the obligations of the Issuer, any holder of a Note may institute a Winding-Up Proceeding against the Issuer provided that such Noteholder shall have no right to accelerate payment under such Subordinated Note in the case of such default in the payment of interest on or other amounts owing under such Subordinated Note or a default in the performance of any

other obligation of the Issuer in such Subordinated Note or under the Agency Agreement.

- (b) If an order is made or an effective resolution is passed for the Winding-Up of the Issuer (whether or not an Event of Default has occurred and is continuing) then any holder of a Note, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt there by the Fiscal Agent, declare any Subordinated Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest to the date of repayment, without presentment, demand, protest or other notice of any kind.

In this Condition 10.2:

"Winding-Up" shall mean, with respect to the Issuer, a final and effective order or resolution for the bankruptcy, winding-up, liquidation, receivership or similar proceeding in respect of the Issuer (except for the purposes of a consolidation, amalgamation, merger or reorganisation the terms of which have previously been approved by an Extraordinary Resolution of the Noteholders); and

"Winding-Up Proceedings" shall mean, with respect to the Issuer, (a) proceedings shall have been instituted or a decree or order shall have been entered in any court or agency or supervisory authority in Malaysia having jurisdiction in respect of the same for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, or similar arrangements involving the Issuer or all or substantially all of its property, or for the winding up of or liquidation of its affairs and such proceeding, decree or order shall not have been vacated or shall have remained in force, undischarged or unstayed for a period of 60 days; or (ii) the Issuer shall file a petition to take advantage of any insolvency statute.

10.3 **Enforcement**

In the case of Subordinated Notes and subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 10.2 above, will be available to the Noteholders, Receiptholders or Couponholders.

11. **REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or the Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar or the Transfer Agent (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. **AGENTS**

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional Agents and/or approve any change in the specified office through any of the same acts, provided that:

- (a) there will at all times be a Fiscal Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Registrar and Transfer Agent (in the case of Registered Notes) with a

specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

- (c) so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.2. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, and do not assume any obligation to, or relationship of agency with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in Asia, which is expected to be the *Asian Wall Street Journal*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding Registered Notes form will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, if and for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of (i) CDP and/or Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to CDP and/or Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes or (ii) the CMU Service, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note and, in addition, in the case of both (i) and (ii) above, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily

newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the first day after the day on which the said notice was given to CDP and/or Euroclear and/or Clearstream, Luxembourg and/or the persons shown in the relevant CMU Instrument Position Report.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent or the Registrar through CDP and/or Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent, the Registrar and CDP and/or Euroclear and/or Clearstream, Luxembourg, and/or, in the case of Notes lodged with the CMU Service, by delivery by such holder of such notice to the CMU Lodging and Paying Agent in Hong Kong, as the case may be, in such manner as the Fiscal Agent, the Registrar, the CMU Lodging and Paying Agent and CDP and/or Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 14.

15. MEETINGS OF NOTEHOLDERS, MODIFICATIONS AND CONSOLIDATIONS

15.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent, in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent, in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

15.2 Modifications

The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons, the Deeds of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons, the Deeds of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. **SUBSTITUTION**

16.1 **Senior Notes**

This Condition 16.1 applies only to Notes specified in the applicable Pricing Supplement as being Senior Notes.

The Issuer, or any previous substituted company (if applicable), may at any time, without the consent of the Noteholders, Receiptholders or the Couponholders, substitute for itself as principal debtor under any Series of the Senior Notes, the Receipts, the Coupons and the Talons any Subsidiary, branch or affiliate of the Issuer, or the successor company of the Issuer, or jointly and severally one or more companies to whom the Issuer has transferred all of its assets and business undertakings (in each case the "**Substitute**") provided that the substitution shall be made by a deed poll (the "**Deed Poll**") to be substantially in the form scheduled to the Agency Agreement and may take place only if:

- (i) no Event of Default pursuant to Condition 10.1 has occurred and is continuing;
- (ii) the Substitute, by means of the Deed Poll, agrees to indemnify each Noteholder, Receiptholder and Couponholder against any tax, duty, assessment, withholding, deduction or governmental charge which is imposed on it by (or by any taxing authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Senior Note, Receipt, Coupon, Talon or the relevant Deed of Covenant and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;
- (iii) unless the Substitute is the successor company of the Issuer or one or more companies to whom the Issuer has transferred all of its assets and business undertakings each of whom are to be jointly and severally liable as principal debtor under the relevant Series of Senior Notes, Receipts, Coupons and Talons, the obligations of the Substitute under the Deed Poll, the Senior Notes, the Receipts, the Coupons and the Talons are unconditionally and irrevocably guaranteed by the Issuer or its successor or each of the companies to whom together the Issuer has transferred all of its assets and business undertakings (each a "**Guarantor**") by means of a guarantee substantially in the form contained in the Deed Poll (the "**Senior Guarantee**");
- (iv) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Senior Notes, the Receipts, the Coupons, the Talons and the relevant Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and, in the case of the Senior Guarantee, of the Guarantor have been taken, fulfilled and done and are in full force and effect;
- (v) the Substitute has become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;
- (vi) legal opinions addressed to the Noteholders have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (ii) above as to the fulfilment of the preceding conditions of this Condition 16 and the other matters specified in the Deed Poll;
- (vii) the substitution does not affect adversely the rating of the Senior Notes by any one internationally recognised rating agency of the Issuer or the Issuer's debt; and

- (viii) the Issuer has given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies of all documents (in draft or final form) in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of each of the Paying Agents.

Such substitution effected in accordance with this Condition 16.1 will release the Issuer or any previously substituted company and the Noteholders, Receiptholders and Couponholders expressly consent hereto. References in Condition 10.1 to obligations under the Senior Notes shall be deemed to include obligations under the Deed Poll and, where the Deed Poll contains a Senior Guarantee, the events listed in Conditions 10.1(a) and 10.1(b) shall be deemed to include such Senior Guarantee not being (or being claimed by the Guarantor not to be) in full force and effect. In addition, the Senior Guarantee shall contain (A) events of default in respect of the Senior Notes in the same terms as Condition 10.1 relating to the Guarantor (except that references in Condition 10.1 (a) to failure to pay principal and interest on the Senior Notes shall be a reference to failure to pay under the Senior Guarantee), (B) provisions relating to the Senior Guarantee in the form of Condition 3.1, (C) provisions relating to the Guarantor in the form of Conditions 7.10 and 7.12 and (D) a negative pledge in relation to the Senior Guarantee in the form of Condition 4.

References to "outstanding" in relation to the Senior Notes of any Series shall, on a substitution of the Issuer where the Guarantor guarantees the Senior Notes, not include Senior Notes held by the Guarantor and its subsidiaries for the purposes of (i) ascertaining the right to attend and vote at any meeting of the Noteholders and (ii) the determination of how many Senior Notes are outstanding for the purposes of Condition 15.

16.2 Subordinated Notes

This Condition 16.2 applies only to Notes specified in the applicable Pricing Supplement as being Subordinated Notes

Subject to the provisions of this Condition 16.2, the Noteholders, Receiptholders and the Couponholders, by subscribing to or purchasing any Subordinated Notes, Receipts or Coupons, expressly consent to the Issuer, or any previously substituted company (if applicable), at any time, but where applicable, with the prior approval of BNM, substituting for itself as principal debtor under any Series of the Subordinated Notes, the Receipts, the Coupons and the Talons any Subsidiary, branch or affiliate of the Issuer or, the successor company of the Issuer or jointly and severally one or more companies to whom the Issuer has transferred all of its assets and business undertakings (in each case the "**Substitute**") provided that the substitution shall be made by a deed poll (the "**Deed Poll**") to be substantially in the form scheduled to the Agency Agreement and may take place only if:

- (i) no Event of Default pursuant to Condition 10.2 has occurred or is continuing;
- (ii) the Substitute, by means of the Deed Poll, agrees to indemnify each Noteholder, Receiptholder and Couponholder against any tax, duty, assessment, withholding, deduction or governmental charge which is imposed on it by (or by any taxing authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Subordinated Note, Receipt, Coupon or Talon and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;
- (iii) unless the Substitute is the successor company of the Issuer or one or more companies to whom the Issuer has transferred all of its assets and business undertakings each of whom are to be jointly and severally liable as principal debtor under the relevant Series of Subordinated Notes, Receipts, Coupons and Talons, the obligations of the Substitute under the Deed Poll, the Subordinated Notes, the Receipts, the Coupons and the Talons are unconditionally and irrevocably guaranteed by the Issuer or its successor or each of the companies to whom together the Issuer has transferred all of its assets and business

undertakings (each a "**Guarantor**") by means of a guarantee on a subordinated basis substantially in the form contained in the Deed Poll (the "**Subordinated Guarantee**");

- (iv) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Subordinated Notes, the Receipts, the Coupons and the Talons and the relevant Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and, in the case of the Subordinated Guarantee, of the Guarantor have been taken, fulfilled and done and are in full force and effect;
- (v) the Substitute has become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;
- (vi) legal opinions addressed to the Noteholders have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (ii) above as to the fulfilment of the preceding conditions of this Condition 16.2 and the other matters specified in the Deed Poll;
- (vii) the substitution does not affect adversely the rating of the Subordinated Notes by any one internationally recognised rating agency of the Issuer or the Issuer's debt; and
- (viii) the Issuer has given at least 14 days' prior notice to such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of each of the Paying Agents.

Such substitution effected in accordance with this Condition 16.2 will release the Issuer or any previously substituted company and the Noteholders, Receiptholders and Couponholders expressly consent hereto. References in Condition 10.2 to obligations under the Subordinated Notes shall be deemed to include obligations under the Deed Poll and, where the Deed Poll contains a Subordinated Guarantee, the events listed in Conditions 10.2 shall be deemed to include such Subordinated Guarantee not being (or being claimed by the Guarantor not to be) in full force and effect. In addition, the Subordinated Guarantee shall contain (A) rights of enforcement in the form of Condition 10.2 (except that references in Condition 10.2 to failure to pay principal and interest on the Subordinated Notes shall be a reference to failure to pay under the Subordinated Guarantee), (B) provisions relating to the Subordinated Guarantee in the form of Condition 3.2 and (C) provisions relating to the Guarantor in the form of Condition 7.11 and 7.12.

17. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes (whether in bearer or registered form) having terms and conditions of the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding notes of any series (including the Notes).

18. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. **CURRENCY INDEMNITY**

The Issuer shall indemnify the Noteholders, the Receiptholders and the Couponholders and keep them indemnified against:

- (i) any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses incurred by any of them, on a full indemnity basis, arising from the non-payment by the Issuer of any amount due to the holders of the Notes and the relevant Receiptholders or Couponholders by reason of any variation in the rates of exchange between those used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by the Issuer, as the case may be; and
- (ii) any deficiency arising or resulting from any variation in rates of exchange between (a) the date as of which the local currency equivalent of the amounts due or contingently due under these Conditions (other than this Condition 19) is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Issuer and (b) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be reduced by any variation in rates of exchange occurring between the said final date and the date of any distribution of assets in connection with any such bankruptcy, insolvency or liquidation.

The above indemnities shall constitute obligations of the Issuer separate and independent from its other obligations under the other provisions in these Conditions and shall apply irrespective of any indulgence granted by the Noteholders, the Receiptholders or the Couponholders from time to time and shall continue in full force and effect notwithstanding the judgment or filing of any proof or proofs in any bankruptcy, insolvency or liquidation of the Issuer for a liquidated sum or sums in respect of amounts due under these Conditions (other than this Condition 19). Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Noteholders, the Receiptholders and the Couponholders and no proof or evidence of any actual loss shall be required by the Issuer or its liquidator or liquidators. The above indemnities shall continue in full force and effect notwithstanding the termination or discharge of the Agency Agreement.

20. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

(a) **Governing law**

- (i) The Agency Agreement, the ECC Deed of Covenant, the Notes, the Receipts, the Coupons, the Talons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the ECC Deed of Covenant, the Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in Condition 3.2 and Condition 10.2 shall be governed by and construed in accordance with the laws of Malaysia.
- (ii) The CDP Deed of Covenant shall be governed by and construed in accordance with Singapore law.

(b) **Jurisdiction**

The courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes expressed to be governed by English law (including any dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and accordingly any legal action or proceedings arising out of or in connection with the Notes (including any legal action or proceedings relating to any non-contractual obligations arising out of or in connection with the

Notes) may be brought in such courts. The Issuer irrevocably submits to the exclusive jurisdiction of such courts and waives any objection to proceedings in such courts whether on the ground of venue or on the ground that the proceedings have been brought in an inconvenient or inappropriate forum. This submission is made for the benefit of each of the Noteholders and shall not limit the right of any of them to take proceedings in any other court of competent jurisdiction, nor shall the taking of proceedings in one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not).

- (c) **Agent for service of process:** The Issuer irrevocably appoints Malayan Banking Berhad, London Branch at its registered office at 74 Coleman Street, London EC2R 5BN England, United Kingdom as its agent in England to receive service of process in any proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- (d) **Waiver of immunity:** The Issuer hereby irrevocably and unconditionally waives with respect to the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings.

USE OF PROCEEDS

Unless otherwise specified in the Pricing Supplement, the net proceeds from each issue of Notes will be applied by the Issuer for its working capital, general banking and other corporate purposes.

INVESTMENT CONSIDERATIONS

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

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

Considerations relating to the Group

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

Credit risks

Credit risks arising from adverse changes in the credit quality and recoverability of loans, advances and amounts due from counterparties are inherent in a wide range of the Group's businesses. Credit risks could arise from a deterioration in the credit quality of specific counterparties of the Group, from a general deterioration in local or global economic conditions or from systemic risks within the financial system, all of which could affect the recoverability and value of the Group's assets and require an increase in the Group's provisions for the impairment of its assets and other credit exposures. The Group believes that it has adopted a sound credit risk management system but there is no assurance that the system will remain effective or adequate in the future. Any failure to manage the credit risks of the Group could adversely affect its business, financial condition and results of operations. See "*Risk Management*" for a description of the Group's exposure to credit risks.

Operational risks

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems, equipment and external systems (for example, those of the Group's counterparties or vendors) and occurrence of natural disasters. Although the Group has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to entirely eliminate any of the operational risks. In addition, the Group seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by the Group's increased use of the internet. Computer break-ins and power disruptions could affect the security of information stored in, and transmitted through, these computer systems and network infrastructure. The Group employs security systems, including firewalls and password encryption, designed to minimise the risk of security breaches. There can be no assurance that these security measures will be adequate or successful.

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

Liquidity risks

Liquidity risks could arise from the inability of the Group to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on the Group's ability to meet its obligations when they fall due. Adverse and continued constraints in the supply of liquidity may adversely affect the cost of funding the business and extreme liquidity constraints may limit growth possibilities. An inability to access funds or to access the markets from which it raises funds may create stress on the Issuer's ability to finance its operations adequately. A dislocated credit environment compounds the risk that funds will not be available at favourable rates. In addition, the continued liquidity crises in other affected economies may create difficulties for the Issuer's borrowers to refinance or repay loans to the Issuer, which would result in deterioration of the credit quality of the Issuer's loan portfolio and potentially increase the Issuer's impaired loans levels. Moreover, if there is a downturn in confidence in the Malaysian banking sector as a result of a liquidity crisis, the depositors may withdraw term deposits prior to maturity and as a result have a negative impact on the Issuer's funding base and liquidity. There can be no assurance that if unexpected withdrawals of deposits by the Issuer's customers result in liquidity gaps, the Issuer will be able to cover such gaps. If the Group perceives a likelihood of impending deterioration in economic conditions, it may decrease its risk tolerance in its lending activities, which could have the effect of reducing its interest margin and interest income and ultimately adversely affect the business, financial condition and results of operation of the Group. Although the Group has sound frameworks and policies as well as hedging and exit strategies to proactively manage market disruption should the situation materialise and although it is the Group's policy to maintain prudent liquidity risk management, a diversified and stable source of cheaper funding and to minimise undue reliance on any particular funding source, there is no assurance that there will not be a liquidity crisis affecting the Group, and the failure to maintain such adequate sources of funding may adversely affect the business, financial condition and results of operations of the Group. See "*Risk Management*" for a description of the Group's exposure to liquidity risks.

Interest rate risk

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

Although the Group believes that it has adopted sound interest rate risk management strategies, there is no assurance that such strategies will remain effective or adequate in the future. Analysis of this risk is complicated by having to make assumptions on optionality of certain products such as prepayment of housing loans and hire purchase loans, and effective duration of liabilities, which are contractually repayable on demand such as current accounts and saving accounts.

A deterioration in asset quality could adversely affect the Group

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

Although the Group believes that it has adopted a sound asset quality management system and intends to maintain it, there is no assurance that the system will remain effective or adequate in the future. A deterioration of asset quality may adversely affect the business, financial condition and results of operations of the Group.

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

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

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

Building growth in overseas markets, particularly in the Association of Southeast Asian Nations ("ASEAN") region, forms a key pillar of the Group's strategy. The Group has presence in all 10 ASEAN countries with Singapore and Indonesia being its key markets outside Malaysia. Such regional expansion increases its risk profile and exposure to asset quality problems. The Group is also subject to regulatory supervision arising from a wide variety of banking and financial services laws and regulations, and faces the risk of interventions by a number of regulatory and enforcement authorities in each jurisdiction which is the focus of its regional expansion plans. Failure by the Group to comply with any of these laws and regulations could lead to disciplinary action, the imposition of fines and/or the revocation of the relevant licence, permission or authorisation to conduct the Group's business in the jurisdiction in which it operates, or result in civil or criminal liability for the Issuer. There can be no assurance that such regional expansion will not have a material adverse effect on the Group's business, financial condition or results of operations or that the Group's credit and provisioning policies will be adequate in relation to such risks.

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

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

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

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

A further downgrade in the U.S. government's sovereign credit rating could result in risks to the Group and general economic conditions that the Group is not able to predict.

On 5 August 2011, Standard & Poor's Ratings Services ("**S&P**") downgraded its sovereign credit rating of the U.S. government from AAA to AA+. On 13 July 2011, Moody's Investors Services Limited ("**Moody's**") placed the U.S. government under review for a possible credit downgrade, and on 2 August 2011, Moody's confirmed the U.S. government's existing sovereign rating, but stated that the rating outlook is negative. On 2 August 2011, Fitch Ratings Ltd ("**Fitch**") affirmed its existing sovereign rating of the U.S. government, but stated that the rating is under review. Should a further downgrade of the sovereign credit ratings of the U.S. government occur, it is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade. Instruments of this nature are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market.

A downgrade of the sovereign credit rating of the U.S. government and perceived creditworthiness of U.S. government-related obligations could impact the Group's ability to obtain funding that is collateralised by affected instruments, as well as affect the pricing of any such funding if available. A further downgrade may also adversely affect the market value of such instruments. The Group cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organisations will affect economic conditions. Such further ratings actions could result in a significant adverse impact to the Group.

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

On 13 October 2015, BNM issued its regulatory capital adequacy framework entitled "Capital Adequacy Framework (Capital Components)" (superseding the policy document on "Capital Adequacy Framework (Capital Components)" issued on 28 November 2012) implementing the Basel III reforms ("**Capital Adequacy Framework**"). The capital requirements set out by BNM in the updated policy document took effect on 1 January 2016 and require banking institutions, including the Group, to maintain the following minimum capital ratios:

- (a) a minimum Common Equity Tier 1 ("**CET1**") capital ratio of 4.5 per cent.;
- (b) a minimum Tier 1 capital ratio of 6.0 per cent.; and
- (c) a minimum total capital ratio of 8.0 per cent. of risk-weighted assets.

In addition, banks are required to maintain additional capital buffers in the form of CET1 capital above the minimum CET1, Tier 1 and total capital ratio set out above in the form of a capital conservation buffer ("**CCB**") and a countercyclical capital buffer ("**CCyB**").

The CCB is to enable the banking system to withstand future periods of stress and requires banks to maintain an additional buffer equal to a minimum of 0.625 per cent. of risk-weighted assets (for the 2016 calendar year), 1.25 per cent. (for the 2017 calendar year), 1.875 per cent. (for the 2018 calendar year) and 2.50 per cent. (from 2019 calendar year onwards). There will be no CCB prior to the 2016 calendar year.

If there is excess credit growth in any given country resulting in a system-wide build-up of risk, a CCyB within a range of 0.0 per cent. to 2.5 per cent. of risk-weighted assets will also apply to the minimum CET1, Tier 1 and total capital ratio (as increased by the capital conservation buffer). The CCyB is determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the relevant banking institution has credit exposures. BNM will communicate any decision on the CCyB rate up to 12 months before the date from which the rate applies.

For capital buffer for domestic systemically important banks, BNM will assess at a later date the need to require large banking institutions to operate at higher levels of capital, commensurate with their size, extent of cross-border activities and complexity of operations.

To the extent a bank fails to maintain such a ratio, BNM may impose penalties on such a bank ranging from a fine to revocation of its banking licence. See "*Regulation and Supervision*".

The Group's and Bank's CET1 ratio before deducting final dividends were 12.78 per cent. and 15.78 per cent., respectively, their Tier I capital adequacy ratio before final dividends were 14.47 per cent. and 17.97 per cent., respectively, and their total capital ratio before final dividends were 17.74 per cent. and 17.97 per cent. for the financial year ended 31 December 2015. The Group's capital base and capital adequacy ratio may deteriorate in the future if its results of operations or financial condition deteriorate for any reason, including as a result of any deterioration in the asset quality of its loans, or if the Group is not able to deploy its funding into suitably low-risk assets. If the Group's capital adequacy ratio deteriorates, it may be required to obtain additional CET1, Tier I or Tier II capital in order to remain in compliance with the applicable capital adequacy guidelines. However, the Group may not be able to obtain additional capital on favourable terms depending on the market conditions and circumstances prevailing at the time of the intended capital raising, or at all.

Furthermore, there can be no assurance that the Basel Committee on Banking Supervision will not amend the package of reforms described above or that BNM will not amend the Capital Adequacy Framework in a manner which imposes additional capital requirements on, or otherwise affects the capital adequacy requirements relating to, Malaysian banks. The approach and local implementation of Basel III will depend on BNM's response which may potentially impact the Group in various ways depending on the composition of its qualifying capital and risk weighted assets. Although the Group has always maintained a strong capital position that consistently ensures an optimal capital structure to meet the requirements of various stakeholders, there can be no assurance that the Group will not face increased pressure on its capital in the future to comply with Basel III standards and the Capital Adequacy Framework which may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is dependent on its directors and senior management

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

The Group may be unable to comply with the restrictions and covenants contained in its debt agreements

If the Group is unable to comply with the restrictions and covenants in its current or future debt agreements, there could be a default under the terms of those agreements. In the event of a default under those agreements, the creditors of the debt could terminate their commitments to lend to the Group, accelerate the debt and declare all amounts borrowed due and payable and/or terminate such debt agreements, whichever the case may be. Such actions may result in an Event of Default under the Terms and Conditions of the Notes issued.

The Group may not be successful in implementing new business strategies or penetrating new markets

The Group's business strategy includes developing new products and increasing the Group's presence regionally. The expansion of the Group's business activities may expose it to a number of risks and challenges including, among other things, the following:

- (a) new and expanded business activities may have less growth or profit potential than the Group anticipates, and there can be no assurance that new business activities will become profitable at the level the Group desires or at all;
- (b) the new business strategy may alter the risk profile of the Group's portfolio;

- (c) the Group may fail to identify and offer attractive new services in a timely fashion, putting it at a disadvantage with competitors;
- (d) the Group's competitors may have substantially greater experience and resources in the new and expanded business activities therefore the Group may not be able to attract customers from its competitors; and
- (e) economic conditions such as changes in interest rates, inflation or the regulatory environment such as changes in laws and regulations may hinder the Group's expansion.

The Group's inability to implement its business strategy could have a material adverse effect on its business, cash flows, financial condition, results of operations and prospects.

Any failure to keep pace with technological advances or to maintain an appropriate level of investment in information technology may adversely affect the Group's business, prospects, financial condition and results of operations

The Group is committed to keeping pace with technological advances and has invested in information technology to foster and support the Group's business objectives. Although the Group intends to continue to make investments to promote new levels of process efficiency and effectiveness to improve its business performance and risk management capabilities, these investments and the ensuing changes with respect to its information technology may expose the Group to technical or operational risks or difficulties associated with transitioning or integrating its existing systems and infrastructure with the introduction of new technologies, systems or other equipment. There can be no assurance that the Group's efforts in enhancing its information technology will be successful or adequate. Any strategic error in implementing its new information technology platform and any failure to maintain an appropriate level of investment in information technology for the Group could adversely affect its business, prospects, financial condition and results of operations.

Considerations relating to Malaysia

As at 31 December 2015, approximately 64.2 per cent. of the Group's net operating income is derived from activities in Malaysia. Any factors which could materially or adversely affect the macroeconomic conditions of Malaysia could have a similar effect on the Group's business, financial condition, prospects or results of operations.

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

The economic, market and political conditions in other countries, particularly conditions in the major economies and Asian emerging markets, which are Malaysia's key trading partners, could have an influence on the Malaysian economy. Changes in economic conditions and outlook, widespread global financial and currency market instability or a significant loss of investor confidence in these economies may adversely affect the Malaysian economy, which could materially and adversely affect the Group's business, financial condition, results of operations, prospects or reputation

Examples of such external factors or conditions that are outside the Group's control include, but are not limited to the following:

- (a) entry of new competitors into the Malaysian banking market from foreign countries and other actions by new and existing local and foreign competitors;
- (b) general economic, political and social conditions in Malaysia and key foreign markets;
- (c) consumer spending patterns in Malaysia and key foreign markets;
- (d) financial markets, currency and interest rate fluctuations;
- (e) Inflationary pressure in emerging market economies;
- (f) international events and circumstances such as major policy changes, wars, terrorist attacks, natural disasters and political instability; and

- (g) changes in legal regimes and governmental regulations, such as licensing and approvals, taxation, duties and tariffs in Malaysia and key foreign markets.

The stress and volatility experienced by global capital markets that began in the second half of 2007 increased substantially in 2008, and persisted to varying degrees in different regions from 2009 until 2016. The recovery after the Global Financial Crisis ("GFC") in 2008-2009 was punctuated by the Eurozone sovereign debt crisis ("ESDC") in the economies of Greece, Ireland, Portugal and Cyprus leading to a series of bailout packages by the European Union, European Central Bank and the International Monetary Fund, in an attempt to contain the crisis from spreading to other Eurozone economies such as Spain and Italy. The GFC and ESDC were also accompanied by a volatile political climate in Northern Africa and the Middle East, the Iranian nuclear programme, Syrian civil war and the rise of Islamic State. These developments heightened geopolitical risks and escalated the risk of terrorism.

From mid-2013 onwards, economic and financial policy developments in major economies such as the U.S., the Eurozone, Japan and the PRC, have been the major factors affecting global economic markets and currencies. These include, the on-going normalisation of U.S. monetary policy following the end of quantitative easing ("QE") and zero-interest rate policies ("ZIRP") and the adoption of negative interest rate policy in the Eurozone and Japan, PRC's economic slowdown and policy risks such as the competitive devaluation of the Renminbi, stock market interventions and capital controls. These factors have constrained global growth and market liquidity, resulting in the general weakening of lending activities between financial institutions and in commercial lending markets and have also elevated the volatility in capital flows, financial markets and currencies, and depressed commodity prices. These factors could also affect the economies and sectors in which the Group operates, such as the residential property market and may therefore adversely affect the business, prospects, financial condition and results of operations of the Group.

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

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

A notable development post-GFC is the rise in foreign currency debt among Asian economies, especially amid cheap funding from ZIRP and QE in major economies, namely the US, Eurozone and Japan. For example, total cross border loans by the Bank of International Settlement reporting banks to banking and non-bank sectors in Asia (China, India, North East Asian NIEs, ASEAN-6) jumped from the GFC low of US\$1.1 trillion in the first quarter of 2009 to a high of US\$2.7 trillion as at the end of the second quarter of 2014, while the latest data available showed the figure at US\$2.5 trillion as at the end of the second quarter of 2015. The previous record high was US\$1.4 trillion in the second quarter of 2008.

The lessons learnt from the Asian Financial Crisis in 1997-1998 have led to a prudent regulatory approach on foreign currency borrowing. For instance, BNM insists on corporates that are borrowing in foreign currencies to have revenues and assets denominated in foreign currencies as well to prevent

"original sin" or "asset-liability mismatch". At the same time, the government of Malaysia's ("**Government**") debt is largely domestic and Ringgit-denominated, with external or foreign-currency borrowing accounting for only 3.6 per cent. of current total Government debt outstanding.

The Malaysian Ringgit may be subject to exchange rate fluctuations

BNM has in the past intervened in the foreign exchange market to stabilise the Ringgit, and had on 2 September 1998, maintained a fixed exchange rate of RM3.80 to U.S.\$1.00. Subsequently on 21 July 2005, BNM adopted a managed float system for the Ringgit exchange rate, which benchmarked the Ringgit to a currency basket to ensure that the Ringgit remains close to its fair value.

The period between mid-2013 and 2015 saw renewed pressures on Emerging Market currencies, including the Ringgit amid several key global developments. These began with the signalling from the then Chairman of the U.S. Federal Reserve, Ben S. Bernanke, that U.S. monetary policy would be normalised, which led to the commencement of tapering of the U.S. Federal Reserve asset purchase programme or QE during the course of 2014. The normalisation of US monetary policy remains a major factor driving the global currency markets as the end of QE tapering was followed by the signalling of normalisation in the ZIRP that resulted in a 25 basis point hike in the federal funds rate at the 15-16 December 2015 FOMC.

Over the same period, PRC's economy went through a slowdown that is seen as structural rather than cyclical. Among the key concerns arising from this is PRC's exchange rate policy and its implication on global currency markets (i.e. competitive devaluation of the Renminbi resulting in downward pressures on other Emerging Market currencies). Indeed, during the period from mid-2013 to 2015, the Renminbi's nominal effective exchange rate and real effective exchange rate appreciated by 11.6 per cent. and 12.5 per cent., respectively. With the Renminbi being perceived as a "managed currency", the 3.2 per cent. devaluation against the U.S. dollar in August 2015 and the further 3.6 per cent. fall between November 2015 and early January 2016 was seen as an attempt to weaken the Renminbi and boost export competitiveness and support growth. Furthermore, downward pressure on Renminbi also comes from the aggressive monetary policy easing and capital outflows that contributed to the drop in China's external reserves from the record high of US\$3.99 trillion in June 2014 to US\$3.2 trillion as at February 2016.

The pressures on Emerging Market currencies – including the Ringgit – have been exacerbated further by a drop in commodity prices, led by crude oil, as many Emerging Market economies are net exporters of commodities. Among the worst hit currencies during 2014 and 2015, coinciding with the plunge in commodity prices were those of commodity-exporting economies (i.e. Canadian Dollar, Australian Dollar, Brazilian Real, Russian Ruble, Indonesian Rupiah and the Malaysian Ringgit).

Overall, U.S. monetary policy normalisation, PRC's growth and exchange rate policy outlook, as well as the weakness in commodity prices has led to heightened risk aversion on the Emerging Markets, in turn resulting in the outflow of capital from Emerging Economies' financial markets. During the period between the second half of 2013 and the end of 2015, the Ringgit has experienced a decline of 26.3 per cent. against the U.S. dollar.

While the BNM has adopted a managed float system for the Ringgit exchange rate, there can be no assurance that BNM will, or would be able to intervene in the foreign exchange market in the future or that any such intervention or fixed exchange rate would be effective in achieving the objective of BNM's policy. The Issuer revalues its foreign currency borrowings and its investments on its balance sheet to account for changes in currency rates and recognise the resulting gains or losses in its income statement. While the Issuer usually engages in foreign currency hedging transactions to minimise its foreign currency exposure, fluctuations in the value of the Ringgit against other currencies can have a direct effect on the Issuer's results of operations and shareholders' equity and may adversely affect the Issuer's business, financial condition, results of operations and prospects.

During 2016, the Ringgit has appreciated 5.5 per cent. compared with an 18.5 per cent. depreciation in 2015. As at 18 March 2016, the closing exchange rate was RM4.05 to U.S.\$1.00 compared with the low of RM4.46 at 29 September 2015 and RM4.29 at the end of 2015.

Impact of re-imposition of capital controls

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

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

Inflationary pressures in Malaysia and potential impact upon the Malaysian economy

The inflation rate, as measured by the annual change in consumer price index, averaged 2.1 per cent. in 2015. During the course of 2015, inflation rates trended upwards from 0.7 per cent. year-on-year ("YoY") for the first quarter of 2015 reflecting primarily the impact of the slump in crude oil prices on the retail prices of fuel (petrol, diesel) as the Government removed fuel price subsidies and adopted the managed float fuel prices. The subsequent pick up in inflation rate to 2.2 per cent. YoY in the second quarter of 2015 and 2.8 per cent. YoY in the second half of 2015 was due to the impact of the Goods and Services Tax ("GST") that was introduced on 1 April 2015. While the GST effect is expected to taper off after March 2016, the sustained upward inflationary pressures reflect the impact of subsidy cuts and removals on essential items like rice, cooking oil, flour and low-usage electricity bills; higher public transport costs following the hikes in various rail fares and Klang Valley's highway toll rates; as well as the pass-through of higher costs of imported items due to a weaker Ringgit and the higher labour costs following the hikes in the minimum wage and foreign workers' levies. Such inflationary pressures on the Malaysian economy could adversely affect the business, financial condition, prospects and results of operation of the Issuer and the Group.

Considerations relating to the Malaysian Banking Industry

Regulatory Environment

The Issuer is regulated by BNM. The Group is also subject to relevant banking, securities and other laws of Malaysia. BNM has extensive powers to regulate the Malaysian banking industry under the Financial Services Act 2013 ("FSA") and the Islamic Financial Services Act 2013 ("IFSA"). This includes the power to limit the interest rates charged by banks on certain types of loans, establish caps on lending to certain sectors of the Malaysian economy and establish priority lending guidelines in furtherance of certain social and economic objectives. BNM also has broad investigative and enforcement powers. Accordingly, potential investors should be aware that BNM could, in the future, set interest rates at levels or restrict credit in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions in Malaysia, including the Group, and may otherwise significantly restrict the activities of the Group and Malaysian banks and financial institutions generally.

Increasing competition and market liberalisation

The banking industry has been transforming through a deregulation process as part of BNM's implementation of its first Financial Sector Master Plan (2001-2010), which has resulted in the liberalisation of the banking industry to allow for a greater presence of foreign and Islamic banks as well as providing greater opportunities for banks to widen their scope of business beyond traditional commercial banking. BNM's second Financial Sector Master Plan (2011-2020), which was launched in December 2011, is more focused on the future development of the financial sector in promoting the effective intermediation towards the achievement of a high income economy.

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

As a result, banking institutions are encouraged to become more efficient, by improving customer service, exploring more effective uses of available technology and to explore cost effective solutions.

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

Scope and cost of deposit insurance in Malaysia

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

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

In addition to the above, based on announcements by the Malaysia Deposit Insurance Corporation, the Issuer took a risk based approach and implemented the new differential premium system framework in February 2008 to replace the flat rate premium system. Under the differential premium system, the premium payable by a banking institution will depend on the institution's risk profile. Revised guidelines on the differential premium system were issued in March 2015 where eligible deposits that are insured are capped at RM250,000 (inclusive of principal and interest) per depositor, per member institution. The eligible deposits include foreign currency deposits as part of the deposit coverage.

Considerations related to the structure of a particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features and risks associated.

Notes subject to optional redemption by the Issuer

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

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

Subordinated Notes subject to early redemption by the Issuer

The Issuer may, at its option, redeem any tranche of the Subordinated Notes, if there is any occurrence of a Tax Event or a Regulatory Capital Event, subject to the Redemption Conditions being satisfied, in accordance with Condition 7.2 and Condition 7.6 respectively.

The redemption of one Series of the Subordinated Notes pursuant to the Tax Event or Regulatory Capital Event does not trigger the redemption of other Series of the Subordinated Notes.

Partly-Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment on a Partly-Paid Note could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or vice versa. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

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

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a "**Relevant Factor**"). In addition, it may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) the payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Considerations relating to the Notes generally

Notes may not be a suitable investment for all investors

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

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

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Investors should pay attention to any modification, waivers and substitution

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

Bearer Notes where denominations involve integral multiples: definitive bearer Notes

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum

Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in bearer form in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes in bearer form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Noteholders' ability to enforce claims is uncertain

Substantially all the assets of the Issuer are located in Malaysia. Generally, since the United Kingdom is a reciprocating country, any final and conclusive judgment obtained against the Issuer in any of the superior courts of the United Kingdom or other reciprocating countries as listed in the Reciprocal Enforcement of Judgments Act, 1958 of Malaysia, other than a judgment of such a court given on appeal from a court which is not a superior court, can be registered in the Malaysian High Court without re-examination or re-litigation of the matters adjudicated upon, if:

- (i) the judgment was not obtained by fraud;
- (ii) the enforcement of the judgment would not be contrary to natural justice or the public policy of Malaysia and the adjudicating court has jurisdiction over the Issuer according to the principles of private international laws of Malaysia or would not be an enforcement of the penal or revenue laws of any jurisdiction other than Malaysia;
- (iii) the enforcement of the judgment would not be an enforcement of penal or revenue laws;
- (iv) the judgment was not obtained in proceedings in which the defendant did not (notwithstanding that process may have been duly served on him in accordance with the laws of England) receive notice of those proceedings in sufficient time to enable it to defend the proceedings and did not appear;
- (v) there has not been an earlier judgment of a competent court;
- (vi) the judgment is for a fixed sum and not for multiple damages;
- (vii) enforcement of proceedings is instituted within six years after the date of the judgment;
- (viii) an appeal is not pending, and the judgment creditor is not entitled and intending to appeal, against the judgment;
- (ix) the judgment was made by a court of competent jurisdiction; and
- (x) the judgment has not been wholly satisfied and is enforceable by execution in the courts of England.

As a result, Noteholders with claims against the Issuer, its directors or executive officers, will generally be able to pursue such claims by registering such judgments obtained in the recognised English courts or those of other reciprocating countries in the Malaysian High Court. In addition, where the sum payable under a judgment which is to be registered is expressed in a currency other than Malaysian currency, the judgment shall be registered as if it were a judgment for such sum in Malaysian currency

as is equivalent to the sum so payable on the basis of the rate of exchange prevailing at the date of the judgment of the original court.

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

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

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

In most circumstances, the sole remedy against the Issuer available to the holders of Subordinated Notes to recover any amounts owing in respect of the principal of or interest on the Subordinated Notes will be to institute proceedings for the winding-up of the Issuer in Malaysia. See Condition 10.2 of the "*Terms and Conditions of the Notes*".

If the Issuer defaults on the payment of principal or interest on the Subordinated Notes or fails to perform its covenants, the holders of the Subordinated Notes will have no right to accelerate payment of the Subordinated Notes, except as they may be so permitted under the Terms and Conditions of the Notes.

The Subordinated Notes will be direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank junior in priority to the claims of senior creditors. Upon the occurrence of any Winding-up Proceeding, the rights of the holders of the Subordinated Notes to payments on such Subordinated Notes will be subordinated as set out in the Terms and Conditions of the Notes and the applicable Pricing Supplement. In a Winding-up Proceeding, the holders of the Subordinated Notes may recover less than the holders of deposit liabilities or the holders of other unsubordinated liabilities of the Issuer, as applicable. As there is no precedent for a winding-up of a major financial institution in Malaysia, there is uncertainty as to the manner in which such a proceeding would occur and the results thereof. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

The winding-up of the Issuer is subject to prior written approval of BNM. Under the FSA, no application for the winding-up of a licensed person (i.e. all banks, which includes the Issuer), an operator of a payment system or an approved person can be presented to the High Court without the prior written approval of BNM. In addition, a copy of such an application to the High Court must also be delivered to BNM at the same time as it is presented to the High Court. The failure to comply with such requirements is an offence and a person convicted of such offence is liable to imprisonment and/or a fine.

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

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

The Subordinated Notes may be varied by the Issuer

The Issuer may, subject to the approval of BNM and as set out in the Terms and Conditions of the Notes and the applicable Pricing Supplement, vary the terms of the Subordinated Notes in order that

they remain Tier 2 Capital Securities. Any such variation may have adverse consequences for Noteholders, depending on numerous factors, including the nature and terms and conditions of the relevant variation provisions and the tax laws to which a particular Noteholder is subject to.

No Events of Default under the Subordinated Notes

Issues of Subordinated Notes do not provide for events of default allowing acceleration of the Subordinated Notes except upon the Winding-up of the Issuer. Upon a payment default, the sole remedy available to the holders of the Subordinated Notes for recovery of amounts owing in respect of any payment or principal of, or interest on, the Subordinated Notes will be the institution of proceedings in Malaysia for the winding-up of the Issuer. See Conditions 10.2 and 10.3 of the "*Terms and Conditions of the Notes*".

Subordinated Notes that include a loss absorption feature are novel and complex financial instruments.

Subordinated Notes that include a loss absorption feature are complex financial instruments and the regulations on non-viability loss absorption are new and untested in Malaysia and will be subject to the interpretation and application by the relevant authority in Malaysia. It is uncertain how the relevant Malaysian authority would determine the occurrence of a Trigger Event and the range of circumstances in which the relevant Malaysian authority could rely upon to determine such occurrence is wide. See Condition 7.16 of the "*Terms and Conditions of the Notes*".

The Relevant Malaysian Authority has full discretion to elect not to require a Write-off when the Issuer has ceased, or is about to cease, to be viable or when a capital injection or equivalent support has been provided. Even if the option to Write-off is not exercised, holders of the Subordinated Notes may still be exposed to losses from any winding-up resolution of the Issuer.

A Write-off does not constitute an event of default or enforcement event, nor would it trigger a cross-default under the Subordinated Notes. A Trigger Event is deemed to have occurred on the day on which the Issuer receives notification from BNM.

A potential investor should not invest in such Subordinated Notes unless it has the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of a Write-off and the value of such Subordinated Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Circular or incorporated by reference herein.

Tax treatment of Subordinated Notes that contain non-viability loss absorption provisions is unclear.

It is not clear whether any particular tranche of the Subordinated Notes which contains non-viability loss absorption provisions will be regarded as debt securities by the Inland Revenue Board of Malaysia ("**IRB**") for the purposes of the Income Tax Act 1967 of Malaysia and whether any tax concessions would apply to such tranche of the Subordinated Notes.

Subordinated Notes contain provisions allowing the Issuer to redeem the Subordinated Notes if the Issuer is no longer entitled, or would not be entitled, to obtain deductions for the purposes of Malaysian Corporation Tax in respect of payments of interest thereon as a result of a change in, or amendment to, the relevant laws or regulations. See Condition 7.2 of the "*Terms and Conditions of the Notes*".

If any tranche of the Subordinated Notes is not regarded as debt securities for the purposes of the Income Tax Act 1967 and/or holders thereof are not eligible for the tax concessions, the tax treatment to holders may differ. Investors and holders of any tranche of the Subordinated Notes should consult their own accounting and tax advisers regarding the Malaysian income tax consequences of their acquisition, holding and disposal of such tranche of the Subordinated Notes.

U.S. Foreign Account Tax Compliance Withholding

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that U.S. federal income tax law, commonly known as "FATCA" will affect the amount of any payment received by the ICSDs (see "Taxation"). However, FATCA may affect payments made to custodian or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide such custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the Common Depository or Common Safekeeper for the ICSDs (as holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries

Malaysian Taxation

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

Change of law

The conditions of the Notes are based on English law or, in the case of the subordination provisions set out in such conditions in the Subordinated Notes, Malaysian law, in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the case may be, Malaysian law, or administrative practice after the date of this Offering Circular.

Reliance on procedures of clearing systems

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with (i) a common depository for Euroclear and Clearstream, Luxembourg, (ii) subcustodian for the CMU Service, or (iii) CDP (collectively the "**Clearing Systems**"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each relevant Clearing System and their respective direct and indirect participants (if any) will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants (if any).

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant Clearing Systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System and its participants (if any) to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System and its participants to appoint appropriate proxies.

Considerations related to the market generally

The secondary market generally

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

The market value of any Notes may fluctuate. Consequently, any sale of Notes by Noteholders in any secondary market which may develop may be at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, the Group's performance and the market for similar securities. No assurance can be given as to the liquidity of, or trading market for, any Notes and an investor in such Notes must be prepared to hold such Notes for an indefinite period of time or until their maturity. Application has been made to the SGX-ST for permission to deal in and for the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST but there can be no assurance that such listing will occur. Application has been made to the LFX for the listing of, and permission to deal in, any Notes that may be issued under the Programme but there can be no assurance that such listings will occur on or prior to the date of issue of such Notes or at all. In addition, the Programme has also been admitted for the listing of the Notes on TSE in its capacity as the market operator of the TOKYO PRO-BOND Market in accordance with the rules and regulations of TSE. Application will also be made to the TPEX for the listing of, and permission to deal in, any Notes which are agreed at the time of issue thereof to be so listed on the TPEX pursuant to the applicable rules of TPEX. Admission to the listing and trading of the Notes on the TPEX shall not be taken as an indication of the merits of the Issuer or the Notes. No assurance can be given that such application will be approved or that the TPEX listing will be maintained. Historically, the market for debt securities by South East Asian issuers has been subject to disruptions that have caused substantial volatility in the prices of such securities. There can be no assurance that the market for any Notes will not be subject to similar disruptions. Any such disruption may have an adverse effect on holders of such Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the currency specified in the applicable Pricing Supplement (the "**Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Currency. These include the risk that foreign exchange rates may significantly change (including changes due to devaluation of the Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Currency would decrease (i) the Investor's Currency-equivalent interest on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable foreign exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

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

Inflation risk

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

Credit ratings may not reflect all risks

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

Considerations relating to Renminbi-Denominated Notes

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible. There are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments ("**FDI**"), the People's Bank of China ("**PBoC**") promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (the "**PBoC FDI Measures**") on 13 October 2011 as part of the implementation of the PBoC's detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, PBoC issued a circular setting out the operational guidelines for FDI. Under the PBoC FDI Measures, special approval for FDI and shareholder loans from PBoC, which was previously required, is no longer necessary. In some cases however, post-event filing with PBoC is still necessary.

On 3 December 2013, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

As the PBoC FDI Measures and the MOFCOM Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Bank to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Bank's ability to source Renminbi outside the PRC to service the Renminbi Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi denominated banking services to Hong Kong residents and specified business customers. The PBoC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (the "**Settlement Agreement**") between the PBoC and Bank of China (Hong Kong) Limited (the "**Renminbi Clearing Bank**") to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. In addition, the PBoC has now established Renminbi clearing and settlement systems with financial institutions in other major global financial centres (each also a "**Renminbi Clearing Bank**"), including London, Frankfurt and Singapore to further internationalise the Renminbi.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC and the current size of Renminbi-denominated financial assets outside the PRC is limited. The Renminbi Clearing Banks only have access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Bank is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Bank will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC, by international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to the Renminbi Notes in Renminbi. As a result, the value of these Renminbi payments in U.S. dollars or other foreign currencies may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollars or other applicable foreign currencies will decline. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Renminbi Notes.

Payments in respect of the Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes

All payments to investors in respect of the Renminbi Notes will be made solely by (i) when the Renminbi Notes are represented by a global certificate, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when the Renminbi Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Bank cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

CAPITALISATION OF THE GROUP

As at 31 December 2015, the total authorised share capital of the Issuer is RM15,000,000,000 divided into 15,000,000,000 ordinary shares of par value RM1.00 each, and the issued share capital is RM9,761,751,327 divided into 9,761,751,327 ordinary shares of RM1.00 each. All of the Issuer's issued share capital comprises fully paid shares.

The following table sets forth the liabilities and shareholders' equity of the Group as at 31 December 2015 derived from the audited consolidated financial statements of the Group as at 31 December 2015:

| | <u>Audited</u> | <u>Translated</u> |
|--|-------------------------------|-------------------------|
| | <u>As at 31 December 2015</u> | |
| | <i>(RM million)</i> | <i>(U.S.\$ million)</i> |
| Liabilities | | |
| Deposits from customers | 478,151 | 111,379 |
| Investment accounts of customers | 17,658 | 4,113 |
| Deposits and placements from financial institutions | 39,014 | 9,088 |
| Obligations on financial assets sold under repurchase agreements | 4,499 | 1,048 |
| Bills and acceptances payable | 1,803 | 420 |
| Derivative liabilities | 7,877 | 1,835 |
| Insurance/takaful contract liabilities and other insurance payable | 23,839 | 5,553 |
| Other liabilities | 13,030 | 3,035 |
| Recourse obligation on loans and financing sold to Cagamas | 1,174 | 274 |
| Provision for taxation and zakat | 85 | 20 |
| Deferred tax liabilities | 756 | 176 |
| Borrowings | 30,644 | 7,138 |
| SGD1,000 million capital subordinated notes due in 2021 | 3,054 | 711 |
| RM1,000 million subordinated sukuk due in 2021 | 1,011 | 236 |
| IDR1.5 trillion BMI subordinated bond due in 2018 | 374 | 87 |
| RM2,000 million subordinated notes due in 2021 | 2,030 | 473 |
| IDR500 billion BMI subordinated bond due in 2018 | 156 | 36 |
| RM750 million subordinated notes due in 2021 | 750 | 175 |
| RM250 million subordinated notes due in 2023 | 245 | 57 |
| RM2,100 million subordinated notes due in 2024 | 2,113 | 492 |
| USD800 million subordinated notes due in 2022 | 3,588 | 836 |
| IDR1.0 trillion BMI subordinated bond due in 2019 | 315 | 73 |
| RM500 million subordinated notes due in 2023 | 510 | 119 |
| RM1,600 million subordinated notes due in 2024 | 1,629 | 379 |
| RM1,500 million subordinated sukuk due in 2024 | 774 | 180 |
| RM300.0 million subordinated sukuk due in 2024 | 301 | 70 |
| IDR1.5 trillion BMI Subordinated bonds due in 2021 | 70 | 16 |
| RM2,200 million subordinated notes due in 2025 | 2,222 | 518 |

| | Audited | Translated |
|--|-------------------------------|-------------------------|
| | As at 31 December 2015 | |
| | <i>(RM million)</i> | <i>(U.S.\$ million)</i> |
| Liabilities (cont'd.) | | |
| RM1,100 million subordinated notes due in 2025 | 1,110 | 259 |
| Capital securities | 6,049 | 1,409 |
| Total Liabilities | 644,831 | 150,205 |
| | | |
| Equity attributable to equity holders of the Bank | | |
| Share capital | 9,762 | 2,274 |
| Share premium | 25,900 | 6,033 |
| Shares held-in-trust | (120) | (28) |
| Retained profits | 12,833 | 2,989 |
| | | |
| Other Reserves | | |
| Statutory reserve | 10,456 | 2,436 |
| Regulatory reserve | 1,248 | 291 |
| AFS reserve | (503) | (117) |
| Exchange fluctuation reserve | 2,245 | 523 |
| ESS reserve | 330 | 77 |
| Capital reserve | 14 | 3 |
| Revaluation reserve | 12 | 3 |
| Profit equalisation reserve | 34 | 8 |
| Defined benefit reserve | (52) | (12) |
| Net investment hedge & cash flow hedge reserve | (464) | (108) |
| | 61,695 | 14,372 |
| Non-controlling interests | 1,819 | 423 |
| | 63,514 | 14,795 |
| Total Liabilities and Shareholders' Equity | 708,345 | 165,000 |

Note:

(1) There has been no material change in the liabilities of the Group since 31 December 2015

Solely for the convenience of the reader, the Ringgit Malaysia amounts in the tables above have been translated into U.S. dollar using the exchange rates of U.S.\$1.00 = RM4.2930 as at 31 December 2015, in each case giving effect to rounding where applicable.

Save as disclosed, as at 31 December 2015, there are no contingent liabilities (arising in the normal course of business or otherwise) that may have a material adverse impact on the financial conditions of the Group.

SELECTED FINANCIAL INFORMATION OF THE GROUP

The following tables present; (i) summary audited consolidated financial information for the financial year ended 31 December 2014 and 31 December 2015 in respect of the Group's income statement; and (ii) summary audited consolidated financial information as at 31 December 2014 and 31 December 2015 in respect of the Group's statement of financial position.

The financial information below has been derived from, and should be read in conjunction with, the Group's historical financial statements and their related notes incorporated by reference into this Offering Circular. The Group's financial statements are reported in Ringgit Malaysia and presented in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act 1965.

Solely for the convenience of the reader, the Ringgit Malaysia amounts in the tables below have been translated into U.S. dollar using the exchange rates of U.S.\$1.00 = RM4.2930 as at 31 December 2015, in each case giving effect to rounding where applicable.

| | <u>Audited</u> | <u>Audited</u> | <u>Translated</u> |
|--|---|---------------------|-------------------------|
| | For the financial year ended 31 December | | |
| | 2014 | 2015 | 2015 |
| | <i>(RM million)</i> | <i>(RM million)</i> | <i>(U.S.\$ million)</i> |
| Income Statement | | | |
| Interest income | 17,852 | 19,793 | 4,611 |
| Interest expense | <u>(8,148)</u> | <u>(8,679)</u> | <u>(2,022)</u> |
| Net interest income | 9,704 | 11,114 | 2,589 |
| Income from Islamic Banking Scheme operations | 3,271 | 3,939 | 917 |
| Net earned insurance premiums | 3,946 | 4,196 | 977 |
| Other operating income | <u>5,540</u> | <u>5,773</u> | <u>1,345</u> |
| Total operating income | 22,461 | 25,022 | 5,828 |
| Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund | <u>(3,931)</u> | <u>(3,784)</u> | <u>(881)</u> |
| Net operating income | 18,530 | 21,238 | 4,947 |
| Overhead expenses | <u>(9,111)</u> | <u>(10,285)</u> | <u>(2,396)</u> |
| Operating profit before impairment losses | 9,419 | 10,953 | 2,551 |
| Allowances for impairment losses on loans, advances, financing and other debts, net | (400) | (1,684) | (392) |
| Allowances for impairment losses on financial investments, net | <u>(70)</u> | <u>(329)</u> | <u>(77)</u> |
| Operating profit | 8,949 | 8,940 | 2,082 |
| Share of profits in associates and joint ventures | <u>163</u> | <u>211</u> | <u>49</u> |
| Profit before taxation and zakat | 9,112 | 9,151 | 2,131 |
| Taxation and zakat | <u>(2,201)</u> | <u>(2,165)</u> | <u>(504)</u> |
| Profit for the financial year | <u><u>6,911</u></u> | <u><u>6,986</u></u> | <u><u>1,627</u></u> |

| | Audited | Audited | Translated |
|---|---|---------------------|-------------------------|
| | For the financial year ended 31 December | | |
| | 2014 | 2015 | 2015 |
| | <i>(RM million)</i> | <i>(RM million)</i> | <i>(U.S.\$ million)</i> |
| Income Statement (cont'd.) | | | |
| Attributable to: | | | |
| Equity holders of the Bank | 6,716 | 6,836 | 1,592 |
| Non-controlling interests | 195 | 150 | 35 |
| | <u>6,911</u> | <u>6,986</u> | <u>1,627</u> |
| Basic earnings per ordinary share (sen) | <u>74.2</u> | <u>72.0</u> | <u>16.8</u> |
| Net dividends per ordinary share (sen) | <u>57.0</u> | <u>54.0</u> | <u>12.6</u> |

| | Audited | Audited | Translated |
|--|------------------------------|---------------------|-------------------------|
| | As at 31 December | | |
| | 2014 | 2015 | 2015 |
| | <i>(RM million)</i> | <i>(RM million)</i> | <i>(U.S.\$ million)</i> |

Statement of Financial Position

Assets

| | | | |
|--|-----------------------|-----------------------|-----------------------|
| Cash and short-term funds | 52,853 | 55,647 | 12,962 |
| Deposits and placements with financial institutions | 16,106 | 13,618 | 3,172 |
| Financial assets purchased under resale agreements | 3,625 | 7,692 | 1,792 |
| Financial assets at fair value through profit or loss | 23,705 | 17,223 | 4,012 |
| Financial investments available-for-sale | 82,631 | 90,262 | 21,025 |
| Financial investments held-to-maturity | 9,575 | 14,682 | 3,420 |
| Loans, advances and financing | 403,513 | 453,493 | 105,635 |
| Derivative assets | 4,544 | 8,284 | 1,930 |
| Reinsurance/retakaful assets and other insurance receivables | 4,972 | 4,356 | 1,015 |
| Other assets | 10,660 | 12,389 | 2,886 |
| Investment properties | 596 | 717 | 167 |
| Statutory deposits with central banks | 15,141 | 16,266 | 3,789 |
| Interest in associates and joint ventures | 2,528 | 3,121 | 727 |
| Property, plant and equipment | 2,688 | 2,661 | 620 |
| Intangible assets | 6,261 | 6,958 | 1,621 |
| Deferred tax assets | 902 | 976 | 227 |
| Total assets | <u><u>640,300</u></u> | <u><u>708,345</u></u> | <u><u>165,000</u></u> |

| | <u>Audited</u> | <u>Audited</u> | <u>Translated</u> |
|---|------------------------------|---------------------|-------------------------|
| | As at 31 December | | |
| | <u>2014</u> | <u>2015</u> | <u>2015</u> |
| | <i>(RM million)</i> | <i>(RM million)</i> | <i>(U.S.\$ million)</i> |
| Statement of Financial Position (cont'd.) | | | |
| Liabilities | | | |
| Deposits from customers | 439,569 | 478,151 | 111,379 |
| Investment accounts of customers | - | 17,658 | 4,113 |
| Deposits and placements from financial institutions | 57,387 | 39,014 | 9,088 |
| Obligations on financial assets sold under repurchase agreements | 3,166 | 4,499 | 1,048 |
| Bills and acceptances payable | 2,018 | 1,803 | 420 |
| Derivative liabilities | 5,321 | 7,877 | 1,835 |
| Insurance/takaful contract liabilities and other insurance payables | 24,799 | 23,839 | 5,553 |
| Other liabilities | 11,148 | 13,030 | 3,035 |
| Recourse obligation on loans and financing sold to Cagamas | 1,059 | 1,174 | 274 |
| Provision for taxation and zakat | 325 | 85 | 20 |
| Deferred tax liabilities | 703 | 756 | 176 |
| Borrowings | 18,522 | 30,644 | 7,138 |
| Subordinated obligations | 15,640 | 20,252 | 4,717 |
| Capital securities | 5,902 | 6,049 | 1,409 |
| Total liabilities | <u>585,559</u> | <u>644,831</u> | <u>150,205</u> |
| Equity attributable to equity holders of the Bank | | | |
| Share capital | 9,319 | 9,762 | 2,274 |
| Share premium | 22,748 | 25,900 | 6,033 |
| Shares held-in-trust | (113) | (120) | (28) |
| Retained profits | 12,388 | 12,833 | 2,989 |
| Reserves | 8,633 | 13,320 | 3,103 |
| | <u>52,975</u> | <u>61,695</u> | <u>14,371</u> |
| Non-controlling interests | 1,766 | 1,819 | 424 |
| | <u>54,741</u> | <u>63,514</u> | <u>14,795</u> |
| Total liabilities and shareholders' equity | <u>640,300</u> | <u>708,345</u> | <u>165,000</u> |

The following financial ratios are unaudited:

| | As at/for the financial year ended 31 December | |
|--|---|-------------|
| | 2014 | 2015 |
| Financial Ratios | | |
| Return on assets ⁽¹⁾ | 1.1% | 1.0% |
| Return on equity ⁽²⁾ | 13.8% | 12.2% |
| Net interest margin ⁽³⁾ | 2.3% | 2.4% |
| Net impaired loans ratio ⁽⁴⁾ | 1.04% | 1.43% |
| Loan loss coverage ⁽⁵⁾ | 95.6% | 72.0% |
| Net loans and advances/total deposits ⁽⁶⁾ | 91.8% | 91.5% |
| Cost to income ratio ⁽⁷⁾ | 48.9% | 48.2% |
| CET1 capital ratio ⁽⁸⁾ | 11.747% | 12.780% |
| Tier 1 capital ratio ⁽⁹⁾ | 13.539% | 14.471% |
| Total capital ratio ⁽¹⁰⁾ | 16.235% | 17.743% |

Notes:

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

(2) $\frac{\text{Profit attributable to equity holders of the Bank for the year}}{\text{Average equity attributable to equity holders of the Bank}} \times 100$

(3) $\frac{\text{Net interest/profit income\# for the year}}{\text{Average interest earning assets*}} \times 100$

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

Net profit income for the Islamic Banking Scheme consists of finance income and hibah less expenses directly attributable to depositors and Islamic Banking Funds, income attributable to depositors and finance cost.

(4) $\frac{\text{Net impaired loans, advances and financing}}{\text{Gross loans, advances and financing less individual allowance and loans funded by investment accounts of customers}} \times 100$

(5) $\frac{\text{Total allowances for loans, advances and financing}}{\text{Total gross impaired loans}} \times 100$

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

(7) $\frac{\text{Total overhead expenses for the year}^\wedge}{\text{Net operating income for the year}} \times 100$

^\wedge Excluding amortisation of intangible assets for PT Bank Maybank Indonesia Tbk (formerly known as PT Bank Internasional Indonesia Tbk) and Maybank Kim Eng Holdings Limited.

(8) $\frac{\text{Common Equity Tier 1 Capital}}{\text{Total risk-weighted assets for credit, market and operational risks}} \times 100$

(9) $\frac{\text{Total Tier 1 Capital}}{\text{Total risk-weighted assets for credit, market and operational risks}} \times 100$

(10) $\frac{\text{Total Capital}}{\text{Total risk-weighted assets for credit, market and operational risks}} \times 100$

DESCRIPTION OF THE BANK AND THE GROUP

Introduction

The Bank was incorporated on 31 May 1960 and is registered with the Companies Commission of Malaysia. The name "Maybank" was adopted as its official trade name in 1993. The Bank was incorporated with an authorised share capital of RM20.0 million and an initial issued and paid-up share capital of RM7.5 million. The Bank was officially listed on the Kuala Lumpur Stock Exchange, now known as Bursa Malaysia Securities Berhad ("**Bursa Malaysia**"), on 17 February 1962. As at 31 December 2015, the Bank had an authorised share capital of 15 billion ordinary shares of RM1.00 each and an issued and paid-up share capital of 9,761,751,327 ordinary shares of RM1.00 each. The Bank is the largest company in Malaysia by market capitalisation with a market capitalisation of RM82.00 billion as at 31 December 2015.

The Bank is principally engaged in all aspects of commercial banking and related financial services. The Bank's subsidiaries are principally engaged in the businesses of banking and finance, Islamic banking, investment banking including stockbroking, underwriting of general and life insurance, general and family Takaful, trustee and nominee services and asset management.

As at 31 December 2015, the Bank and the Group had RM492.39 billion and RM708.34 billion in total assets, RM330.63 billion and RM478.15 billion in customer deposits and RM291.11 billion and RM459.65 billion in gross loans and advances, respectively. Profit before taxation of the Bank and the Group amounted to RM6.98 billion and RM9.15 billion for the financial year ended 31 December 2015, respectively.

The Group's primary operations are in Malaysia, Singapore and Indonesia. The Group has presence in Singapore with 22 branches through the "Maybank Singapore" brand. As at 31 December 2015, Maybank Singapore accounted for 25.5 per cent. of the Group's total gross loans and advances and 15.8 per cent. of the Group's profit before taxation for the financial year ended 31 December 2015. In Indonesia, the Group has a presence through its subsidiary, PT Bank Maybank Indonesia Tbk ("**BMI**"). As at 31 December 2015, BMI accounted for 7.9 per cent. of the Group's total gross loans and advances and 3.7 per cent. of the Group's profit before taxation for the financial year ended 31 December 2015.

The Group operates an extensive global network of over 2,400 offices in 20 countries including in all 10 ASEAN countries. In addition to its key home markets of Malaysia, Singapore and Indonesia, the Group's presence extends to the Philippines, Brunei Darussalam, Cambodia, Vietnam, Laos, Thailand, Myanmar, PRC, Hong Kong, Mauritius, Pakistan, India, Uzbekistan, Saudi Arabia, Bahrain, the United Kingdom and the United States of America.

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

Group Strategy

The Group has begun the next phase of growth through its Maybank²⁰²⁰ strategic objectives, which is the Group's strategy up to 2020. The focus of the Maybank²⁰²⁰ programme is on opportunities in the ASEAN region and growth in Asia.

The Group's Maybank²⁰²⁰ strategic objectives are to be:

- the top ASEAN community bank;
- the leading ASEAN wholesale bank linking Asia;
- the leading ASEAN insurer;
- the global leader in Islamic finance; and
- the digital bank of choice.

The Group aims to achieve the above strategic objectives by continuing to work on the following:

- expanding segmentation play, by expanding the provisions of services to cater for specific segment needs and clients, and unlocking value from operational excellence initiatives as well as advancing its multi-channel digital capabilities to reach out to its increasingly digitalised customer base;
- raising productivity and profitability whilst deepening its regional presence, leveraging its regional capabilities and extensive global network to capture cross-border flows and accelerating fee income growth and return on capital;
- continuing to evaluate international expansion to gain significant presence in high growth markets by leveraging the Group's banking footprint across ASEAN and Etiqa's expertise in takaful and bancassurance;
- deepening its focus on introducing innovative products and leveraging technology to deliver an improved customer experience; and
- building on its global leadership position in Islamic finance to further emphasise value creation and entrench its leadership in key focus areas.

As part of the Group's mission to humanise financial services, it remains committed to ensuring easy access to financing for all, providing fair terms and pricing, advising customers based on their needs and being at the heart of the community. The Group remains steadfast in its efforts to ensure the sustainability of its operations as well as that of the communities it serves. The Maybank Foundation, its regional arm to undertake corporate responsibility initiatives, remains a major vehicle for the Group to impact positively many of Asia's most needy communities in an effort to build a better tomorrow for all.

2016 Strategic Priorities

In 2016, the Group's strategic theme is to 'advance through execution'. As the business environment is expected to continue to be challenging throughout 2016, the Group aims to achieve this strategy by:

- increasing its "topline" by accelerating its fee income growth engines, particularly in cash management, trade, foreign exchange, investment banking, corporate banking and Islamic banking;
- leveraging its extensive regional distribution network to further maximise its revenue generation potential through cross-selling and regional collaboration across sectors;
- driving improvements in productivity through disciplined cost management and "upskilling" of its talent as the industry shifts towards digital banking;
- with increased international regulatory compliance, increasing efficiency in its business processes, by increasing operational excellence and automation initiatives; and
- leveraging its innovative digital banking initiatives to expand its customer base and improve the customers' experience.

Whilst pursuing the above, the Group will also focus on fortifying its balance sheet, protecting liquidity and asset quality.

Competitive Strengths

Strong Competitive Positioning

The Group is the largest financial services group in Malaysia in terms of total assets, total loans and total deposits based on its most recent audited consolidated financial statements for the financial year ended 31 December 2015. In addition to operating in its three key "home markets" of Malaysia,

Singapore and Indonesia, it also operates across the other ASEAN nations as well as in key Asian countries and global financial centres. It became the first ASEAN bank to establish a branch in Kunming, PRC in April 2015 and was the first and only Malaysian bank to date to open a branch in Myanmar in October 2015.

The Group has long been acknowledged for its leadership and financial strength, and was recognised as among the World's Top 20 Strongest Banks by Bloomberg Markets magazine in 2013 and 2014.

One of the Leading Providers of Retail Financial Services in Malaysia

The Group's retail bank was one of the most profitable in Malaysia in 2015 with a profit before taxation of RM3.6 billion as at 31 December 2015. The Group continues to be a lead provider of internet banking services with a 43.2 per cent. market share as at 31 December 2015. It has continued to expand its reach to high net worth ("HNW") clients, growing its network of Premier Wealth Centres and Lounges from 92 to 110 in 2015. This includes the launch of a Private Wealth Centre in Kuching at the end of 2015 to tap into East Malaysia's growing market potential.

Strong Islamic Banking and Takaful Business

The Group continues to be the leading Islamic bank in Malaysia and the ASEAN nations and is one of the top Islamic banks globally. It remains a leading provider of innovative Islamic financial solutions introducing the "Mudarabah Investment Account" in 2015, which provides customers access to new investment opportunities and potential higher returns compared to a traditional banking account. It has been the leading Sukuk arranger globally, and has ranked in the top 4 in the Global Sukuk League Table and top 3 in the Ringgit Sukuk League Table for 5 years running beginning in 2010.

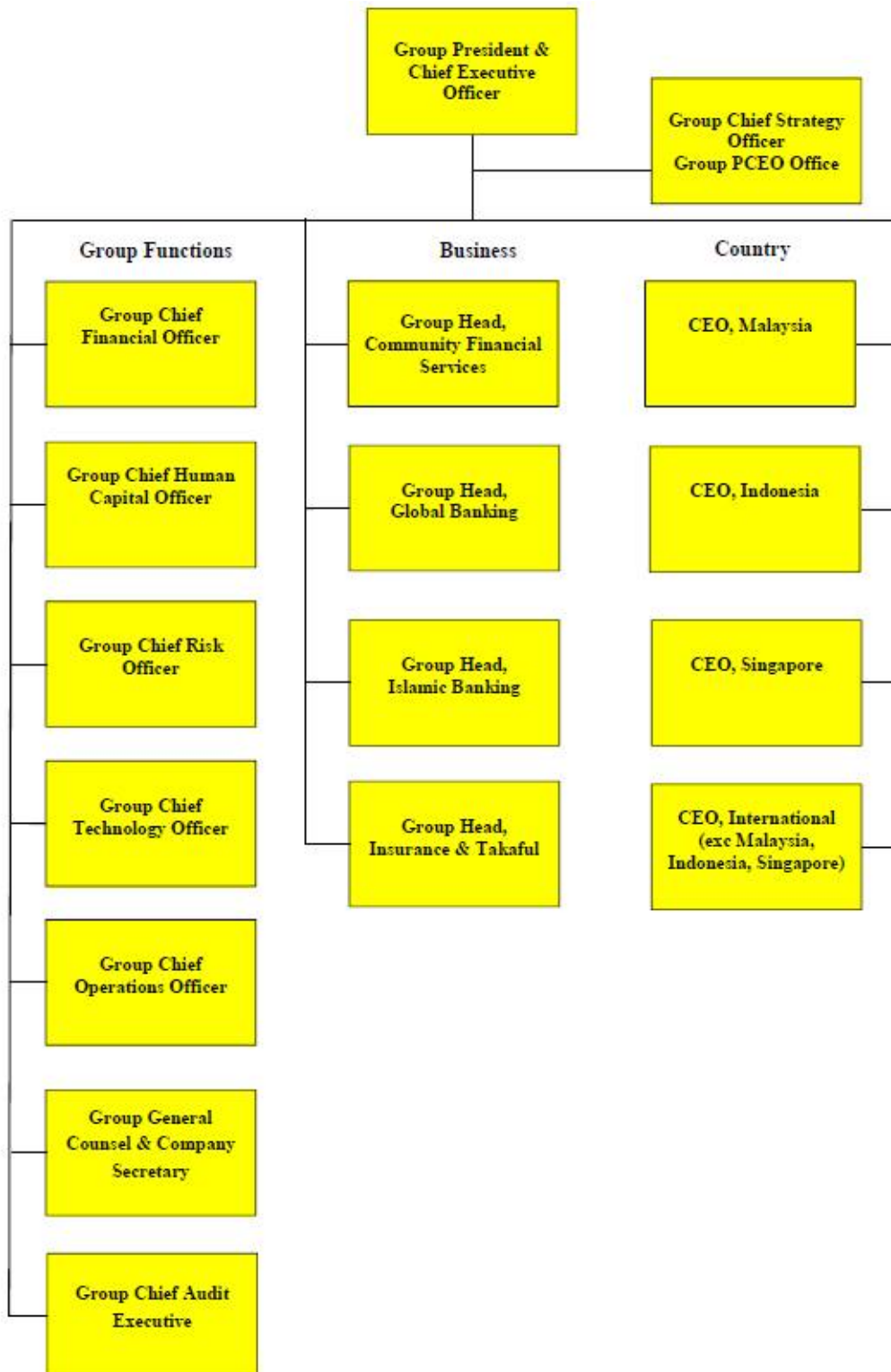
The Group is also the market leader in the combined general insurance and takaful business in Malaysia. It has established a presence in the Philippines through AsianLife and General Assurance Corporation (in which the Group controls over 50 per cent.), through which Maybank Philippines can offer life and general insurance products to its customers. On 7 April 2015, it became the first insurer in Singapore to offer online sales of Direct Purchase Insurance, a class of insurance products that is sold without financial advice and commissions.

Prudent Cost Management and Operational Efficiency

The Group has achieved higher cost efficiencies across all business sectors through the implementation of a cost management programme. The Group has made sizeable cost containments in personnel expenses in relation to variable incentives. The overall increase in costs for the financial year ended 31 December 2015 was due to higher personnel costs, administration and general costs and establishment cost, which the Group incurred in pursuing its strategy.

Group Structure

The structure of the Group's management as at the date of the Offering Circular is set out below:



Business Sectors

The Group provides a comprehensive range of financial services under three main business sectors in Malaysia: Community Financial Services, Global Banking and Insurance and Takaful. The Group accepts deposits and provides payments, internet and mobile banking as well as channel management services across these business sectors. In addition, Islamic financial services are offered across all the business sectors and the Group also provides banking services through its international network.

Community Financial Services

Community Financial Services in Malaysia ("CFS") encompasses a wide range of products and services in Consumer, Small and Medium Enterprise ("SME") and Business Banking. The Group is a leading provider of retail financial services in Malaysia.

During the financial year ended 31 December 2015, CFS' net operating income totalled RM8.2 billion, which accounted for 38.6 per cent. of, and was the largest contributor (followed by the International Banking sector) to, the Group's consolidated total net operating income. Its profit before taxation was RM3.6 billion for the financial year ended 31 December 2015, which accounted for 39.3 per cent. of the Group's consolidated profit before taxation. This was achieved primarily due to the Bank's initiatives targeting more profitable segments, increased cross-selling efforts, vigilant application of risk-based pricing and stringent cost management strategies.

As at 31 December 2015, CFS' total gross loans and total deposits were RM182.8 billion and RM206.2 billion, respectively. The increase of 8.2 per cent. in total loans compared to 31 December 2014 was mainly driven by increases in housing loans (13.7 per cent.), auto loans (5.7 per cent.) and SME loans (35.9 per cent.). The growth in total deposits of 10.5 per cent. compared to 31 December 2014 was mainly fuelled by consumer deposits, SME and Business Banking deposits and retail fixed deposits growing at 9.7 per cent., 13.8 per cent. and 6.2 per cent., respectively.

While pursuing growth, the Group also continues to strengthen its asset quality with the gross impaired loans ("GIL") ratio for the CFS sector improving from 2.05 per cent. in 2014 to 1.87 per cent. in 2015. SME has been showing a downward trend in GIL ratios since 2012. This is mainly due to the Group's efforts in reinforcing its credit asset quality framework, pursuing proactive prevention and recovery activities as well as ensuring quality loan origination.

The Group remains focused on managing costs and CFS' cost-income ratio increased marginally to 50.8 per cent. as at 31 December 2015 from 49.4 per cent. as at 31 December 2014, reflecting the higher cost of doing business in that year.

The Group is also reinforcing its commitment to regionalisation efforts with high value cross border businesses such as cards, wealth management and virtual banking. These initiatives allow the Group to leverage on cross-border synergies. It aims to strengthen its positioning in the retail and commercial banking space via its consistent branding and operating model in the markets in which the Group operates. The Group also aims to achieve greater sharing of best practices and collaborate on common initiatives for better economies of scale on its investment and create better shareholder value. The Group continues to make strategic investments in enterprise CRM, product and pricing bundle and multi-channel capabilities that it intends to roll-out to the region.

Consumer Banking

Consumer Banking provides a wide range of financial services and products to the Group's retail customers, including high net worth and affluent banking, mortgage financing, automobile financing, retail financing, micro financing, credit cards and bancassurance.

High Net Worth and Affluent Banking

High Net Worth and Affluent Banking ("HAB") serves customers from three main segments, namely the High Net Worth segment, Affluent segment and Emerging Affluent segment. The High Net Worth ("HNW") segment comprises clients whose total financial assets with the Group exceed RM4 million. The Affluent segment comprises clients whose total financial assets with the Group range between

RM1 million and RM4 million, whilst the Emerging Affluent segment comprises clients with total financial assets of between RM250,000 and RM1 million with the Group. As at 31 December 2015, the Group's customer base grew 17.5 per cent. for the HNW segment and 9.6 per cent. for the Affluent segment compared to 31 December 2014. In line with this, total financial assets grew 12.6 per cent. and 11.9 per cent. for the HNW and Affluent segments, respectively.

Private Wealth was launched in November 2013 and leverages on the Group's growing regional presence and collective business capabilities to provide HNW individuals with a seamless banking experience across the region. For the Affluent segment, the launch of Premier Wealth in January 2014 integrated the premier banking services and offers regional service recognition to affluent customers in Malaysia, Singapore, Indonesia, Cambodia, the Philippines and Brunei under one franchise.

CFS also strengthened the Emerging Affluent segment proposition with the launch of Maybank ASPIRE in June 2013, a branded segment offering comprehensive need-based bundled solutions and privileges. It is designed to provide comprehensive financial solutions to CFS' Emerging Affluent customers and provides rewards based on their relationship with the Group.

Maybank has won several categories in Euromoney's Best Private Banking Awards and PWM. The Banker Global Private Banking Awards. Among others, Maybank also won the Best Private Bank (Malaysia) in Global Finance World's Best Private Bank Awards and won Best Private Bank in Malaysia in FinanceAsia's Country Awards for Achievement in 2015.

Mortgage Financing

CFS' total mortgage financing portfolio was RM69.2 billion as at 31 December 2015, representing an increase of 13.7 per cent. compared to 31 December 2014. Its housing loans grew by 15.9 per cent. and its shophouse loans increased by 9.1 per cent. year-on-year, amounting to total outstanding balances of RM52.6 billion and RM11.1 billion as at 31 December 2015, respectively. The growth was mainly due to the Group's continued focus on rebalancing its portfolio strategy, intensifying promotion of trade up and renovation loans and campaigns targeted at the secondary property market to accelerate loan growth. Apart from properties in Malaysia, the Group also extends overseas mortgage financing for properties within selected locations in Sydney, Perth, Singapore and London. As at 31 December 2015, the CFS's mortgage financing portfolio represented 37.8 per cent. of the CFS's total loan portfolio.

CFS' mortgage financing GIL ratio has decreased to 0.55 per cent. as at 31 December 2015 compared to 0.62 per cent. as at 31 December 2014. This was achieved through the CFS' mortgage rebalancing portfolio strategy which targeted medium to higher end property value of more than RM250,000 and by shifting the Group's focus from financing primary to secondary properties and expediting disposal of foreclosed properties to enhance the Group's asset quality.

CFS has a centralised mortgage approval process which is run by its Centralised Processing Centre. In 2013, CFS implemented further improvements to the mortgage approval processes by adopting a streamlined business process. This has resulted in CFS improving its approval turnaround time with an average turnaround time of 3 days.

Automobile Financing

As at 31 December 2015, CFS' automobile financing portfolio registered a total outstanding loan balance of RM40.8 billion, which was an increase of 5.7 per cent. compared to 31 December 2014. This balance represented 22.3 per cent. of the CFS's total loan portfolio.

The Group continues to be selective in growing its automobile financing portfolio by adopting a rebalancing strategy as well as offering integrated product bundling for end-customers based on the customer segments and lifestyle. The Group has introduced a customer loyalty and reward programmes to increase customer retention in collaboration with the Group's Affluent Banking segment. The Group has strategic alliances with car manufacturers and dealers and offers tailored financing packages through these alliances.

Retail Financing

The Group's retail financing portfolio comprises unit trust, salary and other consumer loan financing such as overdrafts and term loans. The Group holds a significant domestic market share in unit trust financing of approximately 51.6 per cent. as at 31 December 2015. Unit trust loans grew at 0.3 per cent. year-on-year and had a total outstanding balance of RM30.4 billion as at 31 December 2015. This represented 16.7 per cent. of CFS' total loan portfolio.

The Group remains competitive in its loans turnaround time for unit trust loan applications and aims to achieve higher productivity and enhance its customer service quality in this area. The Group also expanded the education loans for certain professions and/or universities, enhanced collateralised financing targeting the Affluent Banking and HNW customers and offered customised financing products to cater to this target segment.

Microfinance

The Group launched Microfinance banking in December 2012 and subsequently consolidated the micro business under SME banking in mid 2014. As at 31 December 2015, the Group had disbursed a total of RM15.4 million to 4,048 customers in Malaysia. The Group offers unsecured term loans with financing amounts between RM1,000 and RM10,000 through eight Micro Credit Hubs nationwide covering 33 branches in Malaysia. The Group aims to provide viable and sustainable assistance programmes to Malaysia's low income segments and serves as a manifestation of the Group's aspiration to personalise banking by providing services to the "under banked" and "unbanked" segments of the society. The Group plans to expand two new Micro Credit Hubs in Perak and Johor covering 5 additional branches in 2016.

Credit Card

As at 31 December 2015, the Group had the highest card base, billings and merchant sales among local competitors in Malaysia, with market shares of 19.7 per cent., 30.1 per cent. and 37.3 per cent., respectively. The Group's total card base in Malaysia was 1.7 million cardholders as at 31 December 2015. Revenues from the Group's credit card business consist principally of interest receivables, merchant discounts, interchange fees and late payment charges. The Group issues credit cards under the American Express, Visa and Mastercard brands. The Group's impaired loan ratio for credit cards in Malaysia increased slightly to 0.8 per cent. as at 31 December 2015 compared to 0.7 per cent. as at 31 December 2014. The Group also leveraged on its existing merchant relationships, recruited new merchant partners and enhanced its Maybankard.net merchant programme, an online credit card payment portal that offers web-based merchants secured transaction capabilities. As a result, merchant sales in Malaysia grew 9.2 per cent. to RM45.0 billion and billings grew by 13.4 per cent. to RM39.4 billion for the financial year ended 31 December 2015 compared to the previous year.

The Group provides commercial cards through collaboration with American Express, Visa and MasterCard for business travel, entertainment and living expenses payments as well as debit cards through collaboration with Visa and Mastercard. The Group continues to improve its Treatspoint catalogue, an online rewards programme for its cardholders, by offering promotions and online services to its customers. The Group has conducted marketing efforts on a regional basis through campaigns and programmes such as the "Regional Mid Year Sale" campaign, "Regional Partners Programme with Berjaya Group and Air Asia" and "Regional TREATS".

The BNM's credit card guidelines and responsible business practices in the provision of credit cards, which are aimed at inculcating sound financial and debt management in Malaysia, continue to control the growth of new card holders and receivables. As at 31 December 2015, CFS's card base in Malaysia increased by 6.3 per cent. to 1.7 million cardholders compared with 31 December 2014 while receivables for the financial year ended 31 December 2015 grew by 11.6 per cent. to RM6.1 billion in 2015 compared to the previous year.

Bancassurance

The Group was the largest provider of bancassurance in Malaysia, with a 15.9 per cent. market share for regular and normalised single premium policies as at 31 December 2015. The Group achieved a growth of 4.5 per cent. in regular premium policies for the financial year ended 31 December 2015.

As part of the transformation strategy, Bancassurance placed greater emphasis on re-balancing its portfolio towards Regular Premium Ordinary Life plans for sustained improvement in fee income. This was supported by the rollout of Personal Financial Advisors earlier this year, which offered better advisory solutions and services to the Bank's Emerging Affluent customers. With this introduction, the Regular Premium Ordinary Life domain saw an accelerated growth in fee income, attributable to improvements in premium sizes and collected premiums. The focus on Single Premium Investment-Linked typed products was moderated, which saw lower top-line growth due to its typically higher one-off premiums. Besides re-balancing of portfolios, several sales processes were also streamlined with the objective of improving overall customer experience.

With a wide range of products in Life, Family Takaful, Credit and General insurance, Bancassurance is well positioned to grow the diverse protection and savings needs of its customers.

SME Banking

SME Banking provides financial services to enterprise customers with an annual turnover of up to RM25 million. Products offered by SME Banking comprise overdraft, current accounts, term loans, trade bills and short-term revolving credit. The total loans outstanding and total deposits for SME Banking in Malaysia were RM10.2 billion and RM58.4 billion as at 31 December 2015 respectively, which represented increases of 35.9 per cent. and 13.8 per cent. compared to 31 December 2014. SME Banking's GIL ratio reduced to 2.0 per cent. as at 31 December 2015 compared to 2.4 per cent. in 2014.

The Group has integrated the approval process for loans to SMEs at the SME Credit Centre and rolled-out dedicated SME teams at strategic branches. The Group has also streamlined policy and processes to improve turnaround time as well as business coverage. During 2013, the Group had also centralised the collection and monitoring of its SME loans by having a dedicated and focused team managing the collection. This has enabled SME to have better scale and efficiency and at the same time preserve good asset quality by adopting a more structured collection strategy. The Group intends to continue to focus on SME unsecured loans by collaborating with Credit Guarantee Corp Malaysia Bhd, portfolio guarantee and property and business finance loans that will ensure better margins.

Business Banking

Business Banking provides financial services to enterprise customers which have an annual turnover of more than RM25.0 million. Business Banking's services include trade financing, cash management and factoring.

The total loans outstanding and total deposits for Business Banking in Malaysia were RM25.6 billion and RM19.5 billion, respectively, as at 31 December 2015, which represented increases of 0.2 per cent. and 6.2 per cent. compared to 31 December 2014. The Group is one of the largest providers of enterprise loans in Malaysia with a market share of 18.3 per cent. as at 30 September 2015.

In 2013, the Group revised its Business Banking strategy by targeting the business segments that are promoted under the Government's Economic Transformation Plan ("**ETP**"). Business Banking has sourced 95.0 per cent. of its originations from these sectors in 2015. Besides that, Business Banking avoided high risk sectors and enhanced its credit discipline via rigorous adherence to the Group's Borrower Risk Rating framework with 95.0 per cent. of loans sourced from very low risk to moderate risk categories in 2015. These initiatives resulted in better quality loans booked.

The Group will focus on Business Banking customers with good ratings for loan limits between RM5 million to RM25 million, contract financing targeted at the manufacturer-distributor supply chain and the ETP's infrastructure projects as well as its existing customers with strong credit quality.

Payments

The Group's domestic payments business comprises payment services, remittances, ATM services and foreign exchange business. The Group's domestic payments business is a major contributor of fee based income at 23.5 per cent. as at 31 December 2015.

The Group continues to support BNM's e-Payment initiatives on cheque reduction and achieved a 19.4 per cent. reduction in 2015. Focus will be on reducing cheque usage further in 2016 to increase efficiencies.

Internet Banking & Mobile Banking

The Group is the leading internet banking service provider in Malaysia with a market share of 43.2 per cent. and 8.2 million registered users as at 31 December 2015. The Group was also the first bank to introduce comprehensive mobile banking services in Malaysia and had a leading market share of 29.1 per cent. of subscribers as at 31 December 2015. The Group recorded 2.0 billion internet banking transactions with a total value of RM168.7 billion in the financial year ended 31 December 2015.

The Group has strengthened its position as the largest provider of internet banking in Malaysia by leveraging on the trend of online buying with the launch of Maybank2u Pay. This is a payment facility designed for small or home businesses conducting online transactions. This facility also allows blog owners the opportunity to manage sales transactions systematically and professionally. The Group also introduced Malaysia's first cardless cash withdrawal service to serve not only its own customers but also other parties with a Malaysian registered mobile phone number to enable them to transact with the Bank.

In the mobile banking sphere, the Group has improved its mobile banking platform and increased utilisation by replicating the relevant internet banking services to mobile banking. As at 31 December 2015, the Group had 1.0 million mobile banking users.

Channel Management

As at 31 December 2015, the Group had 393 branches, 51 of which had been refurbished during 2015, and 2,568 ATMs in Malaysia representing domestic market share of 20.0 per cent. and 21.0 per cent. in Malaysia, respectively. The Group also has 71 "Maybank One Solution" kiosks in Malaysia as at 31 December 2015. In addition, the Group has undertaken agency banking with POS Malaysia by leveraging on 344 post offices nationwide to provide basic banking services such as collection of deposits and payments.

The Group intends to leverage on its wide distribution network to provide higher customer engagement and satisfaction. The Group has relocated and opened new branches at strategic locations in Malaysia and has set up key branches in each region to provide 31 off-bank kiosks to its customers. In addition, the Group's strategic partnership with POS Malaysia through agency banking has enabled it to reach out to a larger base of rural communities without incurring the cost of setting up new offices.

In 2012, CFS introduced "Maybank One Solution", a new bundled offering via the kiosk banking concept. "Maybank One Solution" targets the CFS' mass market segment customers and provides integrated financial products with a fast approval and activation process. CFS had disbursed total loans of RM1.3 billion and had received deposits of RM416.4 million through "Maybank One Solution" as at 31 December 2015.

Funding and Deposits

CFS's deposits comprise fixed deposits, current accounts, savings deposits, money market deposits, negotiable instrument of deposits and others.

As at 31 December 2015, CFS' deposits totalled RM206.3 billion, which was an increase of 10.5 per cent. compared to 31 December 2014. This was attributed to increases in SME Banking deposits of 13.8 per cent. and Business Banking deposits of 6.2 per cent.

The Group's total Current Accounts and Savings Accounts ("CASA") held the largest market share in Malaysia at 25.6 per cent. as at 31 December 2015. The CFS's consumer deposits totalled RM128.2 billion as at 31 December 2015, which was an increase of 9.7 per cent. compared to 2014 and represented a domestic market share of 20.2 per cent.

In 2015, the Group had rolled out comprehensive deposit initiatives focusing on CASA and Fixed Deposits. Key focus was on the HNW, Affluent and Emerging Affluent customer segments, SME as well as Business Banking, ramping up acquisition through competitive pricing and cross selling through the Group's payroll programmes.

Global Banking

Global Banking provides a wide range of financing and investment solutions to corporate and institutional clients through its presence in 19 countries globally. The Group's client focused business model is anchored on the Client Coverage team and is supported by 5 key product groups: Investment Banking, Corporate Banking, Transaction Banking, Global Markets and Asset Management.

The Client Coverage team acts as single point of contact for both Global Banking's domestic and regional clients and is supported by product specialists to deliver innovative and customised end-to-end financial solutions. Global Banking combines local in-country expertise with regional capabilities to provide consistent and integrated financial solutions to its clients across the region.

During the financial year ended 31 December 2015, Global Banking's net operating income totalled RM5.9 billion, representing an increase of 3.3 per cent. from the previous year. Profit before taxation and zakat was at RM3.6 billion for the financial year ended 31 December 2015, a marginal increase of 0.2 per cent. from the previous financial year.

Client Coverage

The Group's Client Coverage team is an integral part of Global Banking's client-centric-business model. The Group aims to build long term and trusted partnerships across all client segments by supporting clients as they grow and expand beyond their country of origin, especially in the Group's home region of ASEAN and Asia.

In 2015, the Group refined its client segmentation to deliver better product solutions to its clients, including an elevated focus on entrepreneur-controlled mid-sized corporates. The Global Account Management model is now operating to provide a seamless and consistent experience for the Group's regional clients. These developments have helped the Group to deliver solutions successfully to its clients globally.

Investment Banking

The Maybank Kim Eng group of companies currently operates in 11 countries, with a significant market share in Malaysia, Singapore, Thailand, Indonesia, Vietnam and the Philippines, while having growing businesses in Hong Kong and India. Its reach also extends globally, with dedicated sales offices in the United Kingdom and the United States of America. Maybank Kim Eng also has presence in the Middle East through Anfaal Capital, the Bank's associate company in Saudi Arabia, which specialises in Islamic investment banking and asset management services.

Branded 'Maybank Investment Bank' in Malaysia and 'Maybank Kim Eng' in all other geographies, the Group's investment banking business offers a comprehensive range of investment banking and stockbroking products and services through its two business pillars: Investment Banking and Advisory and Equities, with services such as corporate finance, debt capital markets, equity capital markets, equity and commodity derivatives as well as retail and institutional securities broking.

Maybank Kim Eng has maintained its position as a leading regional investment banking franchise, and was recognised as such in 2015 by prominent external bodies and publications, and the top 4 regional league table positions for Investment Banking & Advisory, Debt Capital Market and Mergers and Acquisitions.

Corporate Banking

Corporate Banking offers a wide range of funding solutions, from short-term working capital financing to complex lending solutions, such as cross-border project financing, syndicated loans and bridging loans. Corporate Banking works in collaboration with other product partners, including Transaction Banking, Global Markets, Investment Banking and Maybank Islamic Berhad ("**Maybank Islamic**"), leveraging the Group's country, industry and credit expertise to structure loans.

Corporate Banking embarked on a transformation in 2015 to enhance its product and solution offerings to corporate clients in Malaysia and across the region. Aiming to achieve "Product and Operational Excellence", the transformation journey has included structural changes, talent management, process reengineering and system enhancements.

In addition, Corporate Banking is making substantial efforts to improve the management of its loan portfolio to achieve higher returns and capital efficiency. It has adopted a pro-active and pre-emptive approach to ensure that the quality of its assets is sustained in the current volatile operating environment.

Transaction Banking

Transaction Banking consists of five main lines of business: Cash Management, Trade and Supply Chain Financing, Structured Trade and Commodities Finance, Financial Institutions, and Securities Services.

Transaction Banking has maintained its position as the leading transaction bank in Malaysia with a substantial Trade Finance market share of 25.0 per cent. and Cash Management market share of 27.6 per cent as of 31 December 2015. In addition, it has maintained its 11.4 per cent. market share as of 31 December 2015 for corporate deposits in Malaysia despite heightened competitive pressures. Partnering with Global Markets, Transaction Banking has successfully rolled out the Trade and Treasury Solution Advisory in Malaysia to effectively facilitate trade, cash and foreign exchange flows and enhance fee income.

On the regional front, Transaction Banking continues to enhance its base in Asia by building relationships with corporates and financial institutions to support the needs of its regional clients. In particular:

- In July 2015, Transaction Banking partnered with Kasikornbank Pcl, a leading Thai commercial bank to tap into business opportunities arising from the ASEAN Economic Community.
- In Greater China, Transaction Banking reached an agreement to partner with China UnionPay Merchant Services ("**China UMS**") in November 2015 to tap into the card payments collection market in the PRC. Maybank is the first Malaysian bank to sign such an agreement with China UMS, the leading issuer of point-of-sale terminals in the PRC. This partnership is expected to boost the cash management business of Transaction Banking in the PRC as it is now able to offer its clients comprehensive collection and payment solutions.

Global Markets

Global Markets provides a comprehensive range of treasury products and services through its presence in 11 countries globally. Its products and services include foreign exchange, money market instruments, fixed income securities, currency/interest rate derivatives and other structured products. Global Markets works closely with its client segment teams to provide financial markets products and solutions that meet its clients' needs.

Global Markets continues to build on its existing financial solutions capabilities to meet clients' investment and hedging needs by integrating its structuring capabilities across ASEAN and North Asia. This is evidenced by the growth in the volume of its interest rate and foreign exchange derivatives business and client income in recent years. Global Markets continues to invest in its ASEAN presence with the implementation of the Global Traded Risk Management System in Cambodia and Vietnam, in

addition to the regionalisation of its electronic platform to improve pricing and execution efficiencies for vanilla products across its network globally.

Asset Management

Maybank Asset Management Group is the fund management arm of the Group, providing a diverse range of multi-asset investment solutions, both conventional and Islamic, through its fund management and private equity divisions. Its core competencies lie in its Asian-focused expertise, with local and regional market insights.

Maybank Asset Management Group has broadened its investment expertise through absolute return and alternative investments in 2015. It also strengthened its product manufacturing and distribution capabilities, with the following notable milestones:

- launched Maybank Boseru Greater China Asean Equity-I, the first Shariah-compliant fund to be introduced under the ASEAN passport scheme and approved by the SC. The fund also marks Maybank Asset Management's pioneering collaboration with a leading Chinese asset management company;
- launched Maybank Constant Income Funds - 2nd and 3rd series; and
- established a strategic partnership with Hastings Management Pty Ltd to diversify Maybank Asset Management's product offerings to include Islamic alternative investment solutions.

Insurance and Takaful

The Group offers insurance and takaful products through its insurance and takaful subsidiaries under the brand name "Etiqa". The holding company is Maybank Ageas Holdings Berhad ("**MAHB**"). MAHB is 69.05 per cent. owned by Etiqa International Holdings Sdn Bhd ("**EIHSB**"), a wholly-owned subsidiary of the Bank and 30.95 per cent. owned by Ageas Insurance International. The operating entities under MAHB are: Etiqa Insurance Berhad ("**EIB**") in Malaysia and Etiqa Insurance Pte. Ltd. ("**EIPL**") in Singapore for Insurance; and Etiqa Takaful Berhad ("**ETB**") in Malaysia for Takaful, respectively.

EIHSB also has a presence in the Philippines through AsianLife and General Assurance Corporation, a composite licence insurer, leveraging through Maybank Philippines Incorporated ("**MPI**") to offer life and general insurance products to its customers.

During the financial year ended 31 December 2015, Insurance and Takaful's gross written premium and contribution was a total of RM5.14 billion. Its profit before taxation was RM601.7 million for the financial year ended 31 December 2015, a drop of 21.6 per cent. compared to the previous financial year, due to the unfavourable equity market environment and adverse fixed income performance impacting the returns of all funds.

Under the brand name Etiqa, the Group offers customised services across all types and classes of life and general insurance, as well as family and general takaful plans through a multi-channel distribution network including bancassurance, brokers and direct distribution. Etiqa's wide range of life and family products includes endowment, term, personal accident, education, investment-linked and medical insurance while the general conventional insurance and takaful range includes fire, motor, aviation, marine and engineering policies.

All products are distributed either through agents, Etiqa branches, the Group's branches, third party banks, brokers or affinity groups, providing accessibility and convenience to the Group's customers. Etiqa has a strong agency force comprising over 12,000 agents and 31 branches throughout Malaysia. Etiqa also has a wide bancassurance and bancatakaful distribution network through over 400 of the Group's branches as well as third party banks. In addition, Etiqa's MotorTakaful.com, its portal www.etiqa.com.my and the Bank's Maybank2u services offer direct sales through the internet. Etiqa's products are also available through cooperatives and brokers.

In 2015, EIB and ETB had their respective Insurer Financial Strength ratings of 'A' reaffirmed by Fitch Ratings. EIB, the conventional insurance arm of Etiqa, is the only insurance company in Malaysia to be rated 'A' by Fitch Ratings since 2011. The rating reflects EIB's strong business profile in the domestic life and general insurance market, its extensive distribution capacity, consistent operating performance, sound quality and prudent investment approach. The rating also acknowledges EIB's solid capital position on a risk-adjusted basis and sound reserving practices.

ETB's rating of 'A', the highest rated takaful operator in Malaysia, reflects ETB's leading position in Malaysia's takaful market, its extensive distribution coverage with an operating history of 20 years and its sound liquidity and favourable operating margins. The rating also recognises ETB's position as a core operating subsidiary within the Group.

In Singapore, EIPL has also been assigned an 'A' rating by Fitch Ratings. EIB also received a long-term rating of 'AA1' from RAM Ratings Berhad on EIB's subordinated bonds of up to RM500 million. Concurrently, EIB's respective long and short-term claims-paying ability ratings have been reaffirmed at 'AAA' and 'P1' by RAM Ratings. Both long-term ratings had a stable outlook.

RAM Ratings also reaffirmed ETB a long-term rating of 'AA1/stable' to ETB's Subordinated Sukuk Musharakah Facility of up to RM300 million. Concurrently, RAM Ratings reaffirmed the 'AAA/Stable/P1' claims-paying ability ratings of ETB. The ratings reflect ETB's position as Malaysia's largest takaful operator, with its general takaful accounting for almost half of the industry's gross contributions.

International Operations

The Group has operations in all ten ASEAN countries and other key financial markets including the PRC, Hong Kong, Middle East, London, New York and Labuan, to offer clients its unique business propositions and investment opportunities.

As part of its expansion in strategic locations, the Group has successfully set up branches in Kunming and Yangon in 2015 with an upcoming branch in Shenzhen. The establishment of Maybank Kunming Branch and Maybank Yangon Branch has created greater potential for the Group to capture trade flows within the Greater Mekong Subregion. The Group seeks to seize market opportunities through its extended reach by capturing trade, capital, investment and wealth flows in Asia.

The strategic regional organisational structure of the Group's international operations has gained traction since their establishment in 2014, leveraging the Group's in-depth knowledge of Asian markets to meet its clients' banking needs across the region. In 2015, the Group continued to expand market share with large corporates, SMEs, institutional investors and HNW individuals in the countries in which the Group operates, especially in its growth markets such as Greater China, the Philippines and Indochina.

International's revenue for the financial year ended 31 December 2015 grew 26.1 per cent. year-on-year to RM1.75 billion. Profit before taxation for the financial year ended 31 December 2015 rose by 11.7 per cent. year-on-year from RM997.44 million in FY2014 to RM1.11 billion in FY2015. Overheads increased by 24.4 per cent. year-on-year, in line with expansionary activities during the year.

International's total gross loans stood at RM47.78 billion as at 31 December 2015, accounting for 10.54 per cent. of Group's total gross loans. Deposits stood at RM36.18 billion, with 62.1 per cent. growth in CASA.

Greater China

Maybank Greater China consists of branches in Hong Kong, Shanghai, Beijing and Kunming, as well as an upcoming branch in Shenzhen. These branches provide wholesale banking and investment banking services to commercial and corporate clients in Hong Kong and PRC, and specialise in cross-border solutions between Greater China and ASEAN.

The Philippines

MPI is a full-service commercial bank providing both retail and wholesale banking services. MPI has the largest branch network of 80 branches among foreign banks in the Philippines as at 31 December 2015, offering a wide range of financial solutions customised for HNW clients, and top-tier corporations in the Philippines. MPI is also involved in treasury operations, with an emphasis on money market operations and foreign exchange trading.

Indochina

Within the Indochina region, the Group comprises one subsidiary, Maybank Cambodia PLC, and full-fledged branches in Vietnam, Laos, and Myanmar. Maybank has 21 branches in Cambodia, two branches in Vietnam, and one branch each in Laos and Myanmar as at 31 December 2015. The Group offers wholesale banking services to commercial and corporate clients across its Indochina markets, and provides retail banking services in both Cambodia and Laos. The Group is the first and only Malaysian bank to date to be granted a foreign banking licence by the Central Bank of Myanmar to operate in Myanmar.

Other Countries

The Group's global presence extends from key financial hubs to opportunistic markets including 6 other branches strategically located in New York, London, Brunei, Labuan and Bahrain as at 31 December 2015.

Key Associates

MCB Bank Ltd

MCB Bank Ltd ("**MCB**") is a 20 per cent. owned associate of the Bank in Pakistan. MCB won the Best Bank 2015 (Pakistan), awarded by FinanceAsia. As a leading bank in Pakistan with more than 60 years of experience, MCB has played a pivotal role in representing the country on the global platform, with its presence in Sri Lanka, Dubai, Bahrain, Azerbaijan and Hong Kong. MCB has a network of 1,247 branches including 27 Islamic banking branches within Pakistan and 9 branches outside the country.

An Binh Bank

An Binh Bank ("**ABBank**") is a 20 per cent. owned associate of the Bank in Vietnam. Founded in May 1993 in Vietnam, ABBank has transformed over the years. Today, ABBank offers a full range of retail and commercial banking products and services. In October 2015, ABBank received its first credit rating of B2 from Moody's, marking an important milestone for ABBank. With 20 years of experience, ABBank has gained a firm foothold in Vietnam's banking industry, with a network of over 146 branches and sub-branch offices across 29 provinces in Vietnam.

Uzbek Leasing International A.O.

Uzbek Leasing International A.O. ("**Uzbek Leasing**") is a 19.7 per cent. owned associate of the Bank in Uzbekistan. It specialises in providing a wide spectrum of financial and leasing services across 8 representative offices in Uzbekistan. Uzbek Leasing became a member of the Association of International Business and Technology in 2015, which brings together experts and partners in the field of international business.

Singapore

Maybank Singapore has established a significant presence in the retail and wholesale banking markets in Singapore, with over 1,800 employees. As at 31 December 2015, Maybank Singapore accounted for 25.5 per cent. of the Group's total gross loans and advances and 15.8 per cent. of the Group's profit before taxation.

Maybank Singapore's network includes 26 service locations in Singapore and it is also part of "atm⁵", Singapore's only shared ATM network among the seven participating Qualifying Full Banks in

Singapore, with a combined reach of more than 200 ATMs. Maybank Singapore aims to continue to strengthen its domestic franchise.

Maybank Singapore's funding base is primarily deposit taking. As at 31 December 2015, 78.7 per cent. of the deposit base was fixed deposits with the remaining 21.3 per cent. in other savings and demand deposits. Most of these deposits were denominated in Singapore dollars.

The Group aims to leverage on the collective strengths of Maybank Singapore, Maybank Kim Eng and Etiqa to help achieve its goal of increasing the profit contribution of its international operations.

Indonesia

In Indonesia, the Group's primary presence is through its subsidiary, PT Bank Maybank Indonesia Tbk ("**BMI**"). As at 31 December 2015, BMI accounted for 7.7 per cent. of the Group's total loans and advances and 4.9 per cent. of the Group's profit before taxation. BMI's presence stretches across all Indonesian provinces and includes 456 branches including 9 Shariah branches, 27 micro functional offices and 2 overseas branches in Mauritius and Mumbai, India.

BMI operates 1,605 ATMs, including cash deposit machines in Indonesia and it is one of the few banks that connects to all Indonesian banking networks, namely ATM PRIMA, ATM BERSAMA, ALTO and CIRRUS as well as Malaysia's MEPS network and the Group's ATMs in Malaysia and Singapore.

BMI offers a full range of financial services for both individual and corporate clients through retail, business and global banking while its subsidiaries, PT Wahana Ottomitra Multiartha Tbk and PT Maybank Indonesia Finance, provide motorcycle and car financing respectively.

Islamic Banking

The Group's Islamic banking business and network is mainly conducted through the Group's wholly owned subsidiary, Maybank Islamic, Maybank Singapore's Islamic Window, PT Bank Maybank Indonesia Tbk's Unit Usaha Syariah and PT Bank Maybank Syariah Indonesia. In addition, the Group also has Islamic banking operations in Labuan, London, Bahrain and Hong Kong.

Maybank Islamic is the fifth largest Islamic bank globally and ASEAN's largest Islamic bank by total assets of RM156.4 billion as at 31 December 2015. As at 31 December 2015, Maybank Islamic had total deposits of RM123.4 billion and gross financing of RM131.1 billion. Maybank Islamic has the largest market share for both Islamic deposits and financing in Malaysia. Maybank Islamic together with Maybank IB, is one of the leading arrangers of Sukuk issuances and ranked fourth in the Global Sukuk League Table and third in the Ringgit Sukuk League Table by Bloomberg in 2015.

The Group's Islamic banking business leverages on both the Group's presence in Islamic and conventional banking through over 700 retail outlets globally. By having a universal Islamic banking licence, Maybank Islamic is able to cater to customers from diverse business segments and in various aspects of the Shariah-compliant banking business.

Innovative Financial Solutions

The key milestone in 2015 for Maybank Islamic was the exercise to reclassify eligible Mudarabah-based deposit accounts into Mudarabah Investment Accounts ("**IA**") for customers who elect to do so, pursuant to the transition requirements of BNM under the IFSA. The reclassification exercise has provided customers with greater transparency and disclosure of how the funds are invested, thus enhancing their involvement in the product by understanding what risks are undertaken. The launch of the IA further distinguished Maybank Islamic from its competition as it is one of the few banks in the industry offering the IA product. Since the reclassification in July 2015, interest in this product, which offers customers potentially higher and more stable returns, has risen as it gains traction and continues to attract both existing and new customers.

In the SME and Business Banking segment, Maybank Islamic has introduced the world's first Shariah compliant BPO-i. This alternative innovative trade settlement instrument bridges the gap between LC-i and open account trade, providing customers an effective and quick payment process.

Additionally, the launch of Maybank Islamic's Custody Services-i in 2015 completed the Group's suite of Islamic financial offerings, providing its clients with a wide range of investment services solutions including global custody, sub-custody, fund accounting and administration, transfer agency and trustee services. Less than a year since the launch, the Bank has secured significant mandates from banks and non-bank financial institutions.

International Markets

Maybank Islamic has expanded its reach in the international Islamic financial markets with the introduction of Islamic financing products at Maybank Hong Kong in 2015. With the successful completion of a bilateral Islamic financing facility for a China-based subsidiary of a Malaysian oil and gas company of up to RMB300.0 million, Maybank Islamic aims to develop Maybank Hong Kong as a platform to reach corporate clients in Hong Kong and Greater China.

In Indonesia, the Shariah Unit of Maybank Indonesia has consistently shown a very strong growth, by almost doubling its total assets year-on-year since 2012. Transformation of the business model and the implementation of the Shariah First Strategy was key in this exponential growth. For the financial year ended 31 December 2015, profit before taxation recorded a growth of 193 per cent. from 2014 to a record profit of IDR287.9 billion while total financing grew by 52.8 per cent. from 2014 to reach IDR8.67 trillion as at 31 December 2015 and deposits grew 53.6 per cent. from 2014 to reach IDR6.39 trillion as at 31 December 2015. In addition, through Maybank Group's Investment Banking division, it also participated in PT Garuda Indonesia TBK's USD500 million Sukuk, Indonesia's first USD corporate Sukuk issue.

Maybank Islamic's focus in Singapore is to position itself as the regional funding centre to support the regional growth of Islamic banking business and placing Singapore as the gateway between ASEAN and the rest of the world. As at 31 December 2015, total financing grew by 54.4 per cent. from 2014 and customer deposits grew by 64.2 per cent. from 2014.

Employees

The Group's total headcount was 45,958 as at 31 December 2015, of whom 21.78 per cent. were members of unions.

The Group offers attractive terms and conditions of employment, innovative policies which create a conducive culture and environment as well as personal and professional development opportunities for its employees.

The Group has received recognition locally and internationally for its people's efforts. It continues to be in the top two positions in Malaysia's most popular employers ranking list at Malaysia's Top 100 Leading Graduate Employer (M100) Awards 2015. The Group was named as the winner of the 'Most Popular Employer for Banking and Financial Services' for the fifth consecutive year, ranked 2nd at the 'Graduate Employer of the Year' (ranked 1st in 2014 up from 17th place in 2009) and was recognised for 'Best Innovation on Campus' and the 'Best Social Media Usage' for its innovative recruitment platform, Maybank GO Ahead Challenge 2015.

For the Group's Talent Management and Employee Branding, it was the Grand Award Winner for the 'Best In House Corporate Recruitment' and received Gold for 'Best Employer Brand Development', 'Best Regional Recruitment Programme' and 'Best Recruitment Innovation' at the Asia Recruitment Awards 2015 for Malaysia. For the same awards in Singapore, Maybank won Gold for 'Best Graduate Recruitment Programme'.

At the inaugural HR Innovations Awards in Hong Kong, the Bank won Gold for 'Excellence in Employer Branding', joint Gold for 'Excellence in Talent Management', Silver for 'Excellence in HR Social Media', 'Excellence in Recruitment and Retention Strategy' and 'Excellence in Graduate Development'.

For its gender diversity and workplace initiatives, the Bank won the 'Best Malaysian Organisation' Award in 2014 and 2015 at the Life at Work Awards. Organised by Talent Corporation Malaysia Berhad (TalentCorp) and the global human resources specialists, Willis Towers Watson in

collaboration with the Ministry of Women, Family and Community Development, these awards recognise women-friendly employers with leading workplace strategies to champion the diversity and inclusion agenda in the organisation.

Group Technology

Group Technology's main focus is to support the Group's businesses in achieving their regional growth objectives by improving turnaround time of operations and services in an efficient manner. Group Technology and the Issuer's subsidiary, Maybank Shared Services, is responsible for managing all aspects relating to technology which covers the development and running of technology applications and infrastructure across all business units and countries in which the Group operates. The sector is responsible for managing all aspects relating to technology which covers delivery of project implementation, solution architecture and system design, code development and testing and operational support services. Other responsibilities include the definition of technology standards and frameworks, governing the Group's IT architecture principles and ensuring compliance of the Group's technology solutions with national and international security standards.

Group Operations

Group Operations ("GO") oversees the back office banking operation activities of the Group, which include the Payments, Self Service Terminals, Trade Operation, Credit Administration, Property Services and Valuation functions, as well as Treasury Operations. As at the date of this Offering Circular, GO centrally monitors 4,180 self-service terminals in Malaysia and five other countries via the Global ATM-eSST Monitoring Solution, manages trade processing centrally at the Trade Operation Hubs in Kuala Lumpur and Singapore, and all inward and outward cheque clearing in Malaysia and Singapore via the One-Stop Clearing Hub in Kuala Lumpur. These functions are supported by the Finance and Risk Management department within GO, which monitors GO's operating expenses against budgets, and tracks key risk indicators of Group Operations. This information is reported monthly at the Group Operations Council meeting as well as the various executive committees such as EXCO, ERC, RMC and BOD.

Awards and Accolades

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

| Awarded by | Description of Award/Accolade |
|----------------------------------|---|
| ASEAN Business Awards (ABA) 2015 | <ul style="list-style-type: none"> • CEO of The Year |
| Asiamoney's Brokers Poll 2015 | <ul style="list-style-type: none"> • Best Brokerage House in Malaysia (Maybank Kim Eng) • Best Overall Country Research (Maybank Kim Eng) • Best Macroeconomic Research for Malaysia (Maybank Kim Eng) • Third for the Most Improved Brokerage over the last 12 months in Asia (ex-Japan) (Maybank Kim Eng) • The Most Improved Brokerage in the last 12 months in Thailand (Maybank Kim Eng) • Second Best Brokerage House in Singapore and the Philippines. (Maybank Kim Eng) |

| Awarded by | Description of Award/Accolade |
|--|--|
| PwC Building Trust Awards 2015 | <ul style="list-style-type: none"> • Top Winner |
| National Annual Corporate Reporting Awards (NACRA) for 2014 | <ul style="list-style-type: none"> • Most Outstanding Annual Report of the Year (Platinum) • Best Corporate Social Responsibility Reporting Award (Platinum) • Industry Excellence Award (Finance Sector) • Best Designed Annual Report (Gold) • Best Annual Report in Bahasa Malaysia (Silver) |
| The Edge Billion Ringgit Club Award 2015 | <ul style="list-style-type: none"> • Best CR initiatives – 1st place (Big Cap companies) |
| World Branding Forum (WBF) | <ul style="list-style-type: none"> • Brand of the Year 2015 |
| Putra Brand of the Year Award 2015 | <ul style="list-style-type: none"> • Brand of The Year • Banking, Investment & Insurance category – Gold |
| Malaysian Investor Relations Association (MIRA) Investor Relations Awards 2015 | <ul style="list-style-type: none"> • Best CFO for Investor Relations (Large Cap) |
| RAM League Awards | <ul style="list-style-type: none"> • "Market Pioneer 2014 Award – First Malaysian Basel III Compliant Additional Tier 1 Capital Securities" |
| 100 Leading Graduate Employer 2015 Awards | <ul style="list-style-type: none"> • Most Popular Employer for Banking and Financial Services • Graduate Employer of the Year – First Runner-Up • Best Innovation on Campus • Best Social Media Usage |
| HR Innovation Awards 2015 | <ul style="list-style-type: none"> • Excellence in Employer Branding – Gold • Excellence in Talent Management – Joint Gold winner • Excellence in HR Social Media – Silver • Excellence in Recruitment & Retention Strategy – Silver • Excellence in Graduate Development – Silver |
| Asia Recruitment Awards 2015 | <ul style="list-style-type: none"> • Grand Winner Award for Best In House Corporate Recruitment • Best Employer Brand Development (Gold) |

| Awarded by | Description of Award/Accolade |
|--|--|
| | <ul style="list-style-type: none"> • Best Regional Recruitment Programme (Gold) • Best Recruitment Innovation (Gold) • Best Graduate Recruitment Programme (Silver) • Best Use of Digital Media (Silver) • Best Candidate Experience (Silver) |
| Asian Legal Business Malaysia Law Awards 2015 | <ul style="list-style-type: none"> • In-House Lawyer of the Year • The Banking and Financial Services In House Team of the Year |
| Asian Legal Business (ALB) SE Asia Law Awards 2015 | <ul style="list-style-type: none"> • Top honours in the Investment Banking In-House Team of the Year category (Kim Eng) • In-House Lawyer of the Year (Kim Eng) |
| 16th National Customer Experience Industry Awards | <p>Corporate Category</p> <ul style="list-style-type: none"> • Quality Monitoring Process (Open) 1st Place • Best Outbound Contact Centre In House (Over 100 Seats) 2nd Place • Corporate Social Responsibility (Open) 2nd Place • Best Inbound Contact Centre In House (Over 100 Seats) 3rd Place • Best Inbound Contact Centre In House (Under 100 Seats) 3rd Place <p>Individual Category</p> <ul style="list-style-type: none"> • Best Contact Centre Team Leader (Overall) • Best Contact Centre Team Leader Inbound (Over 100 Seats) 1st Place • Best Contact Centre Team Leader Outbound (Over 100 Seats) 1st Place • Best Contact Centre Manager Outbound (Over 100 Seats) 2nd Place • Best Contact Professional Inbound (Over 100 Seats) 2nd Place • Best Contact Centre Professional Outbound (Over 100 Seats) 2nd Place • Best Contact Centre Team Leader Outbound (Over 100 Seats) 3rd Place |

| Awarded by | Description of Award/Accolade |
|--|--|
| | <ul style="list-style-type: none"> • Workforce Management Professional (Open) 3rd Place |
| PWM The Banker Global Private Banking Awards 2015 | <ul style="list-style-type: none"> • Country Awards : "Best Domestic Private Bank in Malaysia" |
| Global Finance World's Best Private Bank Awards 2015 | <ul style="list-style-type: none"> • Best Private Bank (Malaysia) |
| The Banker Global Private Banking Awards 2015 | <ul style="list-style-type: none"> • Best Private Bank in Malaysia |
| FinanceAsia Country Awards for Achievement 2015 | <ul style="list-style-type: none"> • Best Private Bank (Malaysia) |
| Euromoney Private Banking Awards 2015 | <ul style="list-style-type: none"> • Best Private Banking Services Overall in Malaysia (6th time) • No. 1 in Net-worth-specific services – UHNW clients(Greater than US\$30 million) • No. 1 in Net-worth-specific services – HNW clients(US\$5 million – US\$30 million) • No. 1 in Net-worth-specific services – Super Affluent(US\$1 million – US\$5 million) • No. 1 in Commercial Banking Capabilities • No. 1 in Research and Asset Allocation Advice • No. 1 in Philanthropy and Social Impact Investing |
| Asian-Oceanian Computing Industry Organization (ASOCIO) ICT Award 2015 | <ul style="list-style-type: none"> • The Award of Merit for the Outstanding User Organisation |
| The CEPI (Cards & Electronic Payments International) Asia Awards | <ul style="list-style-type: none"> • Leadership – Institutional*** (Overall winner) • Highly Commended: Best Prepaid Card (shell easiGOAmex Prepaid Card) • Highly Commended: Best NFC-enabled Service Initiative(Micro Tag, Watch2Pay and Debit Platinum Paywave) • Highly Commended: Best Marketing Campaign (#iloveCampaign) • Highly Commended: Best Card Design (PT BII Maybank(IND)) • Best Credit Card Offering – Malaysia (Maybank 2 CardsPremier) • Best Peer-to-Peer Payments Initiative (M2U VISA Direct– VISA Personal Payment) • Best Alternative Payments Initiative – |

| Awarded by | Description of Award/Accolade |
|--|--|
| | Overall***(Overall winner) <ul style="list-style-type: none"> • Best Remittance Offering (M2U Visa Direct – VISAPersonal Payment) |
| Customer Experience Asia Excellence Awards | <ul style="list-style-type: none"> • 2nd Runner Up : Best Customer Experience Award • Honorary Mention: Best Digital Experience |
| J.P Morgan 2014 Quality Recognition Award | <ul style="list-style-type: none"> • Maybank Payment & SST, Banking Operations received: <ul style="list-style-type: none"> • MT 202 Quality Recognition Award • MT 103 Quality Recognition Award |
| Customer Experience in Financial Services (CXFS) Asia Awards 2015 | <ul style="list-style-type: none"> • Winner: Best Use of Social Media |
| 25th PBI Global Wealth Summit & Awards 2015 | <ul style="list-style-type: none"> • PBI Asia Rising Star • Outstanding Young Private Banker award • Highly Commended Award: <ul style="list-style-type: none"> – Outstanding Private Bank – Asia Pacific Regional Player – Most Effective Investment Offering – Most Innovative Business Model – Outstanding Wealth Manager-Customer Relationship and Engagement |
| Euromoney Awards for Excellence 2015 | <ul style="list-style-type: none"> • Maybank Investment Bank (Maybank IB) – Best Investment Bank in Malaysia |
| The Asset Triple A Asset Servicing, Investor and Fund Management Awards 2015 | <ul style="list-style-type: none"> • Maybank Securities Services: Best Domestic Custodian, Malaysia • Best Custody Mandate |
| The Asian Banker Financial Markets Awards 2015 | <ul style="list-style-type: none"> • Sub-Custodian Bank of the Year (Malaysia) |
| The Asian Banker | <ul style="list-style-type: none"> • Best Retail Bank in Malaysia Award for 2015 |

| Awarded by | Description of Award/Accolade |
|--|--|
| Alpha Southeast Asia 9th Annual Best Financial Institution Awards 2015 | <ul style="list-style-type: none"> • Best Retail Broker in Malaysia, Thailand, Singapore, the Philippines, Indonesia and Vietnam (Maybank Kim Eng) • Best Institutional Broker in Malaysia, the Philippines and Indonesia (Maybank Kim Eng) • Special Marquee Award for Best Broker in Southeast Asia (Maybank Kim Eng) |
| RAM League Awards | <ul style="list-style-type: none"> • RAM Award of Distinction 2014 • Lead Manager Award 2014 By Programme Value – 1st place • Lead Manager Award 2014 By Number of Issues – 2nd place • Special Merit Award • Malaysian Top Lead Manager 2014 – Corporate Sukuk Market & Corporate Bond Market • Blueprint Award • Market Pioneer Awards – Lead Managers’ Recognition • 1st Malaysian Additional Tier-1 Capital Securities – Malayan Banking Berhad’s Additional Tier-1 Capital Securities Programme of up to RM10 billion |
| HFM Asia Hedge Fund Services Awards 2015 | <ul style="list-style-type: none"> • Best Boutique Prime Broker |
| Annual Islamic Finance News (IFN) Awards | <ul style="list-style-type: none"> • Best Takaful Provider • World’s 1st Takaful Sukuk – Etiqa Takaful Berhad’s Subordinated Sukuk Musharakah Facility of up to RM300 million |
| Frost & Sullivan Excellence in Customer Experience Awards 2015 | <ul style="list-style-type: none"> • Life Insurance Industry Malaysia – Overall Experience • Life Insurance Industry Malaysia – In Branch Experience • Life Insurance Industry Malaysia – Self Service Experience • Life Insurance Industry Malaysia – Mobile Experience • Medical Insurance Industry Malaysia – In Branch Experience • Medical Insurance Industry Malaysia – Self |

| Awarded by | Description of Award/Accolade |
|---|--|
| | Service Experience |
| The Asset Triple A Islamic Finance Awards 2015 | <ul style="list-style-type: none"> • Best Islamic Loan Syndication/Best Islamic Structured Financing • Most Innovation Islamic Finance Deal • Best REIT Sukuk • Best Bank Capital Sukuk – Highly Commended • Best Corporate Hybrid Sukuk/Best Local Currency Sukuk • Best Corporate Sukuk • Best Islamic Deal |
| KLIFF Islamic Finance Awards 2015 | <ul style="list-style-type: none"> • The Most Outstanding Takaful Company |
| PWM The Banker Global Private Banking Awards 2015 | <ul style="list-style-type: none"> • Best Private Bank for Islamic Services |
| RAM League Awards | <ul style="list-style-type: none"> • Lead Manager Award (Islamic) 2014 By Programme Value – 1st place • Lead Manager Award (Islamic) 2014 By Number of Issues – Joint 1st place • World’s 1st Rated Perpetual Subordinated Sukuk – Malaysia Airports Holding Berhad’s RM2.5 billion Perpetual Subordinated Sukuk Programme • New Real-Estate Benchmark Deal – Midciti Sukuk Berhad’s Sukuk Murabahah Programme of up to RM3 billion in nominal value • World’s 1st RMB-bond by a Mortgage Corporation – Cagamas Global Sukuk Berhad’s USD2.5 billion Multi-Currency Sukuk Programme |
| The Banker Global Private Banking Awards 2015 | <ul style="list-style-type: none"> • Best Private Bank for Islamic Services |
| IDC Financial Insights Innovation Award 2015 | <ul style="list-style-type: none"> • Financial Insights Innovation Award 2015 |
| Excellent Service Experience (ESE) Award 2015 | <ul style="list-style-type: none"> • Excellent Service Experience Award 2015 for Regular Domestic Banking category by Carre-Center for Customer Satisfaction Loyalty (Carre-CCSL) and Bisnis Indonesia – 3rd Rank |
| Pinnacle Group International Awards 2015 | <ul style="list-style-type: none"> • Platinum Award for Global CSR (Women Empowerment category) |
| Markplus WOW Service Excellence | <ul style="list-style-type: none"> • The Best Champion for Jabodetabek WOW Service – Excellence for Conventional Banking |

| Awarded by | Description of Award/Accolade |
|--|---|
| Award 2015 | (Buku III) |
| Islamic Finance Award 2015 & Islamic Finance Cup 2015 from Karim Business Consulting | <ul style="list-style-type: none"> <li data-bbox="730 306 1356 374">• 1st rank for Islamic Finance Award for The Most Expansive Financing Shariah Unit <li data-bbox="730 389 1356 434">• Grand Champions for Islamic Finance Cup |

Subsidiaries

The following is a description of the Bank's principal subsidiaries, deemed control structured entities, associates and joint ventures as at 31 December 2015:

Details of subsidiaries

| As at 31 December 2015 | | | |
|---|--|--|--|
| Name of Company | Principal Business | Country of Incorporation/Principal place of business | Effective Interest held by the Group (per cent.) |
| Banking | | | |
| Maybank Islamic Berhad | Islamic banking | Malaysia | 100.00 |
| PT Bank Maybank Syariah Indonesia | Islamic banking | Indonesia | 100.00 |
| Maybank International (L) Ltd. | Offshore banking | Malaysia | 100.00 |
| Maybank Philippines, Incorporated | Banking | Philippines | 99.97 |
| PT Bank Maybank Indonesia TBK (formerly known as PT Bank Internasional Indonesia Tbk) | Banking | Indonesia | 98.31 |
| Maybank (Cambodia) Plc. | Banking | Cambodia | 100.00 |
| Finance | | | |
| Myfin Berhad | Ceased operations | Malaysia | 100.00 |
| Maybank Asset Management Group Berhad | Investment holding | Malaysia | 100.00 |
| Maybank Allied Credit & Leasing Sdn. Bhd. | Financing | Malaysia | 100.00 |
| PT Maybank Indonesia Finance (formerly known as PT BII Finance Center) | Multi-financing | Indonesia | 98.31 |
| PT Wahana Ottomitra Multiartha Tbk | Multi-financing | Indonesia | 67.39 |
| Kim Eng Finance (Singapore) Pte. Ltd. | Money lending | Singapore | 100.00 |
| Insurance | | | |
| Maybank Ageas Holdings Berhad | Investment holding | Malaysia | 69.05 |
| Sri MLAB Berhad | Under member's voluntary liquidation | Malaysia | 69.05 |
| Etiqa Life International (L) Ltd. | Offshore investment linked insurance | Malaysia | 69.05 |
| Sri MGAB Berhad | Under member's voluntary liquidation | Malaysia | 69.05 |
| Etiqa Insurance Berhad | General insurance, life insurance and investment-linked business | Malaysia | 69.05 |
| Etiqa Takaful Berhad | General takaful, family takaful and investment-linked business | Malaysia | 69.05 |
| Etiqa Offshore Insurance (L) Ltd. | Provision of bureau services in Federal Territory of Labuan | Malaysia | 69.05 |
| Etiqa International Holdings Sdn. Bhd. | Investment holding | Malaysia | 100.00 |
| AsianLife & General Assurance Corporation | Insurance provider | Philippines | 95.24 |
| Etiqa Insurance Pte. Ltd. | Provision of management services to holding company | Singapore | 69.05 |

As at 31 December 2015

| Name of Company | Principal Business | Country of Incorporation/Principal place of business | Effective Interest held by the Group (per cent.) |
|--|---|--|--|
| Investment Banking | | | |
| Maybank Investment Bank Berhad | Investment banking | Malaysia | 100.00 |
| Maysec Sdn. Bhd. | Investment holding | Malaysia | 100.00 |
| Mayban Futures Sdn. Bhd. | Under member's voluntary liquidation | Malaysia | 100.00 |
| PhileoAllied Securities (Philippines) Inc. | Dormant | Philippines | 100.00 |
| BinaFikir Sdn. Bhd. | Business/Economic consultancy and advisory | Malaysia | 100.00 |
| Maybank IB Holdings Sdn. Bhd. | Investment holding | Malaysia | 100.00 |
| Maybank Kim Eng Holdings Limited | Investment holding | Singapore | 100.00 |
| Maybank Kim Eng Securities Pte. Ltd. | Dealing in securities | Singapore | 100.00 |
| PT. Maybank Kim Eng Securities | Dealing in securities | Indonesia | 80.00 |
| Maybank Kim Eng Securities (Thailand) Public Company Limited | Dealing in securities | Thailand | 83.50 |
| Maybank Kim Eng Securities (London) Limited | Dealing in securities | United Kingdom | 100.00 |
| Maybank Kim Eng Securities USA Inc. | Dealing in securities | United States of America | 100.00 |
| Kim Eng Securities India Private Limited | Dealing in securities | India | 75.00 |
| Ong Asia Limited | Investment holding | Singapore | 100.00 |
| Ong Asia Securities (HK) Limited | Securities trading | Hong Kong | 100.00 |
| Maybank Kim Eng Research Pte. Ltd. | Provision of research services | Singapore | 100.00 |
| Kim Eng Securities (Hong Kong) Limited | Dealing in securities | Hong Kong | 100.00 |
| Kim Eng Futures (Hong Kong) Limited | Futures contracts broker | Hong Kong | 100.00 |
| Maybank ATR Kim Eng Capital Partners, Inc. | Corporate finance & financial and investment advisory | Philippines | 100.00 |
| Maybank ATR Kim Eng Securities, Inc. | Dealing in securities | Philippines | 100.00 |
| Maybank Kim Eng Securities Limited | Dealing in securities | Vietnam | 100.00 |
| Asset Management/Trustees/Custody | | | |
| Maybank (Indonesia) Berhad | Dormant | Malaysia | 100.00 |
| Cekap Mentari Berhad | Securities issuer | Malaysia | 100.00 |
| Maybank International Trust (Labuan) Berhad | Investment holding | Malaysia | 100.00 |
| Maybank Offshore Corporate Services (Labuan) Sdn. Bhd. | Investment holding | Malaysia | 100.00 |
| Maybank Trustees Berhad | Trustee services | Malaysia | 100.00 |
| Maybank Private Equity Sdn. Bhd. | Private equity investments | Malaysia | 100.00 |
| Maybank Asset Management Sdn. Bhd. | Fund management | Malaysia | 100.00 |
| Philmay Property, Inc. | Property leasing and trading | Philippines | 60.00 |
| Maybank (Nominees) Sdn. Bhd. | Nominee services | Malaysia | 100.00 |
| Maybank Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | 100.00 |
| Maybank Nominees (Asing) Sdn. Bhd. | Nominee services | Malaysia | 100.00 |
| Maybank Nominees (Singapore) Private Limited | Nominee services | Singapore | 100.00 |
| Maybank Nominees (Hong Kong) Limited | Nominee services | Hong Kong | 100.00 |

As at 31 December 2015

| Name of Company | Principal Business | Country of Incorporation/Principal place of business | Effective Interest held by the Group (per cent.) |
|--|--|--|--|
| Asset Management/Trustees/Custody (cont'd.) | | | |
| Maybank Securities Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | 100.00 |
| Maybank Securities Nominees (Asing) Sdn. Bhd. | Nominee services | Malaysia | 100.00 |
| Maybank Allied Berhad | Investment holding | Malaysia | 100.00 |
| Dourado Tora Holdings Sdn. Bhd. | Investment holding | Malaysia | 100.00 |
| Aurea Lakra Holdings Sdn. Bhd. | Property investment | Malaysia | 100.00 |
| Maybank International Trust (Labuan) Ltd. | Trustee services | Malaysia | 100.00 |
| KBB Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | 100.00 |
| KBB Properties Sdn. Bhd. | Ceased operations | Malaysia | 100.00 |
| Etiqa Overseas Investment Pte. Ltd. | Investment holding | Malaysia | 69.05 |
| Double Care Sdn. Bhd. | Under member's voluntary liquidation | Malaysia | 69.05 |
| Sorak Financial Holdings Pte. Ltd. | Investment holding | Singapore | 100.00 |
| Rezan Pte. Ltd. | Investment holding | Singapore | 100.00 |
| Maybank KE Strategic Pte. Ltd. | Investment holding | Singapore | 100.00 |
| Maybank Kim Eng Properties Pte. Ltd. | Property investment | Singapore | 100.00 |
| Strategic Acquisitions Pte. Ltd. | Investment holding | Singapore | 100.00 |
| Kim Eng Investment Limited | Investment holding | Hong Kong | 100.00 |
| KE Sovereign Limited | Investment holding | British Virgin Islands | 100.00 |
| FXDS Learning Group Pte. Ltd. | Financial education | Singapore | 100.00 |
| Ong & Company Private Limited | Dormant | Singapore | 100.00 |
| Maybank Kim Eng Securities Nominees Pte. Ltd. | Acting as nominee for beneficiary shareholders | Singapore | 100.00 |
| St. Michael's Development Pte. Ltd. | Real estate development | Singapore | 100.00 |
| Maybank Asset Management Singapore Pte. Ltd. | Fund management | Singapore | 100.00 |
| PT Kim Eng Asset Management | Dormant | Indonesia | 85.00 |
| Kim Eng Nominees (Hong Kong) Limited | Nominee services | Hong Kong | 100.00 |
| Maybank Kim Eng Properties USA Inc. | Property investment | United States of America | 100.00 |
| Maybank Asset Management (Thailand) Company Limited | Fund management | Thailand | 100.00 |
| PT Prosperindo | Investment holding | Indonesia | 100.00 |
| Maybank Shared Services Sdn. Bhd. | IT shared services | Malaysia | 100.00 |
| PT Maybank GMT Asset Management | Fund management | Indonesia | 99.00 |
| Maybank Islamic Asset Management Sdn. Bhd. | Fund management | Malaysia | 100.00 |
| MAM DP Ltd. | Fund management | Malaysia | 100.00 |

Details of the deemed controlled structured entities

| As at 31 December 2015 | | | |
|---|--|--|--|
| Name of Company | Principal Business | Country of Incorporation / Principal place of business | Effective Interest held by the Group (per cent.) |
| Akshayam Asia Fund Limited | Equity Fund | British Virgin Islands | 91 |
| Akshayam Asia Master Fund Limited | Equity Fund | British Virgin Islands | 91 |
| MAM PE Asia Fund I (Labuan) LLP | Private Equity Fund | Malaysia | 100 |
| Maybank Asian Equity Fund | Equity Fund | Singapore | 100 |
| Maybank Asian Income Fund | Fixed Income Fund | Singapore | 100 |
| Maybank AsiaPac Ex-Japan Equity-I Fund | Equity Fund | Malaysia | 100 |
| Maybank Bluewaterz Total Return Bond Fund | Fixed Income Fund and other securities | Cayman Islands | 87 |
| Maybank Global Sukuk Fund | Fixed Income Fund | Malaysia | 100 |
| Maybank Equity-I Fund | Equity Fund | Malaysia | 94 |
| Maybank Malaysia Sukuk Fund | Fixed Income Fund | Malaysia | 100 |

Details of the associates

| As at 31 December 2015 | | | |
|--|--|--|--|
| Name of Company | Principal Business | Country of Incorporation / Principal place of business | Effective Interest held by the Group (per cent.) |
| Held by the Bank | | | |
| Uzbek Leasing International A.O. | Leasing | Uzbekistan | 20 |
| Philmay Holding, Inc. | Investment holding | Philippines | 33 |
| Mayban Agro Fund Sdn. Bhd. | Fund specific purpose vehicle | Malaysia | 33 |
| An Binh Commercial Joint Stock Bank | Banking | Vietnam | 20 |
| Held through subsidiaries | | | |
| Pak-Kuwait Takaful Company Limited | Investment holding | Pakistan | 22 |
| MCB Bank Limited | Banking | Pakistan | 20 |
| Asian Forum, Inc. | Offshore captive insurance | Malaysia | 23 |
| Tullet Prebon (Philippines), Inc. | Broker between participants in forex, fixed income | Philippines | 49 |
| Adrian V. Ocampo Insurance Brokers, Inc. | Insurance brokerage | Philippines | 40 |
| ATRAM Investment Management Partners Corporation | Investment Management | Philippines | 35 |

Details of the joint ventures

| As at 31 December 2015 | | | |
|----------------------------------|---------------------------|---|---|
| Name of Company | Principal Business | Country of Incorporation / Principal place of business | Effective Interest held by the Group (per cent.) |
| Held through subsidiaries | | | |
| Maybank JAIC Management Ltd. | Fund management | Malaysia | 50 |
| Anfaal Capital | Investment banking | Kingdom of Saudi Arabia | 35 |

Legal Proceedings

As at 31 December 2015, save for the legal proceedings discussed below, neither the Bank nor any member of the Group was involved in any legal or arbitration proceedings (including any proceedings which were pending or threatened of which the Bank was aware) which would have had a significant and material effect on the financial position of the Bank or the Group.

Maybank Investment Bank Berhad

In 2005, a corporate borrower issued a writ of summons and statement of claim against a subsidiary, Maybank Investment Bank Berhad ("**Maybank IB**"), claiming general, special and exemplary damages arising from alleged breach of duty owed by Maybank IB in its capacity as agent bank for three financial institutions in connection with a syndicated facility.

The credit facilities consisted of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million which were granted by Maybank IB and three syndicated lenders. Maybank IB's rights as lender were subsequently vested to Malayan Banking Berhad, one of the other three syndicated lenders but Maybank IB retained its agency role. The loan was subsequently restructured to RM38.0 million with terms for repayment. In 2006, Maybank IB and the three syndicated lenders filed a suit against the corporate borrower and guarantor for the recovery of the said credit facilities. The two claims were heard together.

On 6 May 2009, the High Court entered judgment against Maybank IB (as agent bank for the syndicated lenders) and the syndicated lenders for, inter alia, a sum of RM115.5 million with interest at 6 per cent. per annum from the date of disbursement to realisation, with the balance of the corporate borrower's claim (including general damages) ordered to be assessed at a later date ("**Judgment**"). In the same Judgment, the recovery action by Maybank IB and the three syndicated lenders was also dismissed.

Maybank IB and the three syndicated lenders then filed an appeal against the Judgment ("**Appeal**") and an application for stay of execution of the Judgment on 8 May 2009. On 24 June 2009, Maybank IB and the three syndicated lenders successfully obtained a stay order for execution of the Judgment pending the disposal of the Appeal against the Judgment. The corporate borrower's appeal to the Court of Appeal against the decision on the stay order was dismissed on 23 November 2009.

The Appeal came up for hearing on 10 February 2012, wherein all parties agreed for the matter to be mediated. As the parties could not come to any consensus at the mediation on 9 March 2012, they proceeded with the Appeal which concluded on 23 January 2013.

On 27 September 2013, the Court of Appeal delivered its judgment in favour of Maybank IB and the three syndicated lenders, allowing the Appeal with costs of RM120,000. Judgment was entered against the corporate borrower and its guarantor for the sum of RM47,232,496.11 as at 30 September 2008 with interest of 2 per cent. per annum from 1 Oct 2008 until full settlement. The Court of Appeal also directed payment of Maybank IB's agency fees of RM50,000 as at 1 June 2008 and subsequent annual fees of RM50,000 to be paid every 1st June with interest of 8 per cent. per annum thereon from 2 June 2008 until full settlement.

On 25 October 2013, the corporate borrower and its guarantor filed a motion for leave to appeal to the Federal Court in respect of the decision of the Court of Appeal against the corporate borrower and its guarantor dated 27 September 2013.

On 29 January 2014, the Federal Court dismissed the leave application. On 20 November 2014, the corporate borrower and its guarantor filed a motion to the Federal Court for the Federal Court to review and set aside its own decision in dismissing the leave application on 29 January 2014 ("**Review Application**"). The Review Application was heard by the Federal Court on 3 December 2015 and was unanimously dismissed with costs of RM20,000. Maybank IB's solicitors are of the view that the Review Application is without merit.

The actions for recovery of the loan sums will still continue as there is no stay of the Court of Appeal decision on 27 September 2013 in favour of Maybank IB.

The corporate borrower has been wound up by way of an order filed in the Court of Appeal and an Official Receiver has been appointed as liquidator of the corporate borrower. On 3 March 2015, the corporate borrower had obtained a stay of the Court of Appeal's winding-up order pending disposal of its application to the Federal Court for leave to appeal against the winding-up order.

DESCRIPTION OF THE ISSUER'S HONG KONG BRANCH

Malayan Banking Berhad, Hong Kong Branch was registered on 22 January 1962 under the Banking Ordinance (Cap. 155) of Hong Kong (the "**Banking Ordinance**") with its current registered office at 18/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong and licence number 183.

It is a full licensed banking branch and has been in operation since February 1962 and is an authorised institution by the Banking Ordinance of Hong Kong SAR.

With a presence of over 50 years in Hong Kong, the Bank's Hong Kong branch has evolved from its traditional retail banking activities into a client-focused operation that provides comprehensive professional banking services, primarily to Malaysian corporations investing and involved in trading activities with Hong Kong and PRC.

DESCRIPTION OF THE ISSUER'S SINGAPORE BRANCH

Malayan Banking Berhad, Singapore Branch was registered on 9 December 1960 under the Companies Act, Chapter 50 of Singapore with its registered office at 2 Battery Road, Maybank Tower, Singapore 049907 and company registration number S60FC1376L. The Singapore Branch received its Qualifying Full Bank status in Singapore from the Monetary Authority of Singapore on 1 January 2002 and conducts the corporate and retail banking business of the Group in Singapore.

FUNDING AND CAPITAL ADEQUACY

Funding

The Group has a liability structure primarily comprising fixed deposits and negotiable instruments of deposit ("NIDs"), demand deposits and savings deposits representing 62.7 per cent., 20.8 per cent., and 13.0 per cent. of total deposits from customers, respectively, as at 31 December 2015. As at 31 December 2015, 78.4 per cent. of total fixed deposits and NID had maturities of less than six months. Based on the Group's experience and historical trends in respect of customer behaviour, the rollover rate of traditional deposits has been consistent and predictable, hence providing the Issuer with a steady source of funding.

As at 31 December 2015, 41.8 per cent. of the Group's deposits were from individuals and the remainder were from corporate and institutional clients. Other sources of funding include interbank deposits, Cagamas borrowing, and term borrowing. The following tables sets out the profile of the Group's customer deposits:

Profile of deposits from customers

| | Audited | Audited |
|--|---------------------------------------|---------------------------------------|
| | As at 31 December 2015 | As at 31 December 2014 |
| | <i>(RM million)</i> | <i>(RM million)</i> |
| Fixed deposits and negotiable instruments of deposits | | |
| One year or less | 288,603 | 239,932 |
| More than one year | 11,334 | 17,186 |
| | 299,937 | 257,118 |
| Money market deposits | 12,617 | 22,091 |
| Savings deposits | 62,024 | 59,282 |
| Demand deposits | 99,215 | 95,566 |
| Structured deposits | 4,358 | 5,512 |
| | 478,151 | 439,569 |

Capital Adequacy

The capital adequacy ratios of the Issuer and the Group are computed in accordance with the Capital Adequacy Framework (Capital Components) and the Capital Adequacy Framework (Basel II - Risk Weighted Assets) issued by BNM on 13 October 2015.

The total risk-weighted assets of the Issuer and the Group are computed based on the following approaches:

- (i) Credit risk under Internal Ratings Based Approach;
- (ii) Market risk under Standardised Approach; and
- (iii) Operational risk under Basic Indicator Approach

As at 31 December 2015, the CET1 capital ratio before deducting the proposed final dividend for the financial year ended 31 December 2015 was 15.78 per cent. (Issuer level) and 12.78 per cent. (Group level). The Tier 1 capital ratio was 17.97 per cent. (Issuer level) and 14.47 per cent. (Group level) whereas the total capital ratio was 17.97 per cent. (Issuer level) and 17.74 per cent. (Group level) as at 31 December 2015. The Issuer's and the Group's CET1 capital ratio, Tier 1 capital ratio and total capital ratio are well above BNM's regulatory minimum capital adequacy ratios of 4.50 per cent., 6.00 per cent. and 8.00 per cent. respectively.

The following table sets forth the capital adequacy ratios of the Group as at 31 December 2014 and 31 December 2015.

| | Audited | Audited |
|---------------------------|---------------------------------------|---------------------------------------|
| | As at 31 December 2015 | As at 31 December 2014 |
| | <i>(per cent.)</i> | <i>(per cent.)</i> |
| CET1 Capital Ratio..... | 12.780 | 11.747 |
| Tier 1 Capital Ratio..... | 14.471 | 13.539 |
| Total Capital Ratio..... | 17.743 | 16.235 |

The breakdown of the Group's capital base in the various categories of capital are set out below:

| | Audited | Audited |
|---|---------------------------------------|---------------------------------------|
| | As at 31 December 2015 | As at 31 December 2014 |
| | <i>(RM million)</i> | <i>(RM million)</i> |
| CET1 Capital | | |
| Paid-up share capital..... | 9,762 | 9,319 |
| Share premium..... | 25,900 | 22,748 |
| Retained profits ⁽¹⁾ | 9,356 | 9,173 |
| Other reserves ⁽¹⁾ | 13,232 | 8,600 |
| Qualifying non-controlling interests..... | 119 | 125 |
| Less: Shares held-in-trust..... | (120) | (113) |
| CET1 capital before regulatory adjustments..... | 58,249 | 49,852 |
| Less: Regulatory adjustments applied on CET1 Capital: | {(10,538) | (8,392)} |
| Deferred tax assets..... | (908) | (835) |
| Goodwill..... | (5,912) | (5,144) |
| Other intangibles..... | (994) | (1,081) |

| | | |
|---|---------------|---------------|
| Profit equalisation reserve | (34) | (34) |
| Regulatory reserve | (1,248) | (275) |
| Shortfall of total eligible provision over total expected loss | - | (420) |
| Investment in ordinary shares of unconsolidated financial and insurance/ takaful entities ⁽³⁾ | (1,442) | (603) |
| Regulatory adjustments due to insufficient Additional Tier 1 and Tier 2 Capital | - | - |
| Total CET1 Capital | 47,711 | 41,460 |
| Additional Tier 1 Capital | | |
| Capital Securities | 6,245 | 6,246 |
| Qualifying CET1 and Additional Tier 1 capital instruments held by third parties | 68 | 80 |
| Less: Regulatory adjustment due to insufficient Tier 2 capital | - | - |
| Total Tier 1 Capital | 54,024 | 47,786 |
| Tier 2 Capital | | |
| Subordinated obligations | 12,984 | 10,839 |
| Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties | 529 | 530 |
| Collective allowance ⁽²⁾ | 453 | 555 |
| Surplus of total eligible provision over total expected loss | 414 | - |
| Less: Regulatory adjustment not deducted from CET1 Capital or Additional Tier 1 capital provided under the transitional arrangements ⁽²⁾ | (2,164) | (2,411) |
| Total Tier 2 Capital | 12,216 | 9,513 |
| Total Capital | 66,241 | 57,300 |

Notes:

- (1) The amount excludes retained profits and other reserves from insurance and takaful business.
- (2) Excludes collective allowance for impaired loans, advances and financing restricted from Tier 2 Capital/Eligible Tier 2 Capital of the Group.
- (3) Represent adjustments in the capital of unconsolidated insurance/takaful subsidiaries and associates.

The breakdown of the Group's risk-weighted assets in the various categories of risk weights are set out below:

| | Audited | Audited |
|---|-----------------------------------|-----------------------------------|
| | As at 31 December 2015 | As at 31 December 2014 |
| | <i>(RM million)</i> | <i>(RM million)</i> |
| Standardised Approach exposure | 47,321 | 48,785 |
| IRB Approach exposure after scaling factor | 279,836 | 257,422 |
| Total risk-weighted assets for credit risk | 327,157 | 306,207 |
| Total risk-weighted assets for market risk | 11,257 | 14,168 |
| Total risk-weighted assets for operational risk | 34,914 | 32,569 |
| Total risk-weighted assets | 373,327 | 352,944 |

ASSET QUALITY

The Group's loans are predominantly made to corporations and individuals based in Malaysia. The remainder of the Group's loans, amounting to 39.6 per cent., of its total loan portfolio as at 31 December 2015, are made to customers and institutions outside Malaysia. The Group monitors country exposures and manages its country risks by undertaking on a regular basis, analysis of the political, economic, financial and social developments of those countries where it has significant exposures. The Group also sets limits for countries based on country-specific strategic business considerations.

As at 31 December 2015, the Group's total net outstanding loans were RM453,493 million, which represented 64.0 per cent. of the Group's total consolidated assets.

The Group's net impaired loan ratio stood at 1.43 per cent. as at 31 December 2015 compared to 1.04 per cent. as at 31 December 2014. The Group's net credit charge-off rate was 41 basis points for the financial year ended 31 December 2015, due to impairments made for specific corporate banking and business banking accounts.

The composition of the Group's loan portfolio as at 31 December 2015 and 31 December 2014 is set out below:

Loan Portfolio

Loans, advances and financing by type

| | <u>Audited</u> | <u>Audited</u> |
|--|----------------------|----------------------|
| | <u>As at 31</u> | <u>As at 31</u> |
| | <u>December 2015</u> | <u>December 2014</u> |
| | <i>(RM million)</i> | <i>(RM million)</i> |
| Overdrafts/cashline | 20,272 | 18,138 |
| Term loans: | | |
| Housing loans/financing | 140,813 | 119,889 |
| Syndicated loans/financing | 38,471 | 32,856 |
| Hire purchase receivables | 60,296 | 56,407 |
| Lease receivables | 47 | 39 |
| Other loans/financing | 226,386 | 206,685 |
| Credit card receivables | 7,904 | 7,038 |
| Bills receivables | 3,556 | 4,602 |
| Trust receipts | 3,634 | 4,654 |
| Claims on customers under acceptance credits | 11,098 | 11,250 |
| Loans/financing to financial institutions | 2,576 | 3,718 |
| Revolving credits | 41,854 | 37,124 |
| Staff loans | 3,447 | 2,997 |
| | <u>560,354</u> | <u>505,397</u> |
| Loans to: | | |
| Executive directors of the Bank | ^ | ^ |
| Executive directors of subsidiaries | 2 | 2 |
| Others | 3,840 | 2,944 |
| | <u>564,196</u> | <u>508,343</u> |
| Unearned interest and income | <u>(104,544)</u> | <u>(98,871)</u> |

| | <u>Audited</u> | <u>Audited</u> |
|--|----------------------|----------------------|
| | <u>As at 31</u> | <u>As at 31</u> |
| | <u>December 2015</u> | <u>December 2014</u> |
| | <i>(RM million)</i> | <i>(RM million)</i> |
| Loans, advances and financing by type (cont'd.) | | |
| Gross loans, advances and financing | 459,652 | 409,472 |
| Allowances for impaired loans, advances and financing: | | |
| Individual allowance | (2,260) | (1,990) |
| Collective allowance | (3,899) | 3,969 |
| Net loans, advances and financing | <u>453,493</u> | <u>403,513</u> |

^ Denotes RM96,000 as at 31 December 2015 (2014:RM103,000).

Loans, advances and financing by geographical location

| | <u>Audited</u> | <u>Audited</u> |
|--|----------------------|----------------------|
| | <u>As at 31</u> | <u>As at 31</u> |
| | <u>December 2015</u> | <u>December 2014</u> |
| | <i>(RM million)</i> | <i>(RM million)</i> |
| Malaysia | 258,835 | 244,171 |
| Singapore | 113,880 | 93,566 |
| Indonesia | 36,605 | 31,381 |
| Labuan Offshore | 18,592 | 13,489 |
| Hong Kong SAR | 14,499 | 13,258 |
| United States of America | 1,254 | 1,116 |
| People's Republic of China | 3,477 | 3,049 |
| Vietnam | 648 | 485 |
| United Kingdom | 1,489 | 1,328 |
| Brunei | 524 | 368 |
| Cambodia | 2,091 | 1,234 |
| Bahrain | 495 | 322 |
| Philippines | 5,381 | 3,905 |
| Papua New Guinea | - | 230 |
| Thailand | 1,723 | 1,447 |
| Laos | 117 | 89 |
| Others | 42 | 34 |
| Gross loans, advances and financing | <u>459,652</u> | <u>409,472</u> |

Overseas Loan

As at 31 December 2015, overseas loans constituted 39.6 per cent. of the Group's total loan portfolio. The Group monitors country exposures and manages its country risks by undertaking on a regular basis

analysis of the political, economic, financial and social developments of those countries where it has significant exposures. The Group also sets limits for countries based on country-specific strategic business considerations.

Loan Maturity Profile

The following table sets out the breakdown of the Group's gross loan portfolio by maturity profile as at 31 December 2015 and 31 December 2014:

| | As at 31 December 2015 | As at 31 December 2014 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| | <i>(RM million)</i> | <i>(RM million)</i> |
| Within one year | 111,422 | 111,130 |
| One year to three years | 64,964 | 59,591 |
| Three years to five years | 58,463 | 45,374 |
| After five years | 224,803 | 193,377 |
| Gross loans, advances and financing | <u>459,652</u> | <u>409,472</u> |

Critical Accounting Policies

Classification of loans, advances and financing as impaired

Loans, advances and financing are classified as impaired when:

- principal or interest/profit or both are past due for more than three (3) months; or
- loans, advances and financing in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for; or
- loans, advances and financing has been rescheduled or restructured, the loans, advances and financing will continue to be classified as impaired until repayments based on the rescheduled or restructured terms have been observed continuously for a period of six (6) months; or
- default occurs for repayments scheduled on intervals of three (3) months or longer.

Impairment process — individual assessment

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

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

Impairment process — collective assessment

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

Future cash flows in a group of loans, advances and financing that are collectively evaluated for impairment are estimated based on the historical loss experience of the Group and of the Issuer.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that do not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for a group of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Issuer to reduce any differences between loss estimates and actual loss experience.

Impairment process — written-off accounts

When there is no realistic prospect of future recovery, the loan, advances and financing are written-off against the related allowance for loan impairment. Such loans, advances and financing are written-off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts which were previously written-off are recognised in the income statements under the caption of ‘allowances for impairment losses on loans, advances and financing’.

Interest/Profit income and expense

Interest income and expense for all financial instruments are measured at amortised cost. Interest/profit-bearing financial assets classified as loans, advances and financing, financial investments available-for-sale, financial assets held-for-trading and financial assets designated at fair value through profit or loss ("FVTPL") are recognised in the income statements under the caption of ‘interest income’ using the effective interest method. Interest/profit-bearing financial liabilities classified as deposits from customers, investment accounts of customers, deposits and placements from financial institutions, financial liabilities designated at FVTPL, debt securities and payables are recognised in the income statements under the caption ‘interest expense’ using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group and the Bank take into account all contractual terms of the financial instrument and include any fees or incremental costs that are directly attributable to the instrument, which are an integral part of the effective interest rate, but do not consider future credit losses.

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

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

Profile of impaired loans, advances and financing

As at 31 December 2015 and 31 December 2014, the Group's net impaired loans amounted to RM6,295 million and RM4,244 million respectively. The ratio of net impaired loans to total net loans was 1.43 per cent. and 1.04 per cent. for the corresponding financial year. Based on BNM statistics as at 31 December 2015 and 31 December 2014, the net impaired loans ratio for the Malaysian banking system was 1.2 per cent. and 1.3 per cent. respectively. Shown in the table below are the trends in the Group's impaired loans for the last two audited financial years, being the financial year ended 31 December 2015 and 31 December 2014:

| | As at 31 December 2015 | As at 31 December 2014 |
|---|-----------------------------------|-----------------------------------|
| | <i>(RM million)</i> | <i>(RM million)</i> |
| Gross impaired loans, advances and financing at 1 January | 6,234 | 5,361 |
| Impaired during the financial year | 8,113 | 4,826 |
| Reclassified as non-impaired | (1,413) | (1,158) |
| Amount recovered | (2,415) | (1,693) |
| Amount written-off | (2,223) | (1,088) |
| Converted to financial investments available-for-sale | (3) | (84) |
| Disposal of a subsidiary | (5) | - |
| Exchange differences | 267 | 70 |
| Gross impaired loans, advances and financing at 31 December | <u>8,555</u> | <u>6,234</u> |
| Less: Individual allowance | <u>(2,260)</u> | <u>(1,990)</u> |
| Net impaired loans, advances and financing at 31 December | <u>6,295</u> | <u>4,244</u> |

Impaired loans, advances and financing by economic purpose

The following table shows the Group's impaired loans, advances and financing by economic purpose as at 31 December 2015 and 31 December 2014:

| | As at 31 December 2015 | As at 31 December 2014 |
|--|-----------------------------------|-----------------------------------|
| | <i>(RM million)</i> | <i>(RM million)</i> |
| Purchase of securities | 245 | 91 |
| Purchase of transport vehicles | 462 | 269 |
| Purchase of landed properties: | | |
| Residential | 519 | 392 |
| Non-residential | 236 | 123 |
| Purchase of fixed assets (excluding landed properties) | 23 | - |
| Personal use | 144 | 142 |
| Credit card | 98 | 73 |
| Purchase of consumer durables | ¹ | ¹ |
| Constructions | 1,250 | 1,119 |
| Working capital | 4,961 | 3,500 |
| Others | <u>617</u> | <u>525</u> |
| Total | <u>8,555</u> | <u>6,234</u> |

Note:

(1) Denotes amount below RM 1 million

Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVTPL include financial assets held-for-trading ("HFT") and financial assets designated at FVTPL upon initial recognition. Financial assets are classified as HFT if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets HFT include derivatives (including separated embedded derivatives), debt securities and equities. Financial assets designated at FVTPL are debt securities and structured deposits which are managed on a fair value basis under an insurance life fund and a family Takaful fund.

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the income statements under the caption of 'other operating income'.

As at 31 December 2015, the Group's HFT securities constituted 2.4 per cent. of its total assets. The Group's HFT portfolio as at 31 December 2015 mainly comprised Private Debt Securities (1.3 per cent.).

| | As at 31 December 2015 | As at 31 December 2014 |
|---|-----------------------------------|-----------------------------------|
| | <i>(RM million)</i> | <i>(RM million)</i> |
| Financial assets designated upon initial recognition | 10,314 | 11,235 |
| Financial assets held-for-trading | 6,909 | 12,470 |
| | <u>17,223</u> | <u>23,705</u> |
| Financial assets designated upon initial recognition | | |
| At fair value | | |
| Money market instruments: | | |
| Malaysian Government Securities | 80 | 143 |
| Malaysian Government Investment Issues | 299 | 478 |
| Negotiable Islamic Certificates of Deposits | 245 | 241 |
| Foreign Government Securities | 25 | 1 |
| | <u>649</u> | <u>863</u> |
| Quoted securities: | | |
| In Malaysia: | | |
| Shares, warrants, trust units and loan stocks | 28 | - |
| Outside Malaysia: | | |
| Shares, warrants, trust units and loan stocks | 32 | - |
| | <u>60</u> | <u>-</u> |
| Unquoted securities: | | |
| Foreign private and Islamic debt securities | 276 | 158 |
| Private and Islamic debt securities in Malaysia | 8,998 | 10,042 |
| Structured deposits | 331 | 172 |
| | <u>9,605</u> | <u>10,372</u> |
| Total financial assets designated upon initial recognition | <u>10,314</u> | <u>11,235</u> |

| | As at 31 December 2015 | As at 31 December 2014 |
|---|---|---|
| | <i>(RM million)</i> | <i>(RM million)</i> |
| Financial assets held-for-trading | | |
| At fair value | | |
| Money market instruments: | | |
| Malaysian Government Securities | 168 | 284 |
| Malaysian Government Investment Issues | 49 | 63 |
| Negotiable instruments of deposits | 74 | 14 |
| Foreign Government Securities | 378 | 1,326 |
| Malaysian Government Treasury Bills | - | 155 |
| Bank Negara Malaysia Bills and Notes | 7 | 3,362 |
| Bank Negara Malaysia Monetary Notes | - | 2,232 |
| Foreign Government Treasury Bills | 136 | 123 |
| | <u>812</u> | <u>7,559</u> |
| Quoted securities: | | |
| In Malaysia: | | |
| Shares, warrants, trust units and loan stocks | 722 | 652 |
| Private and Islamic debt securities | 7 | 9 |
| Outside Malaysia: | | |
| Shares, warrants, trust units and loan stocks | 1,108 | 675 |
| | <u>1,837</u> | <u>1,336</u> |
| Unquoted securities: | | |
| Foreign private and Islamic debt securities | 812 | 829 |
| Private and Islamic debt securities in Malaysia | 2,360 | 778 |
| Foreign Government Bonds | 501 | 1,397 |
| Credit linked notes | 401 | 388 |
| Structured deposits | 186 | 183 |
| | <u>4,260</u> | <u>3,575</u> |
| Total Financial assets held-for-trading | <u><u>6,909</u></u> | <u><u>12,470</u></u> |

Financial investments available-for-sale

Financial investments available-for-sale ("AFS") are financial assets that are not classified in any of the three preceding categories. Financial investments AFS include equity and debt securities. Financial investments in this category are intended to be held for an indefinite period of time and may be sold in response to liquidity needs or changes in market conditions.

After initial recognition, financial investments AFS are subsequently measured at fair value. Unrealised gains and losses are recognised directly in other comprehensive income and in the 'AFS reserve', except for impairment losses, foreign exchange gains or losses on monetary financial assets and interest/profit income calculated using the effective interest method are recognised in the income statements.

Financial investments available-for-sale (cont'd)

Dividends on financial investments AFS are recognised in the income statements when the Group's and the Bank's right to receive payment is established. When the Group and the Bank derecognise financial investments AFS, the cumulative unrealised gain or loss previously recognised in the 'AFS reserve' is reclassified to the income statements under the caption of 'other operating income'.

The Group's AFS portfolio as at 31 December 2015 mainly consisted of Local and Foreign Private Debt Securities (4.8 per cent.) and Malaysian Government Investment Issues (2.0 per cent.).

| | As at 31 December 2015 | As at 31 December 2014 |
|--|-----------------------------------|-----------------------------------|
| | <i>(RM million)</i> | <i>(RM million)</i> |
| At fair value | | |
| Money market instruments: | | |
| Malaysian Government Securities | 7,002 | 5,408 |
| Malaysian Government Investment Issues | 13,374 | 13,121 |
| Negotiable instruments of deposits | 4,974 | 2,873 |
| Foreign Government Securities | 9,882 | 5,913 |
| Foreign Government Treasury Bills | 11,306 | 9,926 |
| Khazanah Bonds | 2,275 | 2,145 |
| Cagamas Bonds | 186 | 258 |
| Bankers' acceptances and Islamic accepted bills | - | 807 |
| Foreign Certificates of Deposits | 402 | 34 |
| | <u>49,401</u> | <u>40,485</u> |
| Quoted securities: | | |
| In Malaysia: | | |
| Shares, warrants, trust units and loan stocks | 2,786 | 3,526 |
| Outside Malaysia: | | |
| Shares, warrants, trust units and loan stocks | 96 | 151 |
| Private and Islamic debt securities | 77 | 4 |
| Foreign Government Bonds | 60 | - |
| | <u>3,019</u> | <u>3,681</u> |
| At fair value, or at cost for certain unquoted equity instruments, less accumulated impairment losses | | |
| Unquoted securities: | | |
| Shares, trust units and loan stocks in Malaysia [#] | 216 | 365 |
| Shares, trust units and loan stocks outside Malaysia [#] | 204 | 19 |
| Foreign private and Islamic debt securities | 17,051 | 16,317 |
| Private and Islamic debt securities in Malaysia | 16,941 | 19,026 |
| Foreign Government Bonds | 2,890 | 1,907 |
| Malaysian Government Bonds | 539 | 830 |
| Structured deposits | 1 | 1 |
| | <u>37,842</u> | <u>38,465</u> |

| | As at 31 December 2015 | As at 31 December 2014 |
|--|-----------------------------------|-----------------------------------|
| | <i>(RM million)</i> | <i>(RM million)</i> |
| ^(#) Stated at cost, net of impairment losses. | | |
| Total financial investments available-for-sale | <u>90,262</u> | <u>82,631</u> |

Financial investments held-to-maturity

These are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold until maturity. Subsequent to initial recognition, financial investments held-to-maturity ("**HTM**") are measured at amortised cost using the effective interest method, less accumulated impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation, losses arising from impairment and gain or loss arising from derecognition of such investments are recognised in the income statements.

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

As at 31 December 2015, HTM securities constituted 2.1 per cent. of the Group's total assets. The Group's HTM portfolio as at 31 December 2015 mainly consisted of Malaysian Government Investment Issues (0.6 per cent.) and Private Debt Securities (0.8 per cent.).

| | As at 31 December 2015 | As at 31 December 2014 |
|---|-----------------------------------|-----------------------------------|
| | <i>(RM million)</i> | <i>(RM million)</i> |
| At amortised cost less impairment losses | | |
| Money market instruments: | | |
| Malaysian Government Securities | 2,013 | 1,660 |
| Malaysian Government Investment Issues | 4,417 | 2,294 |
| Foreign Government Securities | 710 | 390 |
| Foreign Government Treasury Bills | 47 | 416 |
| Khazanah Bonds | 990 | 953 |
| Foreign Certificates of Deposits | 46 | 155 |
| | <u>8,223</u> | <u>5,868</u> |
| Unquoted securities: | | |
| Foreign private and Islamic debt securities | 1,097 | 154 |
| Private and Islamic debt securities in Malaysia | 5,315 | 3,484 |
| Foreign Government Bonds | 69 | 90 |
| Others | 2 | 2 |
| | <u>6,483</u> | <u>3,730</u> |
| Accumulated impairment losses | <u>(24)</u> | <u>(23)</u> |
| Total financial investments held-to-maturity | <u>14,682</u> | <u>9,575</u> |

RISK MANAGEMENT

Overview

The Group continues to strengthen its risk capabilities and has adapted strong risk management practices in its business. The management of risk remains an important driver for strategic decisions in support of the Group's aspirations to maintain sound performance and a sound capital position to ultimately enhance shareholder value.

Risk Governance Structure

Board of Directors

The Board is the Group's ultimate governing body, which has overall risk oversight responsibility. It approves the 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. The Board is assisted by the following board level committees in its overall responsibility for risk oversight within the Group.

Board Level Committees

Risk Management Committee ("RMC")

The RMC is a dedicated Board Committee responsible for the risk oversight function within the Group, including, but not limited to approving the Group's risk management strategies, frameworks and policies for material risks faced by the Group.

Credit Review Committee ("CRC")

The CRC is tasked by the Board to review, concur, veto fresh or additional loan applications subject to pre-determined authority limits as recommended by the Group Management Credit Committee ("GMCC").

Management Level Risk Management Committees

The Group Executive Risk Committee ("**ERC**"), Group Operational Risk Management Committee ("**GORMC**"), Group Asset & Liability Management Committee ("**ALCO**") and GMCC are Management Level Risk Management Committees. The scope of ERC encompasses all risk types, whilst the GORMC acts as the driver of operational risk management across the Group. The ALCO is primarily responsible for the management of market and liquidity risk through the formulation of broad strategies for the balance sheet profile and funding structure of the Group. The GMCC is responsible for the approval of loan proposals as per thresholds set based on authority limits.

Integrated Risk Management Framework

The Group's risk management is underpinned by a comprehensive, best-practice Integrated Risk Management Framework ("**IRM Framework**"), which is constantly evolving to remain relevant and effective in the current changing risk environment.

The broad overarching IRM Framework is underpinned by seven core principles to ensure the integration of risk strategies, governance, culture, processes and infrastructure within the Group's regional footprint. The seven key principles are broadly described below:

Principles of Risk Management

1. Establishment of a risk appetite and strategy which articulates the nature, type and level of risk the Group is willing to assume and which must be approved by the Board.

2. Capital management driven by the Group's strategic objectives and accounts for the relevant regulatory, economic and commercial environments in which the Group operates.
3. Proper governance and oversight through a clear, effective and robust Group governance structure with well-defined, transparent and consistent lines of responsibility established within the Group.
4. Promotion of a strong risk culture which supports and provides appropriate standards and incentives for professional and responsible behaviour.
5. Implementation of risk frameworks and policies to ensure that risk management practices and processes are effective at all levels.
6. Execution of sound risk management processes to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Group.
7. Ensure sufficient resources and systems infrastructure are in place to enable effective risk management.

Independent Group Risk Function

The Group Risk function, spearheaded by the Group Chief Risk Officer, plays an independent role with the following distinct key functions:

- supporting the Group's regional expansion and businesses in the achievement of strategic objectives;
- a strategic partner to the business in budget planning and risk appetite implementation;
- enhancing risk functions across the regions in which the Group has operations and embedding the Group's risk culture;
- providing authority limits for both central and regional approvals, controls, risk systems and architecture leadership;
- managing various risk committees to facilitate pro-active monitoring and controlling of the Group's risk exposures and enterprise risk reporting;
- acting as a strategic partner to the business in addressing external stakeholders including regulators and analysts pertaining to risk issues; and
- engaging in business development activities such as new product sign-offs and approvals, post-implementation reviews and due diligence exercises as part of its day-to-day operations.

Risk Appetite and Strategy

The Group's risk appetite is a critical component of its robust risk management framework and is driven by both top-down Board leadership and bottom-up involvement of management at all levels. The Group's risk appetite enables the Board and senior management to communicate, understand and assess the types and levels of risk that the Group is willing to accept in pursuit of its business objectives.

The Group's development of its risk appetite has been integrated into the annual strategy and business planning process and is adaptable to changing business and market conditions. The Group's risk appetite balances the needs of all stakeholders by acting both as a governor of risk, and a driver of future and current business activities.

The articulation of the risk appetite is done through a set of Board approved Risk Appetite Statements that define the Group's risk appetite towards all material risks in the Group.

Risk and compliance Culture

The Group views risk culture as a vital component in strengthening risk governance and forms a fundamental tenet of the Group's risk management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

The risk and compliance culture of the Group is driven from the top and complimented with the tone from the middle, and ingrained in all levels of business and activities. As an essential building block for effective risk governance, the Group continuously promotes the right risk and compliance culture is being embraced and exhibited in the behaviour of each individual within the organisation.

In addition, the Group's compliance teams are continuously involved in specific compliance training and certification to remain current and robust. Learning initiatives and awareness programs are also conducted throughout the year to mitigate any compliance gaps and continuous instilling of a compliance culture across the Group.

Capital Management

The Group's approach to capital management is driven by its strategic objectives and takes into account all relevant regulatory, economic and commercial environments in which the Group operates. The Group regards having a strong capital position as essential to the Group's business strategy and competitive position. As such, implications on the Group's capital position are taken into account by the Board and senior management prior to implementing any major business decisions in order to preserve the Group's overall capital strength.

The Group's objectives for capital management and planning are to diversify its sources of capital, to allocate and deploy capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses as well as to meet the expectations of key stakeholders, including investors, regulators and rating agencies. The above objectives ensure adequate capital resources and efficient capital structure with the aim to:

- maintain adequate capital ratios at all times and at levels sufficiently above the minimum regulatory requirements;
- support the Group's credit rating by local and foreign rating agencies;
- deploy capital efficiently to businesses and optimise returns on capital;
- remain flexible to take advantage of future opportunities; and
- build and invest in businesses, even in a reasonably stressed environment.

Internal Capital Adequacy Assessment Process ("ICAAP")

The Group's overall capital adequacy in relation to its risk profile is assessed through a process articulated in the Maybank Group ICAAP Policy ("**ICAAP Policy**"). The ICAAP Policy is designed to ensure that adequate levels of capital, including capital buffers, are held to support the Group's current and projected demand for capital under existing and stressed conditions. Regular ICAAP reports are submitted to ERC and RMC for comprehensive review of all material risks faced by the Group and assessment of the adequacy of capital to support them. The Group's ICAAP closely integrates the risk and capital planning and management processes.

In March 2013, the Group submitted a Board-approved ICAAP document to BNM to meet the requirements set by the regulator. The document includes an overview of ICAAP, current and projected financial and capital position, ICAAP governance, risk assessment models and processes, risk appetite and capital management, stress testing and capital planning and use of ICAAP. Annually, the Group submits an update of the material changes made to the ICAAP document to BNM.

Comprehensive Risk Assessment under ICAAP policy

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 (such as model risk);
- risks not specifically addressed under Pillar 1 (such as interest rate risk/rate of return risk in the Banking Book, liquidity risk, business & strategic risk, reputational risk, credit concentration risk, IT risks (such as security risk and cyber risk), regulatory risk, country risk, systemic risk, compliance risk, collateral risk, capital risk, profitability risk and shariah non-compliance risk, amongst others); and
- external factors, including changes in economic environment, regulations and accounting rules.

The Group has in place processes which identify material risks that may arise through the introduction of new products and services. Material risks are defined as "risks which would materially impact the financial performance (profitability), capital adequacy, asset quality and/or reputation of the Group should the risk occur".

In the ICAAP Policy, the Material Risk Assessment Process is designed to identify key risks facing the Group. Annually, a group-wide risk landscape survey is carried out as part of a robust risk management approach to identify and prioritise the key risks based on potential impact of the risks on earnings and capital facing the Group. The survey results provide a synthesis of perceptions of current and future market outlook, based on perspectives of the key stakeholders across retail, commercial, investment banking and insurance operations in all the Group's major entities. In addition, the outcomes of the survey assist in identifying the major risk scenarios over the short term.

Risks deemed "material" are approved by RMC for periodic reporting to the ERC and RMC via the ICAAP report. For each material risk identified, the Group ensures appropriate risk processes are implemented to address these key risks, which include regular risk monitoring through Enterprise Risk Dashboard reporting, stress testing, risk mitigation, capital planning and crisis management strategies.

Assessment of Pillar 1 and Pillar 2 Risks

In line with the industry's 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 and Robust Stress Testing

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

The Maybank Group Stress Test Policy considers the potential unfavourable effects of stress scenarios on the Group's profitability, asset quality, risk-weighted assets ("**RWA**"), capital adequacy and ability to comply with the risk appetites set.

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;
- proactively identify key strategies to mitigate the effects of stress events; and
- produce stress results as inputs into the Group's ICAAP in determining capital adequacy and capital buffers.

There are three types of stress tests conducted across the Group:

- group stress tests — A Group-wide stress test using a common scenario approved by RMC and the results are submitted to BNM. It also includes periodic industry-wide stress tests organised by BNM where the scenarios are specified by BNM;
- localised stress tests — Limited scope stress tests undertaken at portfolio, branch or sector or entity levels based on scenarios relevant at the specific localities; and
- ad-hoc stress tests — Periodic stress tests conducted in response to emerging risk events.

Stress test themes reviewed by the Stress Test Working Group in the past include Federal Reserve rate hikes, the implication to the Group of idiosyncratic events, oil price declines, intensified capital outflows from emerging markets including ASEAN, rising inflation and interest rate hikes in ASEAN, impact of Federal Reserve QE tapering, sovereign rating downgrades, slowing Chinese economy, a repeat of Asian Financial Crisis, U.S. dollar depreciation, pandemic flu, asset price collapse, interest rate hikes, a global double-dip recession scenario, Japan disasters, crude oil price hike, the Eurozone and U.S. 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 the regulators on a regular basis.

Credit Risk

Credit risk is the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform its contractual obligations in accordance with agreed terms.

Management of Credit Risk

Corporate and institutional credit risks are assessed by business units and evaluated and approved by an independent party within the Group, where each customer is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors including the customer's financial position, future cash flows, types of facilities and securities offered.

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

The Group manages its credit risk using a two-pronged approach:

- managing the Credit Risk; and
- managing the Credit Portfolio.

Retail credit exposures are managed on a programmed basis. Credit programmes are assessed jointly between credit risk and business units. Reviews on the credit programmes are conducted at least once a year to assess the performance of the portfolios.

A Group-wide hierarchy of credit approving authorities and committee structures is in place to ensure appropriate underwriting standards are enforced consistently throughout the Group.

Concentration Risk

Concentration risk can materialise from excessive exposures to a single counterparty and persons connected to it, a particular instrument or a particular market segment/sector.

In managing large exposures and to avoid undue concentration of credit risk in its loans and financing portfolio, the Group has in place, amongst others, limits and related lending guidelines for:

- countries;
- business segments;
- economic sectors;
- single customer groups;
- banks and non-bank financial institutions;
- counterparties; and
- collateral.

Asset Quality Management

The Group has dedicated teams to effectively manage vulnerable corporate, institutional and consumer credits of the Group. Special attention is given to these vulnerable credits where more frequent and intensive reviews are performed in order to accelerate remedial actions.

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

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

Market Risk Management

Market risk is defined as the risk of loss or adverse impact on earnings or capital arising from changes in the level of volatility of market rates or prices such as interest rates/profit rates, foreign exchange rates, commodity prices and equity prices.

The Group manages market risk of its trading and non-trading activities using a variety of measurement techniques and controls.

Traded Market Risk

Traded market risk arises mainly from proprietary trading, client servicing and market making activities. These activities are held intentionally for short term resale and/or with the intention to benefit from actual or expected price movements or to lock in arbitrage profits.

Trading Book policies and limits are in place to govern the overall Trading Book portfolio. The Group adopts various measures to manage its traded market risk. Value-at-Risk ("VaR") measures the

potential loss of Trading Book value resulting from market movements over a specified period of time, within a specified probability of occurrence under normal business situations. The method adopted is based on historical simulation, at a 99 per cent. confidence level using a one day holding period. The VaR model is back tested and is subject to periodic independent validation to ensure it meets its intended use.

Risk sensitivity measures are used, such as exposure to a one basis point increase in yield ("**PV01**") for managing portfolio sensitivity to market interest rate movements, Greek limits for managing options risk, and stressed profit/loss for an adverse impact to trading profit due from stress events. Notional limits, such as Net Open Position ("**NOP**") cap foreign currency exposures while portfolio limits control concentration exposures.

Additionally, the Group adopts measurements to manage market risk arising from credit trading activities through Jump to Default ("**JTD**") limits and Credit Spread ("**CS**") PV01. JTD measures the immediate impact to the value of the portfolio during a credit event such as an issuer default while CS PV01 measures the value of the portfolio when the credit spread changes by 1 basis point.

Dealers are to adhere to the limits set at all times and are strictly prohibited from transacting any non-permissible instruments or activities as stipulated in the approved policies.

A robust escalation process to designated authorities is established to ensure prompt actions are taken for any non-adherence. Monthly reports are escalated and presented to senior management/Committee for further deliberation.

Non-traded Market Risk

Non-traded market risk is primarily inherent risk arising from the banking book activities. The major risk classes are interest rate risk/rate of return risk in the banking book and foreign exchange risk.

Interest Rate Risk/Rate of Return Risk in the Banking Book ("**IRR/RoR BB**")

IRR/RoR BB is defined as risk of loss in earnings or economic value on banking book exposures arising from movements in interest rates. Sources of IRR/RoR BB include repricing, basis, yield curve and optionality risk. In addition, Islamic operations are exposed to displaced commercial risk.

Accepting IRR/RoR BB is a normal part of banking and can be an important source of profitability and shareholder value. However, excesses of this risk can be detrimental to the Group's earnings, capital, liquidity and solvency.

Banking Book policies and limits are established to measure and manage the non-traded market risk. Repricing gap analysis remains one of the building blocks for IRR/RoR BB assessment for the Group. Earnings-at-Risk and Economic Value-at-Risk are derived to gauge the maximum tolerance level of the adverse impact of market interest rate towards earnings and capital.

Through Group ALCO supervision, the lines of businesses are insulated from IRR/RoR BB through fund transfer pricing whereby non-traded market and liquidity risks are centralised at the corporate treasury unit for active risk management and balance sheet optimisation. The corporate treasury unit reviews the risk exposure regularly and recommends strategies to mitigate any unwarranted risk exposures in accordance with the approved policies.

Certain portfolios such as products with non-deterministic characteristics are subjected to periodic statistical modelling to understand the customer/product's behavioural patterns in relation to changing rates and business cycles. Regular risk assessment and stress testing are applied to ensure the portfolios can withstand the risk tolerance and adverse rate scenarios.

Foreign Exchange Risk in the Banking Book

Foreign exchange ("**FX**") risk arises from adverse movements in the exchange rates of two currencies.

FX risk exposures can be attributed to structural and non-structural positions. Structural FX positions are primarily net investments in overseas branches and subsidiaries whereas other FX positions are

non-structural in nature. Generally, structural FX positions need not be hedged as these investments are by definition "perpetual" and revaluation losses will not materialise if they are not sold. The residual or unhedged FX positions are managed in accordance with approved policies and limits.

All foreign currency assets in the banking book must be match-funded by the same currency to minimise FX NOP. In addition, the Group implements qualitative controls such as listing of permissible on/offshore currencies and hedging requirements for managing FX risk.

The FX risk is primarily assessed from both earnings and capital perspectives. The Group ALCO plays an active role in ensuring FX risk is managed within the stipulated limits.

Capital Treatment for Market Risk

At the Group and the Bank level, the minimum capital requirement for market risk is computed as per BNM's updated Capital Adequacy Framework (Basel II – RWA) requirement under the Standardised Approach. As for Maybank Islamic, BNM's updated Capital Adequacy Framework for Islamic Banks, applies. This is imperative since capital serves as a financial buffer to withstand any adverse market risk movements. RWA of interest rate, foreign exchange and options are the primary risk factors experienced in the Group's Trading activities. Other RWA such as commodities and equities are generally attributed to business activities from the Group's Investment Bank.

Liquidity Risk Management

Liquidity risk is defined as the risk of an adverse impact to the financial condition or overall safety and soundness that could arise from the inability (or perceived inability) or unexpected higher cost of the Group meeting its obligations.

It is also known as consequential risk, triggered by underlying problems which can be endogenous such as credit risk deterioration, rating downgrade, operational risk events or exogenous such as market disruption, default in the banking payment system and deterioration of sovereign risk.

Balance sheet risk measures structurally maintain a diverse and stable funding base while achieving an optimal portfolio. These measures drive the desired targets for loans to deposits ratio, sources of funds through borrowings, wholesale borrowing and swaps market in order to support the growing asset base regionally. Through these measures, the Group shapes its assets and liabilities profile to achieve its desired balance sheet.

The net cash flow mismatch along different time horizons, also known as liquidity gap analysis, provides management with a clear picture of the imminent funding needs in the near term as well as the structural balance sheet for the medium term and long term tenors. The sources of fund providers are reviewed to maintain a wide diversification by currency, provider, product and term, thus minimising excessive funding concentration.

The Group runs liquidity stress scenarios to assess the vulnerability of cash flows under stressed market situations. The Group continuously reviews and maintains unencumbered high quality liquid assets that can be easily sold or pledged as readily available sources of funds for immediate cash to determine the funding capacity to withstand stressed situations. In line with leading practices, the Group has established the Liquidity Coverage Ratio which is aligned to Basel Committee on Banking Supervision and BNM standards. The ratio aims to assess the Group's ability to withstand significant liquidity stress over a short term horizon. Over and above this, the Group is preparing for the Net Stable Funding Ratio to ensure that the Group maintains sufficient stable funds to support its asset growth.

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.

The Maybank Group Operational Risk Policy ("**OR Policy**") encompasses the operational risk management strategy and governance structure. The OR Policy also includes the operational risk

management tools and methodologies to identify, assess and measure, control, monitor and report operational risks in a structured and consistent manner.

Operational Risk Officers are appointed within the various Strategic Business Units ("SBUs") of the Group and are primarily responsible for managing the risk exposures inherent in their business activities.

Business Risk, a dedicated risk management function, is established within all key SBUs of the Group to drive the implementation of the OR Policy across the business operations. Business Risk also maintain an oversight role over SBUs by analysing and reporting operational risk exposures of the SBUs in a timely manner to stakeholders and inculcating risk awareness and culture across the Group.

Operational Risk Management Methodology and Tools

Operational Risk methodology and tools have been implemented to effectively identify, assess and measure, control, monitor and report operational risk exposures on a timely basis to facilitate informed decision making and enhance the operational risk management process.

Treatment for Operational Risk Capital Charge

Operational Risk Capital Charge is calculated using the Basic Indicator Approach as per BNM's updated guidelines for Capital Adequacy Framework (Basel II — Risk Weighted Assets).

The Group intends to adopt The Standardised Approach ("TSA") for Operational Risk Capital Charge Calculation. For this purpose, the Group has mapped its business activities into the eight business lines as prescribed by Basel II and the BNM's Capital Adequacy Framework (Basel II — Risk Weighted Assets).

MALAYSIAN BANKING INDUSTRY

Financial Sector Developments

Amid a more challenging environment including moderate global growth, declining commodity prices and a weakening Ringgit, the Malaysian financial system remains strong. Despite volatility in capital flows, the financial intermediation process remains unaffected. Monetary policy remained accommodative and supportive of economic growth in 2015. During the first eight months of 2015, interest rates remained stable with the Overnight Policy Rate ("**OPR**") at 3.25 per cent., which was appropriate to support economic activity and to manage the inflation expectations. Meanwhile, inflation was lower at 1.9 per cent. for the first eight months of 2015, benefiting from lower domestic fuel prices despite the implementation of the GST.

In the first eight months of 2015, the U.S. dollar appreciated against other major and regional currencies, including the Ringgit. There has been significant portfolio outflow from regional financial markets due to an improving U.S. economy along with increased expectations of higher U.S. interest rates. In addition, other factors affecting regional currencies include subdued commodity prices and a devaluation of the Chinese yuan.

Financing in the banking system and capital markets was orderly despite increasing downside risk to global growth and heightened volatility in international financial markets. Financial intermediation activities continued to be well-supported by sound financial institutions, stable financial market conditions and ample liquidity. Furthermore, the banking system remains sound and well-capitalised with banks' capital ratios well above the minimum regulatory levels coupled with stable credit risk exposure. Lending in the banking system continued to expand in the first eight months of 2015 with loan indicators posting positive growth.

Malaysia continued its dominance in the sukuk market accounting for 54.9 per cent. of global sukuk outstanding at U.S.\$312.9 billion as at end-June 2015. However, global sukuk issuance during the first six months of 2015 was down by almost half compared with the corresponding period of 2014. Issuances were affected by weaker sentiment in financial markets over concerns on the outlook for global growth and declining commodity prices. In April 2015, the Government successfully issued its fourth U.S. dollar-denominated sovereign global sukuk amounting to U.S.\$1.5 billion. The overwhelming response to the *wakala* sukuk issued in dual-tranches of 10-years and 30-years reflected investors' confidence in Malaysia's economic fundamentals. The 30-year sovereign sukuk issuance was the first issue globally for such a long tenor and further strengthened Malaysia as a global leader in the sukuk market.

Banking System Performance

The loan performance of the banking system recorded some moderation during the first eight months of 2015. Loan applications and loan approvals rebounded by 0.2 per cent. to RM536.8 billion and 1.5 per cent. to RM260.8 billion, respectively (January – August 2014: -0.5 per cent., RM535.9 billion; -1.4 per cent., RM257 billion). Loan disbursed by the banking system grew by 2.1 per cent. to RM706 billion (January – August 2014: 13.3 per cent., RM691.4 billion) on account of high disbursements of business loans. Meanwhile, total loan outstanding expanded by 10.2 per cent. to RM1,412.8 billion as at end-August 2015 (end-2014: 9.3per cent.; RM1,339.7 billion).

Lending to business during the first eight months of 2015 also grew at a moderate pace. Loan applications by the business sector increased by 1.9 per cent. to RM251.8 billion during the period (January – August 2014: 4.6 per cent.; RM247.1 billion), while loan approvals to the business sector rebounded with a strong growth of 20.4 per cent. to RM116.1 billion (January – August 2014: 6.6 per cent.; RM96.4 billion). Meanwhile, loan disbursements to business grew by 3.1 per cent. to RM506 billion (January – August 2014: 18.5 per cent.; RM490.6 billion). The disbursements were mostly channelled to the manufacturing sector, accounting for 19.4 per cent. of total loan disbursements, followed by wholesale and retail trade, restaurants and hotel sector (18.3 per cent.) as well as the finance, insurance and business activities sector (8.7 per cent.). Total loans outstanding to the business sector increased by 11.5 per cent. to RM522.8 billion as at end-August 2015 (end-2014: 9.4 per cent.; RM493.4 billion).

Resilient banking system

The banking system remained well-capitalised. As at end-August 2015, as an aggregate basis for the whole Malaysian banking system, the CET1 capital ratio, tier 1 capital ratio and total capital ratio were well above the minimum regulatory levels at 12.1 per cent., 12.7 per cent. and 14.8 per cent., respectively (end-2014: 12.8 per cent.; 13.6 per cent.; 15.5 per cent.). More than 80 per cent. of banks' total capital consists of high quality capital in the form of retained earnings, paid-up capital and reserves. Total capital buffers in excess of minimum regulatory requirement were sustained at above RM98 billion (end-August 2014: RM97 billion). Similarly, liquidity in the banking system remained ample. As at end-August 2015, banks' surplus liquidity placed with BNM, remained in excess of RM110 billion. In the first eight months of 2015, the banking system recorded a slightly lower pre-tax profit of RM19.7 billion (January – August 2014: RM21.7 billion). The banking system continued to record steady profit, despite competitive pressures especially in the retail financing market. Profitability was also supported by revenue from other fee-based activities, such as investment banking and payment-related services, which recorded steady growth. All banks are in compliance with the strengthened Basel III Liquidity Coverage Ratio requirement, which is being phased in from 1 June 2015. Loan quality in the banking system improved further with the level of net impaired loans at 1.2 per cent. of net loans as at end-August 2015 (end-August 2014: 1.3 per cent.).

Benefiting from Malaysia's gradual and sequenced approach to liberalisation in an effort to shift the focus of the financial sector to international markets, Malaysia's banking sector continues to have a significant presence of foreign banks, accounting for 22.3 per cent. of the banking sector's assets as of August 2015. There are currently 29 locally incorporated foreign banks operating in Malaysia, out of a total of 58 banking institutions, including commercial banks, investment banks and Islamic banks. In addition, the conclusion of the Sixth Package of Financial Sector Commitments in March 2015 marked the most meaningful step in financial services liberalisation under the ASEAN Framework Agreement on Services. A significant milestone achieved together with the Sixth Package is the conclusion of the ASEAN Banking Integration Framework.

Islamic banking

Malaysia continues to pursue Islamic finance with efforts taken domestically and internationally towards positioning Malaysia as a premier Islamic financial hub in the world. The Islamic banking industry has shown significant growth over the last five years. Islamic banking assets, including Development Financial Institutions ("DFIs") grew at a compounded annual growth rate of 15.5 per cent. to RM635.2 billion as at end-2014 from RM351.2 billion as at end-2010. As at end-August 2015, the total assets of the Islamic banking system grew by 13.7 per cent. to RM672.6 billion (end-2014: 12 per cent.; RM625.2 billion). Similarly, total deposits of the Islamic banking system increased by 6.6 per cent. to RM497.1 billion (end-2014: 13.4 per cent.; RM494.7 billion). During the same period, total financing of the Islamic banking system grew strongly by 17.5 per cent. to RM473.9 billion (end-2014: 16.1 per cent.; RM430.9 billion). The strong growth of the Islamic banking system has resulted in an increased market share of Islamic banking assets (including DFIs), at 25.8 per cent. of total banking system assets as at end-August 2015 (end-2014: 25.5 per cent.).

Lending remained concentrated on the household sector, with loans amounting to RM294.5 billion or 62.1 per cent. of total outstanding loans as at end-August 2015, (end-2014: RM273.3 billion; 63.4 per cent.). Meanwhile, the finance, insurance and business activities sector accounted for 6.4 per cent. or RM30.1 billion (end-2014: 6.5 per cent.; RM27.8 billion), followed by the manufacturing sector at 4.6 per cent. or RM21.7 billion and construction sector at 4.4 per cent. or RM20.8 billion (end-2014: 4.8 per cent., RM20.6 billion; 5.1 per cent., RM22 billion).

Capital Markets Performance

Gross funds raised in the capital market decreased by 9.8 per cent. to RM119.9 billion from January to August 2015 (January-August 2014: 21.2 per cent.; RM132.9 billion). This was due to lower fund raising activity in the private sector with gross funds raised declining by 26.1 per cent. to RM50.2 billion (January-August 2014: 41.9 per cent.; RM68 billion). However, gross funds raised by the public sector increased at a faster pace of 7.3 per cent. to RM69.7 billion (January-August 2014: 5 per cent.; RM64.9 billion). On a sectoral basis, Private Debt Securities ("PDS") issuance was dominated by the

finance, insurance, real estate and business services sector during the first eight months of 2015 amounting to RM29.7 billion or 73.4 per cent. of PDS issued, mainly for new activity, working capital and general corporate purposes. The Islamic bond market continued to receive strong interest from issuers, accounting for 77 per cent. of new PDS issued. In addition, 60 per cent. of total PDS issuance were high-end investment grade issues of AA and above as at end-August 2015.

Malaysian Government Securities ("MGS") yields declined across all tenors on the back of strong demand by investors during the first seven months of 2015 despite the increased volatility in global financial markets. However, MGS yields increased in August 2015 as concerns over the impact of a sharp decline in global crude oil prices, Ringgit depreciation and increased expectations of an interest rate hike by the Fed led to the liquidation of non-resident holdings, amounting to RM8 billion. Overall, the 5-year and 10-year MGS yields increased by 15 basis points and 25 basis points, respectively, while 3-year MGS yields recorded a decline of 12 basis points in the first eight months of 2015.

As at end-August 2015, foreign investors' holdings in MGS amounted to RM157.4 billion, accounting for 46 per cent. of total MGS outstanding (end-August 2014: RM148.3 billion; 47.3 per cent.). Meanwhile, in the PDS market, yields on 5-year AAA-rated, AA-rated and A-rated securities increased by 5 basis points, 9 basis points and 33 basis points, respectively (January – August 2014: 27 basis points; 20 basis points; -7 basis points). The PDS yields remained relatively stable, especially in higher-rated PDS yields on account of sustained demand from domestic investors.

Insurance and Takaful Industry Performance

The insurance industry remained resilient with strong capitalisation and improved profitability in the first eight months of 2015. The capital adequacy ratio, which measures the adequacy of the capital available in the insurance and shareholders' funds of insurers to support the total capital required, held steady at 239.1 per cent. (end-June 2014: 250.4 per cent.). Similarly, total capital buffers in excess of the minimum requirement improved further to RM28.5 billion.

The takaful industry's assets continued to grow by 5.8 per cent. amounting to RM23.7 billion as at end-August 2015 (end-2014: 8.7 per cent.; RM22.7 billion), mainly held in PDS (49.9 per cent.) and equities (13.9 per cent.). These assets contributed 9.6 per cent. of total insurance and takaful sector assets. Meanwhile, the capitalisation of the takaful industry remained stable at 187.6 per cent. as at end-June 2015 (end-June 2014: 190.7 per cent.), with a capital buffer in excess of the minimum requirement of RM3 billion (end-June 2014: RM3.2 billion).

(Source : Malaysia Economic Report 2015/2016, Ministry of Finance, Malaysia)

MANAGEMENT

Board of Directors

The Group's Board is guided by the Board Manual (the "**Manual**") in respect of the Board's role, powers, duties and functions. The Board Manual is reviewed periodically and has recently been revised to incorporate changes to the applicable legislations notably, the introduction of the FSA and the latest amendments to Bursa Malaysia's Listing Requirements.

The Manual not only reflects the current best practices and the applicable rules and regulations, it also outlines processes and procedures to ensure the Group's boards and their committees' effectiveness and efficiency. It is updated from time to time to reflect changes to the Bank's policies, procedures and processes as well as amended relevant rules and regulations or reviewed at least once in two years, whichever is earlier.

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

The Board meets every month with additional meetings convened as and when urgent issues and/or important decisions are required to be addressed between the scheduled meetings. During the financial year ended 31 December 2015, the Board met 15 times to deliberate and consider a variety of significant matters that required its guidance and approval.

All Directors have complied with the requirement that Directors must attend at least 75.0 per cent. of Board meetings held in the financial year in accordance with BNM's guidelines, and attended at least 50.0 per cent. of Board meetings held in the financial year ended 31 December 2015 pursuant to the Listing Requirements of Bursa Malaysia.

The Group's current practice is to appoint Board members to sit on subsidiary boards, in particular those of the key overseas subsidiaries, to maintain oversight and ensure the operations of the respective subsidiaries are aligned with the Group's strategies and objectives. The Group intends to appoint more key members of the Group Executive Committee to its subsidiary level boards to further ensure that the Group's governance remains in line with its corporate aspirations and expanding regional presence.

The directors of the Group as at the date of the Offering Circular are as follows:

| <u>Name of Director(s)</u> | <u>Position</u> |
|---|--|
| Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor | Chairman / Non-Independent Non-Executive Director |
| Datuk Abdul Farid Alias | Group President & Chief Executive Officer / Non-Independent Executive Director |
| Tan Sri Datuk Dr Hadenan A. Jalil | Member / Independent Non-Executive Director |
| Dato' Seri Ismail Shahudin | Member / Independent Non-Executive Director |
| Dato' Dr Tan Tat Wai | Member / Independent Non-Executive Director |
| Dato' Johan Ariffin | Member / Independent Non-Executive Director |
| Datuk Mohaiyani Shamsudin | Member / Independent Non-Executive Director |
| Datuk R. Karunakaran | Member / Independent Non-Executive Director |
| Cheng Kee Check | Member / Non-Independent Non-Executive Director |
| Edwin Gerungan | Member / Non-Independent Non-Executive Director |

The Board has established the following four committees

Credit Review Committee

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

- To review or veto loans exceeding the GMCC's discretionary power;
- To review or veto, with power to object or support, all proposals recommended by the GMCC to the Board for approval or affirmation;
- To review or veto, with power to object or support, all global limits (and any increase thereto), recommended by the GMCC to the Board for approval and to affirm annually existing global limits approved by the Board and recommended by the GMCC for renewal;
- To carry out such other responsibilities as may be delegated to it by the Board from time to time; and
- To provide oversight of the entire credit management function covering but not limited to portfolio, end-to-end process, infrastructure, resources and governance.

The Credit Review Committee met 14 times during the financial year ended 31 December 2015.

Risk Management Committee

The roles and responsibilities of the Risk Management Committee for risk oversight include the following:

- To review and approve risk management strategies, risk frameworks, risk policies, risk tolerance and risk appetite limits;
- To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which they operate effectively;
- To ensure infrastructure, resources and systems are in place for risk management, i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the financial institution's risk-taking activities; and
- To review management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

The specific duties of the Risk Management Committee in managing risks cover the following:

- To review the impact of risk on capital adequacy and profitability and asset quality under stress scenarios;
- To review and assess the ICAAP, levels of regulatory and internal capital for the Bank, vis-a-vis its risk profile;
- To review and recommend strategic actions to be taken by the Bank arising from regulatory rules impacting risk management practices for Board's approval;
- To review, recommend and approve corrective measures to address risk concerns as highlighted by various home-host regulatory authorities, where relevant;
- To review and approve new products and services and ensure compliance with the prevailing guidelines issued by BNM or other relevant regulatory body.
- To oversee the resolution of BNM Composite Risk Rating findings for the Group;

- To provide oversight of specific risk management concerns in the Business Sectors of the Group;
- To delegate appropriate operational issues to management for their further actions;
- To carry out such other responsibilities as may be delegated to it by the Board from time to time; and
- To review and approve Terms of References of the Executive Risk Committee and the Risk Management Committee at subsidiary or overseas branches.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises exclusively Non-Executive Directors, the majority of whom are independent and presently chaired by the Independent Vice Chairman of the Group.

The responsibilities of the Nomination and Remuneration Committee include, amongst others, the following:

- To recommend to the Board the appointment, promotion and remuneration as well as compensation policies for executives in key management positions;
- To recommend to the Board a Leadership Development framework for the Group;
- To oversee the selection of Directors and general composition of the Board in terms of size, skill and balance between Executive Directors and Non-Executive Directors;
- To evaluate the quality of directors in order to ensure alignment with the Group's strategic direction;
- To recommend to the Board, a policy and framework for remuneration of Directors, covering fees, allowances and benefits-in-kind in respect of their work as Directors of all boards and committees and for the Group President and Chief Executive Officer ("**Group PCEO**") and key senior management officers;
- To recommend to the Board a policy regarding the period of service for the Executive and Non-Executive Directors;
- To assess the performance and effectiveness of individuals and collective members of the Boards and Board Committees of the Group and its subsidiaries, as well as the procedure for the assessment;
- To recommend measures to upgrade the effectiveness of the Boards and Board Committees;
- To recommend to the Board a performance management framework or model, including the setting of the appropriate performance target parameters and benchmark for the Group PCEO's Group Balanced Scorecard at the start of each financial year;
- To oversee the succession planning, talent management and performance evaluation of executives in key management positions;
- To consider and recommend solutions to issues of conflict of interest affecting Directors;
- To assess annually that Directors, key responsible persons and Company Secretary are not disqualified under subsection 59(1) of the FSA; and
- To review the training requirements and programmes for the Directors

Audit Committee

The primary duties and responsibilities of the Audit Committee based on the Terms of Reference in relation to the Group's Internal Audit ("IA") function, external auditors, financial reporting, related party transactions, annual reporting and investigation are as follows:

1. Internal Audit
 - Review the adequacy of the IA scope and plan, functions and resources, Audit Charter and that it has the necessary authority to carry out its work.
 - Review the IA reports and to ensure that appropriate and prompt remedial action is taken by management on lapses in controls or procedures that are identified by IA.
 - Approve the appointment and termination of the Chief Audit Executive and Heads of Department of IA.
 - Assess the performance of the IA staff, determine or approve the remuneration and annual increment of the IA staff.
 - Take cognisance of resignation of IA staff and the reason for resigning.
2. External Audit
 - Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board.
 - Assess the qualification, expertise, resources and effectiveness of the external auditors
 - Monitor the effectiveness of the external auditors' performance, their independence and objectivity.
 - Review the external auditors' audit scope and plan, including any changes to the planned scope of the audit plan.
 - Review major audit findings raised by the external auditors and management's responses, including the status of previous audit recommendations.
 - Review the assistance given by the Group's officers to the external auditors and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
 - Approve non audit services provided by the external auditors.
3. Financial Reporting
 - Review the quarterly and year-end financial statements focusing on:
 - any changes in accounting policies and practices;
 - significant and unusual events; and
 - compliance with applicable Financial Reporting Standards and other legal and regulatory requirements.

4. Related Party Transactions

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

5. Annual Report

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

6. Investigation

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

7. Other Matters

Act on other matters as the Committee considers appropriate or as authorised by the Board.

PROFILE OF DIRECTORS

Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor

Chairman, Non-Independent Non-Executive Director

Nationality: Malaysian

Age: 67

Date of Appointment: 1 October 2009

Qualification(s):

- Associate of the Royal School of Mines, UK
- Bachelor of Science (Hons) in Mining Engineering, Imperial College of Science & Technology, University of London, UK

Working Experience(s) & Occupation(s):

Present:

Within Maybank Group

- Chairman/Director of Maybank
- Chairman of Maybank Ageas Holdings Berhad
- President Commissioner of PT Bank Maybank Indonesia Tbk

Other Companies/Bodies

- Chairman of PADU Corporation
- Director of The ICLIF Leadership and Governance Centre, Malaysia

Past:

- Director of Financial Services Professional Board from 1 May 2014 to 31 August 2015
- Chairman of Malaysian Rubber Board from February 2009 to May 2010
- Director of Woodside Petroleum Ltd, a company listed on the Australian Securities Exchange from December 2007 to April 2011
- Chairman of Etiqa Insurance & Takaful from January 2006 until February 2009
- Director of Capital Market Development Fund from January 2004 to January 2010
- Chairman of Maxis Communications Berhad from January 2004 to November 2007
- Regional Business Chief Executive Officer and Managing Director, Shell Exploration and Production B.V. prior to his retirement in early 2004
- Outstanding career in the oil and gas industry for 31 years with the Royal Dutch Shell Group of Companies

Directorship of Public Companies:

- Maybank
- Maybank Ageas Holdings Berhad

Membership of Board Committees in Maybank:

None

He attended all 15 Board meetings held in the financial year ended 31 December 2015.

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

Datuk Abdul Farid Alias

Group President & Chief Executive Officer, Non-Independent Executive Director

Nationality: Malaysian

Age: 48

Date of Appointment: 2 August 2013

Qualification(s):

- Advanced Management Programme, Harvard Business School, Harvard University, USA
- Master of Business Administration (Finance), University of Denver, USA
- Bachelor of Science in Accounting, Pennsylvania State University, University Park, USA

Working Experience(s) & Occupation(s):

Present:

Within Maybank Group

- Group President & Chief Executive Officer/Executive Director of Maybank
- Director of Maybank Investment Bank Berhad
- Director of Maybank Ageas Holdings Berhad
- Commissioner of PT Bank Maybank Indonesia Tbk

Other Companies/Bodies

- Chairman of The Association of Banks in Malaysia
- Vice Chairman of Asian Institute of Chartered Bankers
- Chairman of Malaysian Electronic Payment System Sdn Bhd
- Director of Cagamas Holdings Berhad
- Member of the ASEAN Banking Council
- Member of the Asian Banker Association
- Member of Visa Senior Client Council Program
- Investment Panel of Kumpulan Wang Persaraan (Diperbadankan) (KWAP)
- Member of the Emerging Markets Advisory Council of The Institute of International Finance

Past:

- Deputy President and Head, Group Global Banking of Maybank from 1 July 2010
- Khazanah Nasional Berhad from 2005 to 2008
- J.P. Morgan from 1997 to 2005
- Malaysian International Merchant Bankers Berhad from 1996 to 1997
- Schroders from 1994 to 1995
- Aseambankers Malaysia Berhad from 1992 to 1994

Membership of Board/Management Committees in Maybank:

- Group Executive Committee (Chairman)
- Credit Review Committee of the Board (Member)
- Group Asset & Liability Management Committee (Chairman)

Directorship of Public Companies:

- Maybank
- Maybank Investment Bank Berhad
- PT Bank Maybank Indonesia Tbk
- Maybank Ageas Holdings Berhad
- Cagamas Holdings Berhad

He attended all 15 Board meetings held in the financial year ended 31 December 2015.

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

Tan Sri Datuk Dr Hadenan A. Jalil

Independent Non-Executive Director

Nationality: Malaysian

Age: 70

Date of Appointment: 15 July 2009

Qualification(s):

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

Working Experience(s) & Occupation(s):

Present:

Within Maybank Group

- Director of Maybank
- Director of Maybank Islamic Berhad
- Supervisory Board of An Binh Commercial Joint Stock Bank, Vietnam

Other Companies/Bodies

- Chairman of Protasco Berhad
- Chairman of Pelangi Management Sdn Bhd
- Chairman of Roadcare Sdn Bhd
- Chairman of PNB Commercial Sdn Bhd (and its subsidiaries)
- Chairman of the Board of Governors of Infrastructure University Kuala Lumpur
- Director of Unilever (Malaysia) Holdings Sdn Bhd
- Director of THP Sinar Sdn Bhd
- Director of University Tun Abdul Razak Sdn Bhd
- Audit Committee of Johor Corporation

Past:

- Chairman of Operation Evaluation Panel, Malaysia Anti-Corruption Commission
- Auditor General from 2000 to 2006
- Served the Government for 36 years in various capacities in the Treasury, Ministry of International Trade and Industry and Ministry of Works

Membership of Board Committees in Maybank:

- Audit Committee of the Board (Chairman)

Directorship of Public Companies:

- Maybank
- Maybank Islamic Berhad
- Protasco Berhad

He attended 9 out of the 15 Board meetings held in the financial year ended 31 December 2015.

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

Dato' Seri Ismail Shahudin
Independent Non-Executive Director

Nationality: Malaysian
Age: 65
Date of Appointment: 15 July 2009

Qualification(s):

- Bachelor of Economics, University of Malaya

Working Experience(s) & Occupation(s):

Present:

Within Maybank Group

- Director of Maybank
- Chairman of Maybank Islamic Berhad
- Director of MCB Bank Limited, Pakistan

Other Companies/Bodies

- Chairman of UEM Edgenta Berhad (formerly known as Faber Group Berhad)
- Director of EP Manufacturing Berhad
- Director of Opus Group Berhad
- Director of Opus International Consultants Ltd (a company listed on New Zealand Stock Exchange)
- Director of Aseana Properties Limited (a company listed on the London Stock Exchange)

Past:

- Chairman of Bank Muamalat Malaysia Berhad from 2004 until his retirement in July 2008
- Group Chief Executive Officer of MMC Corporation Berhad in 2002
- Executive Director of Maybank from 1997 to 2002
- Held senior positions in United Asian Bank, Citibank (served both in Malaysia and New York) and Maybank

Membership of Board Committees in Maybank:

- Nomination and Remuneration Committee of the Board (Chairman)
- Employees' Share Scheme Committee of the Board (Chairman)

Directorship of Public Companies:

- Maybank
- Maybank Islamic Berhad
- UEM Edgenta Berhad (formerly known as Faber Group Berhad)
- EP Manufacturing Berhad

- Opus Group Berhad

He attended all 15 Board meetings held in the financial year ended 31 December 2015.

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

Dato' Dr Tan Tat Wai

Independent Non-Executive Director

Nationality: Malaysian

Age: 69

Date of Appointment: 15 July 2009

Qualification(s):

- PhD in Economics, Harvard University, USA
- Master of Economics, University of Wisconsin (Madison), USA
- Bachelor of Science in Electrical Engineering & Economics, Massachusetts Institute of Technology, USA

Working Experience(s) & Occupation(s):

Present:

Within Maybank Group

- Director of Maybank
- Director of Maybank Trustees Berhad

Other Companies/Bodies

- Director of Southern Steel Berhad
- Director of Shangri-La Hotels (M) Bhd
- Director of NSL Ltd (a company listed on the Singapore Exchange)
- Vice President of Lam Wah Ee Hospital (a not-for-profit organisation)

Past:

- Represented Malaysia as a member of the APEC Business Advisory Council (ABAC) and sat on the Council of Wawasan Open University
- Group Managing Director of Southern Steel Berhad for 29 years, then part time Executive Director from 2014 to 2015
- Member of the Government appointed Malaysian Business Council, the Corporate Malaysia Roundtable, the Penang Industrial Council, the Industrial Co-ordination Council (ICC) and the National Committee on Business Competitiveness (NCBC) set up by the Ministry of International Trade and Industry

- Served as the Secretary and a member of the Council on Malaysian Invisible Trade, set up to formulate policies to reduce Malaysia's deficit in service trade
- Assumed the role of a consultant to Bank Negara Malaysia, World Bank and the United Nations University for several years
- Joined Bank Negara Malaysia in 1978, undertaking research in economic policies

Membership of Board Committees in Maybank:

- Risk Management Committee of the Board (Chairman)
- Nomination and Remuneration Committee of the Board (Member)
- Employees' Share Scheme Committee of the Board (Member)

Directorship of Public Companies:

- Maybank
- Maybank Trustees Berhad
- Southern Steel Berhad
- Shangri-La Hotels (M) Bhd

He attended all 15 Board meetings held in the financial year ended 31 December 2015.

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

Dato' Johan Ariffin

Independent Non-Executive Director

Nationality: Malaysian

Age: 57

Date of Appointment: 26 August 2009

Qualification(s):

- Master of Business Administration, University of Miami, USA
- Bachelor of Arts in Economics, Indiana University, USA

Working Experience(s) & Occupation(s):

Present:

Within Maybank Group

- Director of Maybank
- Chairman of Maybank International (L) Ltd
- Chairman of Maybank International Trust (L) Ltd

- Director of Maybank (Cambodia) Plc
- Director of Etiqa Insurance Berhad

Other Companies/Bodies

- Chairman of Mitraland Properties Sdn Bhd
- Director of Sime Darby Property Berhad
- Chairman of Battersea Project Holding Company Limited
- National Council member of the Real Estate Housing Developers' Association Malaysia (REHDA)

Past:

- Managing Director, TTDI Development Sdn Bhd up to January 2009
- Senior General Manager, Property Division, Pengurusan Danaharta Nasional Berhad
- Held various senior positions in several subsidiaries of public listed companies before venturing into his own successful marketing and advertising consultancy and property development business

Membership of Board Committees in Maybank:

- Audit Committee of the Board (Member)
- Credit Review Committee of the Board (Member)

Directorship of Public Companies:

- Maybank
- Maybank Ageas Holdings Berhad
- Director of Etiqa Insurance Berhad
- Director of Etiqa Takaful Berhad

He attended 13 out of the 15 Board meetings held in the financial year ended 31 December 2015.

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

Datuk Mohaiyani Shamsudin

Independent Non-Executive Director

Nationality: Malaysian

Age: 67

Date of Appointment: 22 August 2011

Qualification(s):

- Master of Business Administration (Finance), Cornell University, Ithaca, New York, USA
- Bachelor of Arts in Economics, Knox College, Galesburg, Illinois, USA

Working Experience(s) & Occupation(s):

Present:

Within Maybank Group

- Director of Maybank
- Chairman of Maybank Investment Bank Berhad
- Chairman of Maybank Asset Management Group Berhad
- Chairman of Maybank Asset Management Sdn Bhd
- Chairman of Maybank Kim Eng Holdings Ltd.

Other Companies/Bodies

- Director of Capital Market Development Fund
- Member and trustee of National Heart Institute Foundation
- Member and trustee of NUR Foundation
- Member and trustee of Perdana Leadership Foundation
- Member and trustee of National Council of Women's Organisations Malaysia (NCWO)

Past:

- Member of several high level national working groups such as National Economic Action Council (NEAC), National Economic Consultative Council II (MAPENII), National Information Technology Council (NITC), Ministry of Finance High Level Finance Committee for Corporate Governance and National Advisory Council for Women, Ministry of Women, Family and Community Development
- Chairman of Association of Stockbroking Companies Malaysia
- Deputy Chairman of Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Bhd)
- Owner and Managing Director of Mohaiyani Securities Sdn Bhd (established in 1985)
- Seagrott & Campbell Sdn Bhd
- Amanah Chase Merchant Bank Berhad

Membership of Board Committees in Maybank:

- Risk Management Committee of the Board (Member)
- Credit Review Committee of the Board (Member)

Directorship of Public Companies:

- Maybank
- Maybank Asset Management Group Berhad
- Maybank Investment Bank Berhad

She attended all 15 Board meetings held in the financial year ended 31 December 2015.

Datuk Mohaiyani has no family relationship with any director and/or major shareholder of Maybank.

She has no conflict of interest with Maybank and has never been charged for any offence.

Datuk R. Karunakaran**Independent Non-Executive Director**

Nationality: Malaysian

Age: 65

Date of Appointment: 16 July 2014

Qualification(s):

- Post Graduate Course on Industrial Project Planning, University of Bradford, UK
- Bachelor of Economics (Accounting) Hons., University of Malaya

Working Experience(s) & Occupation(s):

Present:

Within Maybank Group

- Director of Maybank
- Chairman of Etiqa Insurance Berhad
- Chairman of Etiqa Takaful Berhad
- Chairman of Maybank Private Equity Sdn Bhd
- Director of Maybank Ageas Holdings Berhad
- Director of Maybank (Cambodia) Plc
- Director of Maybank Asset Management Group Berhad
- Director of Maybank Asset Management Sdn Bhd
- Director of Maybank Agro Fund Sdn Bhd

Other Companies/Bodies

- Director of IOI Corporation Berhad

- Director of Integrated Logistics Berhad
- Director of Bursa Malaysia Berhad

Past:

- Member of the Cabinet Committee on Investment for High Impact Projects and PEMUDAH
- Joined the Malaysian Investment Development Authority (formerly known as Malaysian Industrial Development Authority) (MIDA) in August 1972 and served in various positions including Deputy Director, Director, Deputy Director-General and Director-General

Membership of Board Committees in Maybank:

- Risk Management Committee of the Board (Member)
- Audit Committee of the Board (Member)
- Nomination and Remuneration Committee of the Board (Member)
- Employees' Share Scheme Committee of the Board (Member)

Directorship of Public Companies:

- Maybank
- Maybank Ageas Holdings Berhad
- Etiqa Insurance Berhad
- Etiqa Takaful Berhad
- Maybank Asset Management Group Berhad
- IOI Corporation Berhad
- Integrated Logistics Berhad
- Bursa Malaysia Berhad

He attended all 15 Board meetings held in the financial year ended 31 December 2015.

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

Cheng Kee Check

Non-Independent Non-Executive Director

Nationality: Malaysian

Age: 51

Date of Appointment: 19 November 2014

Qualification(s):

- LLB (Hons), National University of Singapore

Working Experience(s) & Occupation(s):

Present:

Within Maybank Group

- Director of Maybank

Other Companies/Bodies

- Director of PNB Development Sdn Bhd
- Director of Seriemas Development Sdn Bhd
- Member of the Investment Committee of Amanah Saham Wawasan 2020
- A practising corporate lawyer and Partner at Messrs Skrine

Membership of Board Committees in Maybank:

- Audit Committee of the Board (Member)
- Credit Review Committee of the Board (Member)

Directorship of Public Companies:

- Maybank

He attended all 15 Board meetings held in the financial year ended 31 December 2015.

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

Edwin Gerungan**Non-Independent Non-Executive Director**

Nationality: Indonesian

Age: 67

Date of Appointment: 24 August 2015

Qualification(s):

- Bachelor of Arts in Philosophy from Principia College, Elsau, Illinois, USA

Working Experience(s) & Occupation(s):

Present:

Within Maybank Group

- Director of Maybank

Other Companies/Bodies

- Independent Commissioner of PT Indonesia Infrastructure Finance

Past:

- President Director of PT BHP Billiton Indonesia from 2007 to 2013
- President Commissioner of Bank Mandiri from 2005 to 2014
- Independent Commissioner of Bank Danamon from 2003 to 2005
- Independent Commissioner of Bank Central Asia from 2002 to 2003
- Chief Executive Officer of Indonesian Banking Restructuring Agency from 2000 to 2001
- Joined Bank Mandiri as the Executive Vice President, Treasury and International in 1999 to 2000
- Senior Advisor at Atlantic Richfield from 1997 to 1999
- Vice President, Head of Treasury at Citibank N.A. from 1972 to 1997

Membership of Board Committees in Maybank:

- Credit Review Committee of the Board (Chairman)
- Risk Management Committee of the Board (Member)
- Nomination and Remuneration Committee of the Board (Member)
- Employees' Share Scheme Committee of the Board (Member)

Directorship of Public Companies:

- Maybank

He attended all 7 Board meetings held in the financial year ended 31 December 2015 since his appointment on 24 August 2015.

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

Senior Management

The Group Executive Committee ("**Group EXCO**"), which is the highest management committee within the Group, is responsible for the formulation and implementation of business, development and operating plans in accordance with the Group's strategic goals and objectives as guided and approved by the Board. The Group EXCO is chaired by the Group PCEO and consists of eleven other members of senior management comprising Heads of Business and Corporate and Support Functions.

The Group EXCO members as at the date hereof are as follows:

| <u>Name</u> | <u>Position</u> |
|-------------------------|--|
| Datuk Abdul Farid Alias | Group President and Chief Executive Officer/CEO, Malaysia |
| Datuk Lim Hong Tat | Group Head, Community Financial Services, Chief Executive Officer/CEO, Singapore |

| | |
|---|--|
| Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican | Group Chief Financial Officer |
| Dato' Amirul Feisal Dato' Hj Wan Zahir | Group Head, Global Banking ("GB") |
| Dato' Muzaffar Hisham | Group Head, Islamic Banking, Chief Executive Officer/CEO, Maybank Islamic Bhd |
| Pollie Sim Sio Hoong | CEO, International |
| Kamaludin Ahmad | Group Head, Insurance & Takaful, Chief Executive Officer/CEO, Maybank Ageas Holdings Bhd |
| Taswin Zakaria | President Director, PT Bank Maybank Indonesia Tbk |
| Nora Abd Manaf | Group Chief Human Capital Officer |
| Mohd Suhail Amar Suresh Abdullah | Group Chief Technology Officer |
| Dr John Lee Hin Hock | Group Chief Risk Officer |
| Michael Foong Seong Yew | Group Chief Strategy Officer |
| Jerome Hon Kah Cho | Group Chief Operations Officer |

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

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

PRINCIPAL SHAREHOLDERS

The Group's substantial shareholders (with shareholding of 5.0 per cent. and above) as at 31 March 2016 are as follows:

| Name of Shareholders | Number of shares held | Percentage of Shareholding (per cent.) |
|---|------------------------------|---|
| Amanah Raya Trustees Berhad (B/O: Skim Amanah Saham Bumiputera) | 3,499,387,689 | 35.85 |
| Citigroup Nominees (Tempatan) Sdn Bhd (B/O: Employees Provident Fund Board) | 1,442,294,983 | 14.77 |
| Permodalan Nasional Berhad | 628,458,624 | 6.44 |

BANKING REGULATION AND SUPERVISION

The Bank is regulated by BNM, which was established on 26 January 1959 pursuant to the Central Bank of Malaya Ordinance, 1958 (renamed the Central Bank of Malaysia Act, 1958, which has been repealed by the Central Bank of Malaysia Act, 2009 on 25 November 2009) as the central bank of Malaysia. BNM is directly involved in the regulation and supervision of Malaysia's financial system. Its principal functions are to (i) formulate and conduct monetary policy in Malaysia; (ii) issue currency in Malaysia; (iii) regulate and supervise financial institutions which are subject to the laws enforced by BNM; (iv) provide oversight over money and foreign exchange markets; (v) exercise oversight over payment systems; (vi) promote a sound, progressive and inclusive financial system; (vii) hold and manage the foreign reserves of Malaysia; (viii) promote an exchange rate regime consistent with the fundamentals of the economy; and (ix) act as financial adviser, banker and financial agent of the Government.

BNM and the Minister of Finance of Malaysia (the "**MOF**") have extensive powers under the FSA and the IFSA. The FSA is the principal statute that sets out the laws for, amongst others, the regulation and supervision of financial institutions in Malaysia and the IFSA is the principal statute that sets out the laws for, amongst others, the regulation and supervision of Islamic financial institutions in Malaysia. In addition to the FSA and the IFSA, Malaysian licensed banks and Islamic banks are subject to guidelines issued by BNM from time to time.

The following discussion sets out information with respect to some regulations of the banking industry in Malaysia:

Licensing and Limitation of Business Activities of Banks

Under the FSA, banking business, which is defined to include the business of deposit taking and provision of financing, can only be conducted by a public company which has obtained a licence from the MOF on the recommendation of BNM.

Similarly, under the IFSA, Islamic banking business, which is generally defined as banking business carried out in accordance with Shariah principles, can only be conducted by a public company which has obtained a licence from the MOF on the recommendation of BNM.

Banks are also subject to a number of other restrictions on the operation of their business. Amongst others, a bank may not: (i) pay any dividend on its shares except with the prior written approval of BNM or where BNM has specified standards on prudential matters permitting the declaration of payments of any dividend; (ii) grant any credit facilities to any of its directors or officers except as permitted by prescribed regulation; (iii) except as permitted under the FSA, the IFSA (as the case may be) or by prescribed regulation, establish or acquire a subsidiary in or outside Malaysia or acquire or hold any material interest in any other corporation without the prior written approval of BNM; and (iv) establish or relocate an office (including a branch) in or outside Malaysia except with the prior written approval of BNM.

Statutory Reserves

BNM requires Malaysian banks to maintain a sum equivalent to the Statutory Reserve Requirement ratio ("**SRR**") in the form of non-interest bearing reserves with BNM. The SRR is currently set at 3.5 per cent. of total eligible liabilities.

Capital Adequacy Requirements

BNM has issued Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) both issued on 13 October 2015 (collectively, the "**Frameworks**") which set out the capital adequacy requirements for conventional banks and Islamic banks, respectively. The conventional banks and Islamic banks are required to comply with the Frameworks from 1 January 2016.

The Frameworks specify that the ratios of the following categories of capital to the total risk-weighted assets ("**RWA**") shall be as follows:

| <u>Calendar Year</u> | <u>Core Equity Tier 1 Ratio (per cent.)</u> | <u>Tier 1 Capital Ratio (per cent.)</u> | <u>Total Capital Ratio (per cent.)</u> |
|----------------------|---|---|--|
| 2016 onwards | 4.5 | 6.0 | 8.0 |

The total RWA shall be calculated as the sum of credit RWA, market RWA, operational RWA and large exposure risk requirements as determined in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) or the Capital Adequacy Framework (Basel II – Risk Weighted Assets) for Islamic Banks, as the case may be.

Further, the Frameworks specify certain capital buffer requirements which must be complied with by 2019 with certain transitional arrangements.

Single Counterparty Exposure Limit

Pursuant to the Single Counterparty Exposure Limit guidelines and the Single Counterparty Exposure Limit for Islamic Banks guidelines issued by BNM which came into effect on 9 July 2014, banks are prohibited from extending credit facilities to a single counterparty (including the exposure to any group of persons connected to such single counterparty but shall not include any exposure to, and any exposure explicitly guaranteed by, BNM or the Government) in excess of 25 per cent. of the total capital of the bank (total capital has the same meaning assigned to it in the relevant Framework), subject to certain exemptions.

The single counterparty exposure limit is exempted for the following:

- (a) exposures of an overseas branch or subsidiary of a banking institution or an Islamic banking institution (as the case may be) to the sovereign government or central banks in the jurisdiction where it is located, where the exposure is denominated in local currency and held to meet regulatory requirements imposed by the central bank in that jurisdiction;
- (b) exposures to a banking institution or an Islamic banking institution (as the case may be) licensed by BNM, or a development financial institution, arising from interbank money market transactions;
- (c) exposures arising from granting of intra-day facilities; and
- (d) exposures deducted in the calculation of a banking institution's total capital or an Islamic banking institution's total capital (as the case may be) as specified in regulatory adjustments of the relevant Frameworks such as investments in financial subsidiaries.

Lending to Connected Parties

Effective 1 January 2008, BNM revised the "Guidelines on Credit Transactions and Exposures with Connected Parties" and "Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks" (collectively the "**Connected Parties Guidelines**") to provide greater flexibility for licensed institutions, including banks, to extend credit and make investments in the ordinary course of business to/in connected parties which are of good credit standing, while ensuring that connected parties, who by virtue of their positions which could potentially exert influence over the credit approval process, do not inappropriately derive more favourable terms and conditions than other loan customers. The current Connected Parties Guidelines (issued on 16 July 2014) sets out the broad parameters and conditions relating to the conduct of such transactions with connected parties to ensure an appropriate level of prudence. It also outlines the roles and responsibilities of the management and the board of the licensed institution.

Corporate Appointments

Under the FSA and the IFSA (as the case may be), the appointment of directors, chief executive officer ("**CEO**"), and the chairman of a bank is subject to the prior written approval of BNM. A person is disqualified from being appointed or elected, or reappointed or reelected as a chairman of the Board or a director or a CEO of a bank if, for example, that person is an undischarged bankrupt, has suspended payments or has compounded with his creditors whether in or outside of Malaysia; a charge for a criminal offence relating to dishonesty or fraud under any written law or the law of any country, territory or place outside Malaysia, has been proven against that person; that person is prohibited from being a director of a company or in any way, whether directly or indirectly, be concerned or take part in the management of a company in Malaysia pursuant to a court order made under section 130A of the Malaysian Companies Act, 1965 and has not obtained any leave of the court under the same section; or under any law relating to prevention of crime, drug trafficking or immigration, an order of detention, supervision, or deportation has been made against that person or any form of restriction or supervision by bond or otherwise, has been imposed on that person. BNM may specify fit and proper requirements to be complied with by a chairman or a director or a CEO of a bank, which may include minimum criteria relating to probity, personal integrity and reputation, competency and capacity, and financial integrity.

BNM's Guidelines on Corporate Governance for Licensed Institutions (as updated on 19 June 2013) sets out board principles and minimum standards as well as specific requirements for sound corporate governing which are expected of a bank and its holding companies and stipulate, *inter alia*, that:

- (1) The Board of a bank must have an appropriate number of directors commensurate with the complexity, size, scope and operations of the licensed institution.
- (2) The Board should comprise of directors who as a group provide a mixture of core competencies such as finance, accounting, legal, business management, information technology and investment management.
- (3) At least a third of the Board must be independent directors. However, in cases where BNM has concerns as to the effective functioning of the Board, a higher proportion of independent directors may be specified by BNM.
- (4) There should not be more than one executive director on the Board of a licensed institution. However, under exceptional circumstances, BNM may allow up to a maximum of two executive directors.
- (5) The terms of the appointment of a director should provide an avenue for the removal of a director who is ineffective, errant or negligent in discharging the director's responsibilities.
- (6) There shall be clear separation between the roles of chairman and CEO of a licensed institution
- (7) Individuals who are active in politics cannot be appointed as a director of a licensed institution

BNM is also empowered under the FSA and the IFSA (as the case may be) to remove any director of a bank if BNM is of the opinion that the director of the bank no longer fulfills the fit and proper requirements specified under the FSA or the IFSA (as the case may be) and fails to cease holding such office or acting in such capacity or the director has breached, contravened or failed to comply with or, by action or negligence, has contributed to the breach or contravention of, or non-compliance with any provision of the FSA or the IFSA(as the case may be), a direction issued by BNM or an enforceable undertaking accepted by BNM.

Interest Rate Regulation

On 12 December 2014, BNM issued a new Reference Rate Framework to replace the base lending rate ("**BLR**") with the base rate ("**Base Rate**") as the main reference rate for new retail floating rate loans. With effect from 2 January 2015, the Base Rate is determined by the financial institutions' benchmark

cost of funds and the SRR. Other components of loan pricing such as borrower credit risk, liquidity risk premium, operating costs and profit margin is reflected in a spread above the Base Rate. The Base Rate is used for new retail floating rate loans and the refinancing of existing loans extended from 2 January 2015 onwards. After the effective date, BLR based loans prior to 2015 continue to be referenced against the BLR. However, when a financial institution makes any adjustments to the Base Rate, a corresponding adjustment to the BLR is also made. As such, financial institutions are required to display both their Base Rate and BLR at all branches and websites.

Exchange Control Policy

Malaysia has historically maintained a liberal system of exchange controls. Prior to September 1998, the few exchange control rules that were in place were aimed at monitoring the settlement of payments and receipts for compilation of balance of payments statistics and to ensure that funds raised abroad were channelled to finance productive investments in Malaysia which either directly or indirectly generate foreign exchange.

On 1 September 1998, the Government introduced a series of selective exchange control measures. These measures were designed to eliminate the internationalisation of the Ringgit to contain speculation and to stabilise short-term capital flows. On 2 September 1998, the exchange rate was fixed at RM3.80 to U.S.\$1.00. With effect from 22 July 2005, the exchange rate had been allowed to operate in a managed float by BNM with its value being determined by various economic factors. BNM will monitor the exchange rate against a currency basket.

With the coming into effect of the FSA and the IFSA, BNM has on 28 June 2013 revoked all previous exchange control notices and related circular letters and issued 7 Foreign Exchange Administration notices ("**FEA notices**") in exercise of the powers conferred to BNM under the FSA and IFSA. The FEA notices set out transactions permitted by BNM which are otherwise prohibited under the FSA and the IFSA. The FEA notices, which remains liberal, are prudential measures aimed at further developing the domestic financial market and enhancing competitiveness of the economy of Malaysia through the creation of a more supportive and facilitative environment for trade, business and investment activities.

Priority Sector Lending Guidelines

Under BNM's guidelines on Lending/Financing to the Priority Sectors 2015-2016 (issued on 26 December 2014), banking institutions, including the Bank, are required to internally set and submit to BNM their lending/financing targets for the following sectors: (i) lending/financing to SMEs with at least 50 per cent. comprising Bumiputera SMEs; and (ii) lending/financing for affordable housing.

Under the guideline on lending/financing to SMEs, SMEs as defined by SME Corp Malaysia, are domestic business enterprises with (i) annual sales turnover not exceeding RM50 million and not more than 200 full-time employees for manufacturing and the manufacturing-related services sector and annual sales turnover not exceeding RM20 million and not more than 75 full-time employees for services and other sectors. The guidelines also identified the following SME sub-sectors for individual monitoring by BNM: (i) agriculture; and (ii) new growth areas, which includes: (a) green technology; (b) biotechnology; and (c) innovative sector.

The agriculture subsector includes, amongst others activities, growing of crops, market gardening, horticulture, livestock farming, forestry and logging, and fishing operations. The green technology subsector covers SMEs that have obtained a valid "Green Project Financing Recommendation Certificate" from Malaysian Green Technology Corporation. The biotechnology subsector covers SMEs that have obtained a BioNexus status from Malaysian Biotechnology Corporation. The innovative subsector refers to (i) SMEs with intellectual property rights, which are registered with the Intellectual Property Corporation of Malaysia; (ii) SMEs that have obtained the 1-InnoCERT certification from SME Corporation Malaysia, and; (iii) SMEs in Information Communications & Technology that have obtained MSC-status from Multimedia Development Corporation.

The housing-related guidelines cover houses costing up to RM250,000 for Peninsular Malaysia and an additional 20.0 per cent. on the value of houses for the states of Sabah and Sarawak. Under the housing loan lending guideline, the maximum prescribed interest rate on housing loan lending is Base Rate plus

2.5 per cent. for commercial banking institutions and a maximum profit rate of 9 per cent. for Islamic banking institutions.

Powers of Enforcement

BNM has broad powers to enforce the FSA and the IFSA. In particular, where BNM is of the opinion that in respect of a bank, (i) the bank has breached or contravened any provision of the FSA, IFSA, the Central Bank of Malaysia Act, 2009 or any written law, regardless that there has been no prosecution or other action in respect of the breach or contravention; (ii) the bank has failed to comply with any direction under section 156 of the FSA or section 168 of the IFSA (as the case may be); (iii) the assets of the bank are not sufficient to give adequate protection to its depositors or creditors, as the case may be; (iv) the capital of the bank has reached a level or is eroding in a manner that may detrimentally affect its depositors, creditors or the public generally; (v) the bank has become or is likely to become insolvent or is likely to become unable to meet all or any of its obligations; or (vi) any other state of affairs exists in respect of the bank that may be materially prejudicial to the interests of the depositors or creditors of the bank, including where proceedings under a law relating to bankruptcy or insolvency have been commenced in Malaysia or elsewhere in respect of the holding company of the bank, including its financial holding company, BNM may (1) with the approval of the MOF assume control of the whole or part of the business, affairs or property of the bank and manage the whole or such part of its business and affairs, or appoint any person to do so on its behalf; (2) make a court application to appoint a receiver or manager to manage the whole or part of the business, the affairs or property of the bank; (3) with the approval of the MOF vest in a bridge institution or any other person, the whole or part of the business, assets or liabilities of the bank and BNM may provide the bridge institution with such financial assistance as BNM thinks appropriate; (4) with the approval of MOF provide financial assistance to another institution or any other person to purchase any shares, or the whole or any part of the business, assets or liabilities of the bank; or (5) recommend to the MOF and on such recommendation, the MOF may authorize BNM to file an application for the winding up of the bank.

BNM also has the power to issue a direction of compliance to a bank, its director, CEO or senior officer if BNM is of the opinion that the bank, its director, CEO or senior officer is committing or pursuing an unsafe act or unsound practice in conducting the business of the bank and/or has failed to manage its business and affairs in a manner that is consistent with sound risk management and good governance. If the bank, its director, CEO or senior officer fails to comply with any such direction of compliance, it will be an offence and upon conviction, shall be liable to imprisonment for a term not exceeding 10 years or to a fine not exceeding RM50 million or both.

Inspections by BNM

BNM is empowered to examine, without any prior notice, the business and affairs of a bank and its offices, related corporations and any agents of the bank in or outside Malaysia. For this purpose, BNM may also examine such persons' directors, officers or controllers, and shall have access to the bank's documents including documents of title to its assets, all securities held by it in respect of its customers' transactions and investments held by it, cash, premises, apparatus, equipment or machinery, and the bank shall produce to BNM all such documents or cash, as BNM may require within such time as BNM may specify.

Deposit Insurance

Deposit insurance is a system established by the Government to protect depositors against the loss of their deposits in the event a member institution is unable to meet its obligations to depositors. As an integral component of an effective financial safety net, a deposit insurance system enhances consumer protection by providing explicit protection to depositors.

In Malaysia, the deposit insurance system was brought into effect in September 2005 and is managed by PIDM or MDIC within the international context. PIDM/ MDIC is an independent statutory body established under the Malaysia Deposit Insurance Corporation Act 2005 ("**PIDM Act**").

Benefits to insurance depositors include:

- PIDM insures depositors holding insured deposits with member institutions;

- deposit insurance is automatic;
- there are no direct costs to depositors for deposit insurance protection; and
- should a member institution fail, PIDM will promptly reimburse depositors up to the limit of the deposit insurance coverage provided under the PIDM Act.

Benefits to the financial system include:

- PIDM promotes public confidence in Malaysia's financial system by protecting depositors against the loss of their deposits;
- PIDM reinforces and complements the existing regulatory and supervisory framework by providing incentives for sound risk management in the financial system;
- PIDM minimises costs to the financial system by finding least cost solutions to resolve failing member institutions; and
- PIDM contributes to the stability of the financial system by dealing with member institution failures expeditiously and reimbursing depositors as soon as possible.

With effect from 31 December 2010, the Malaysia Deposit Insurance Corporation Act 2011 ("**2011 Act**") came into effect and replaced the PIDM Act.

The 2011 Act was enacted to implement an enhanced financial consumer protection package, whereby, amongst others, the deposit insurance limit was increased to RM250,000 per depositor per member bank. In addition, under the 2011 Act, foreign currency deposits will now benefit from deposit insurance protection.

The enhanced financial consumer protection package also includes the expansion of PIDM's mandate to include the administration of the Takaful and Insurance Benefits Protection System ("**TIPS**"). TIPS is an explicit, limited Government protection system which covers takaful and insurance benefits and will be administered broadly along the same approach as provided for in the current deposit insurance system.

Licensed insurance companies and registered takaful operators ("**insurer members**") will automatically become member institutions of PIDM. In addition, the 2011 Act includes powers for PIDM to intervene in or resolve troubled insurer members and ensure prompt payments to claimants under the policies or takaful certificates protected under TIPS.

The 2011 Act widens PIDM's mandate, roles and responsibilities, and provide it with a wider toolkit to fulfil its mandate to protect depositors in the event of a member institution failure.

Guidelines on Investor Protection

The Guidelines on Investor Protection, which took effect on 17 December 2010 and was jointly issued by BNM and the SC, sets out the requirements that must be complied with by financial institutions which are specified as "registered persons" in Part 1 of Schedule 4 pursuant to Section 76(1)(a) of the CMSA and their employees when carrying on permitted capital market activities. Registered persons must ensure that their employees who carry out permitted capital market activities on their behalf are "fit and proper" as well as maintain a register containing the names of such employees. The standard on "fit and proper" is met through compliance with (i) minimum "fit and proper" criteria, (ii) examination requirements, and (iii) continuing professional education requirements. A registered person shall also maintain adequate operational resources and efficient procedures necessary for the proper conduct of the permitted capital market activities at all times. Non-compliance of the Guidelines on Investor Protection may result in an action being instituted against the registered person or its employees by BNM or the SC.

Guidelines on Responsible Finance

On 18 November 2011, BNM introduced guidelines to financial institutions aimed at promoting prudent, responsible and transparent retail financing practices. BNM subsequently issued revised guidelines to financial institutions on 5 July 2013 ("**Guidelines on Responsible Finance**"). The Guidelines on Responsible Finance complement other measures that promote better protection for financial consumers and a sustainable credit market that contributes towards preserving financial and macro-economic stability.

The Guidelines on Responsible Finance require financial institutions to make assessments of a borrower's ability to afford financing facilities based on a prudent debt service ratio as inputs to their credit decisions. Financial service provider must make appropriate enquiries into a prospective borrower's income after statutory deductions for tax and contributions to the Employees Provident Fund and Social Organisation Security, and consider all debt obligations, in assessing affordability. While this is consistent with the current practice of most financial institutions, the Guidelines on Responsible Finance facilitates a sharper focus and more consistent approaches across the industry to assessments of individual affordability. The Guidelines on Responsible Finance aims to ensure that the increasingly competitive conditions will not lead financial institutions to compromise prudent and responsible financing practices. The Guidelines on Responsible Finance also stipulate that the maximum tenor for vehicle financing applications should not exceed nine (9) years.

Additionally, the Guidelines on Responsible Finance aims to encourage sound borrowing decisions by consumers through better engagements with financial institutions that will help consumers carefully consider their ability to service all their debt obligations without recourse to further debt or substantial hardship. Clear expectations are also placed on financial institutions to ensure that consumers are treated fairly in the sales, marketing and administration of financing facilities. Financial institutions are also required to at least provide consumers with specific information on, amongst others, the total repayment amount and total interest cost as well as the impact of an increase in the financing rate to ensure that consumers understand the full implications of a borrowing decision. BNM will continue its surveillance and supervisory activities to ensure that the requirements under the Guidelines on Responsible Finance are properly implemented.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg, CMU or CDP (together, the Clearing Systems) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer, the Arranger nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer, the Arranger nor any Dealer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

Book-entry Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

CMU

The CMU Service is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU Service. The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all members of the Hong Kong Capital Markets Association, "authorised institutions" under the Banking Ordinance and other domestic and overseas financial institutions at the discretion of the HKMA.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant

CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest in the Notes through an account with either Euroclear or Clearstream, Luxembourg will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

CDP

In respect of Notes which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities (the "**Depository System**") maintained by CDP. CDP, a wholly-owned subsidiary of the Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Notes which are accepted for clearance by CDP, the entire issue of the Notes is to be held by CDP in the form of a global note for persons holding the Notes in securities accounts with CDP ("**Depositors**"). Delivery and transfer of Notes between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors. Although CDP encourages settlement on the third business day following the trade date of debt securities, market participants may mutually agree on a different settlement period if necessary.

Settlement of over-the-counter trades in the Notes through the Depository System may only be effected through certain corporate depositors ("**Depository Agents**") approved by CDP under the Securities and Futures Act, Chapter 289 of Singapore to maintain securities sub-accounts and to hold the Notes in such securities sub-accounts for themselves and their clients. Accordingly, Notes for which trade settlement is to be effected through the Depository System must be held in securities sub-accounts with Depository Agents. Depositors holding the Notes in direct securities accounts with CDP, and who wish to trade Notes through the Depository System, must transfer the Notes to be traded from such direct securities accounts to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Notes in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, Arranger, any Dealer, the Paying Agent, any other agent or any other person (other than CDP) will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within Euroclear, Clearstream, Luxembourg, CDP or the CMU Service will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Euroclear, Clearstream, Luxembourg, CDP and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among accountholders of Euroclear, Clearstream, Luxembourg, CDP and the CMU Service. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Paying Agents, the Registrar and the Dealers will be responsible for any performance by Euroclear, Clearstream, Luxembourg, CDP or the CMU Service or their respective accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this document and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all types of Notes or to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Investors should consult their own tax advisers regarding the tax consequences of an investment in the Notes of a specific Series.

Malaysian Taxation

All payments by the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of any present or future tax, duty or charge of whatever nature imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Notes:

- (a) to or on behalf of a Noteholder who is treated as a resident of Malaysia or a permanent establishment in Malaysia for tax purposes;
- (b) to or on behalf of a Noteholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Notes by reason of his having some connection with Malaysia other than a mere holding of such Notes; and
- (c) presented for payment by or on behalf of a Noteholder who would not be liable or subject to such withholding or deduction by making a declaration of residence in Malaysia or other similar claim for exemption to the relevant tax authority and has failed to do so within the time prescribed by law or at all.

The proposed financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate. The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current European Commission proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

U.S. Foreign Account Tax Compliance Withholding

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S.

FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY PERSON FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

FATCA generally requires certain non-U.S. financial institutions to report certain information on their account holders to the government of the United States and require such institutions to withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

This new withholding regime may apply to payments made after 31 December 2016 on, or with respect to, (i) any Notes issued or materially modified on or after the date that is six months after the date on which the final regulations defining the term "foreign passthru payments" are filed with the Federal Register (the "**grandfathering date**") and (ii) any Notes which are treated as equity for U.S. federal income tax purposes. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including Hong Kong) have entered into, or have announced their intention to enter into, intergovernmental agreements (or similar mutual understandings) with the United States ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. The full impact of such IGAs (and the laws implementing such IGAs in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdictions. It is not yet certain how the United States and the jurisdictions which enter into IGAs will address withholding on "foreign passthru payments" (which may include payments on the Notes) or if such withholding will be required at all.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected. Holders of the Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

The application of FATCA to Notes issued on or after the date that is six months after the date on which the final regulations defining the term "foreign passthru payments" are filed with the Federal

Register, or Notes treated as equity for U.S. federal income tax purposes, may be addressed in the relevant Pricing Supplement or a supplement to this Offering Circular, as applicable.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE HOLDERS IS UNCERTAIN AT THIS TIME. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

Singapore Taxation

The statements below are only applicable to Notes issued by the Issuer acting through its Singapore Branch, are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Monetary Authority of Singapore (the "MAS") in force as at the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Holders and prospective holders of the Notes are advised to consult their own tax advisors as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Arranger, the Dealers and any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

The disclosure below is on the assumption that the Inland Revenue Authority of Singapore regards Subordinated Notes containing non-viability loss absorption provisions as debt securities for the purposes of the Income Tax Act, Chapter 134 of Singapore ("ITA") and eligible for the qualifying debt securities scheme. If any tranche of the Subordinated Notes is not regarded as debt securities for the purposes of the ITA and/or holders thereof are not eligible for the tax concessions under the qualifying debt securities scheme, the tax treatment to holders may differ. Investors and holders of any tranche of the Subordinated Notes should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of any tranche of the Subordinated Notes.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be

withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 22 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

Withholding Tax Exemption on Qualifying Payments by Specified Entities

Pursuant to Section 451 of the ITA, payments of income which are deemed under Section 12(6) of the ITA to be derived from Singapore and which are made by a specified entity shall be exempt from withholding tax if such payments are liable to be made by such specified entity for the purpose of its trade or business under a debt security which is issued within the period from 17 February 2012 to 31 March 2021. Notwithstanding the above, permanent establishments in Singapore of non-resident persons are required to declare such payments in their annual income tax returns and will be assessed to tax on such payments (unless specifically exempt from tax).

A specified entity includes a bank licensed under the Banking Act, Chapter 19 of Singapore or a merchant bank approved under the Monetary Authority of Singapore Act, Chapter 186 of Singapore.

Qualifying Debt Securities Scheme

In addition, with respect to any tranche of the Notes issued as debt securities under the Programme (the "**Relevant Notes**") during the period from the date of this Offering Circular to 31 December 2018 where more than half of the issue of such Relevant Notes is distributed by Financial Sector Incentive (Bond Market), Financial Sector Incentive (Standard Tier) or Financial Sector Incentive (Capital Market) Companies (as defined in the ITA), such tranche of Relevant Notes would be, pursuant to the ITA and the MAS Circular FSD Cir 02/2013 entitled "Extension and Refinement of Tax Concessions for Promoting the Debt Market" issued by the MAS on 28 June 2013 (the "**MAS Circular**"), qualifying debt securities ("**QDS**") for the purposes of the ITA.

If the Relevant Notes are QDS:

- (a) subject to certain prescribed conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed, and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using funds from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment

fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from the Relevant Notes, derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

- (b) subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed), Qualifying Income from the Relevant Notes derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
- (c) subject to:
 - (i) the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and
 - (ii) the furnishing of a return on debt securities in respect of the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed,

payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

- (i) if during the primary launch of any tranche of the Relevant Notes, the Relevant Notes of such tranche are issued to less than four persons and 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as QDS; and
- (ii) even though a particular tranche of Relevant Notes are QDS, if, at any time during the tenor of such tranche of Relevant Notes, 50 per cent., or more of such Relevant Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from such Relevant Notes held by:
 - (1) any related party of the Issuer; or
 - (2) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above

The term "related party", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "break cost", "prepayment fee" and "redemption premium" are defined in the ITA as follows:

"break cost", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of

which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

"prepayment fee", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

"redemption premium", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium and break cost (i.e. the Qualifying Income) is derived from any of the Relevant Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Notes using funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Relevant Notes is not exempt from tax is required to include such income in a return of income made under the ITA.

Notwithstanding that the Issuer (acting through its Singapore branch) is permitted to make payments of Qualifying Income in respect of the Relevant Notes without deduction or withholding for tax under Section 45 or Section 45A of the ITA, any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax is required to include such income in a return of income made under the ITA.

Under the Qualifying Debt Securities Plus Scheme (the "**QDS Plus Scheme**"), subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the QDS in the prescribed format within such period as relevant authorities may specify and such other particulars in connection with the QDS as the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed), income tax exemption is granted on Qualifying Income derived by any investor from QDS (excluding Singapore Government Securities) which:

- (a) are issued during the period from 16 February 2008 to 31 December 2018;
- (b) have an original maturity of not less than 10 years;
- (c) cannot be redeemed, called, exchanged or converted within 10 years from the date of their issue; and
- (d) cannot be re-opened with a resulting tenor of less than 10 years to the original maturity date

However, even if a particular tranche of the Relevant Notes are QDS which qualify under the QDS Plus Scheme, if, at any time during the tenor of such tranche of Relevant Notes, 50 per cent. or more of such Relevant Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income from such Relevant Notes derived by:

- (i) any related party of the Issuer; or
- (ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above

The MAS Circular states that, with effect from 28 June 2013, the QDS Plus Scheme will be refined to allow QDS with certain standard early termination clauses (as prescribed in the MAS Circular) to qualify for the QDS Plus Scheme at the point of issuance of such debt securities. The MAS has also

clarified that if such debt securities are subsequently redeemed prematurely pursuant to such standard early termination clauses before the 10th year from the date of issuance of such debt securities, the tax exemption granted under the QDS Plus Scheme to Qualifying Income accrued prior to such redemption will not be clawed back. Under such circumstances, the QDS Plus status of such debt securities will be revoked prospectively for such outstanding debt securities (if any), and holders thereof may still enjoy the tax benefits under the QDS scheme if the QDS conditions continue to be met.

The MAS has stated that, notwithstanding the above, QDS with embedded options with economic value (such as call, put, conversion or exchange options which can be triggered at specified prices or dates and are built into the pricing of such debt securities at the onset) which can be exercised within ten years from the date of issuance of such debt securities will continue to be excluded from the QDS Plus Scheme from such date of issuance.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard 39 ("**FRS 39**") may, for Singapore income tax purposes, be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39. Please see the section below on "Adoption of FRS 39 Treatment for Singapore Income Tax Purposes".

Adoption of FRS 39 Treatment for Singapore Income Tax Purposes

The Inland Revenue Authority of Singapore has issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 — Financial Instruments: Recognition & Measurement" (the "**FRS 39 Circular**"). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain "*opt-out*" provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders of the Notes who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

Hong Kong Taxation

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, *inter alia*, a financial institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong)) are exempt from the payment of Hong Kong profits tax. Provided no prospectus with respect to the issue of the Notes is registered under the Companies Ordinance (Cap. 32) of Hong Kong, the issue of Hong Kong Notes by the Issuer is expected to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Bearer Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

- (i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent., of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes. No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes. Stamp duty will, however, not be payable on any transfers of Registered Notes provided that either:

- (i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent., (of which 0.1 per cent., is payable by the seller and 0.1 per cent., is payable by the purchaser) normally by reference to the consideration or its value. If in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay an unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in

relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

SUBSCRIPTION AND SALE

The Arranger and each Dealer have, in an amended and restated programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated 15 April 2016, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or, in the case of Notes that are expressed in the applicable Pricing Supplement to be subject to the D Rules, to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder) except pursuant to an exemption, or a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes within the United States, except as permitted by the Programme Agreement.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Code.

The Notes are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or, in the case of Notes that are expressed in the applicable Pricing Supplement to be subject to the D Rules, to any U.S. person. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act ("**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of each relevant Dealer nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in paragraphs (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

Singapore

Each Dealer appointed under the Programme has acknowledged that this Offering Circular has not and will not be registered as a prospectus with the MAS and Notes will be issued in Singapore pursuant to an exemption invoked under Section 274 and/or Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) pursuant to Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other relevant laws and regulations of Japan.

Malaysia

Each Dealer appointed under the Programme has represented, warranted and agreed that:

- (a) the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes may only be made directly or indirectly to persons to whom an offer or invitation to subscribe the Notes may be made and to whom the Notes are issued would fall within Part 1 of Schedule 6 or Section 229(1)(b) of the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**") and Part 1 of Schedule 7 or Section 230(1)(b) of the CMSA, and read together with Schedule 8 or Section 257(3) of the CMSA; and
- (b) no circulation or distribution of any offering document or material relating to the Notes, shall directly or indirectly, be made to persons in Malaysia other than those to whom an offer or invitation to subscribe the Notes may be made and to whom the Notes are issued would fall within Part 1 of Schedule 6 or Section 229(1)(b) of the CMSA and Part 1 of Schedule 7 or Section 230(1)(b) of the CMSA, and read together with Schedule 8 or Section 257(3) of the CMSA.

Hong Kong

Each Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**Securities and Futures Ordinance**"), other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Taiwan

In the case of Notes to be listed on the Taipei Exchange in Taiwan pursuant to the Rules Governing Management of Foreign Currency Denominated International Bonds of the Taipei Exchange, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to be represent and agree, that the Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional institutional investors" as defined under Paragraph 2 of Article 4 of the Financial Consumer Protection Act of the ROC. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional institutional investor.

General

Each Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer and any other Dealer shall have any responsibility therefor.

None of the Issuer, the Arranger and any of the Dealers appointed under the programme represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction that would permit a public offering of any of the Notes, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, each relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and each relevant Dealer and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme and the issue of Notes under the Programme was duly authorised by resolutions of the Board of the Issuer dated 23 February 2012. The update of the Programme and the increase in the Programme size were duly authorised by resolutions of the Board of the Issuer dated 25 November 2016.

Listing

2. Application has been made to the SGX-ST for permission to deal in and for the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

An application has been made to the LFX for the listing of, and permission to deal in, any Notes that may be issued pursuant to the Programme, but there can be no assurance that such listings will occur on or prior to the issue date or at all.

The Programme has been admitted for the listing of the Notes on TSE in its capacity as the market operator of the TOKYO PRO-BOND Market in accordance with the rules and regulations of TSE.

Application will be made to the TPEX for the listing of, and permission to deal in, any Notes which are agreed at the time of issue thereof to be so listed on the TPEX pursuant to the applicable rules of the TPEX. Admission to the listing and trading of the Notes on the TPEX shall not be taken as an indication of the merits of the issuer or the Notes. No assurance can be given that such application will be approved or that the TPEX listing will be maintained.

Clearing systems

3. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through CDP. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

No significant change

4. Save as disclosed in this Offering Circular, there has been no material adverse change in the financial position of the Issuer or of the Group since 31 December 2015.

Litigation

5. Save for the legal proceedings disclosed in this Offering Circular, neither the Bank nor any member of the Group was involved in any legal or arbitration proceedings (including any

proceedings which were pending or threatened of which the Bank was aware) which would have had a significant and material effect on the financial position of the Bank or the Group.

Independent Auditors

- 6 The independent auditors of the Issuer are Ernst & Young.
- 7 The consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2015, which are included elsewhere or incorporated by reference in this Offering Circular, have been audited by Ernst & Young, independent auditors, as stated in their reports appearing or incorporated by reference herein.

Documents

- 8 So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being in Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong:
 - (a) the constitutional documents of the Issuer;
 - (b) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2015 (together with the Directors' reports and the Independent Auditors' reports prepared in connection therewith) which have been previously published;
 - (c) the most recently published audited financial statements of the Issuer since the date of this Offering Circular;
 - (d) any interim consolidated and unconsolidated financial statements of the Issuer (whether audited or unaudited) published subsequent to the most recently published consolidated and unconsolidated audited financial statements of the Issuer since the date of this Offering Circular;
 - (e) the Amended and Restated Programme Agreement, the Amended and Restated Agency Agreement, the ECC Deed of Covenant, the CDP Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
 - (f) a copy of this Offering Circular; and
 - (g) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

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